

Board of Directors Report 2018

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Message from the Chairman

Dear shareholders of Mobile Telecommunications Company Saudi Arabia (Zain KSA),

We hereby present the annual Board of Directors' report for your Company's activities and operations during the past financial year ending 31st December 2018. In light of the significant developmental renaissance witnessed across the Kingdom of Saudi Arabia, great economic reformatations, and ambitious national vision, it is imperative on companies within the Kingdom to continue working to their maximum capabilities to contribute to Vision 2030, which focuses on the private sector contributing actively to the national economy. The private sector has received support from the Government of the Custodian of the Two Holy Mosques, King Salman bin Abdulaziz and His Royal Highness, the Crown Prince Mohammed bin Salman bin Abdulaziz – may Allah save them.

The vision of Zain KSA is an integral part of the National Economic System, and is an important element in one of the most critical economic sectors, which is looked upon to contribute to GDP through its digital transformation programs that are in line with the aspirations of Vision 2030.

The company's positive financial results in 2017 and 2018 are important indicators of the dedication of Zain KSA to improve the company's financial performance, operational activity and place it in a prime position to be able to recruit and maintain a national workforce.

At Zain KSA, we aspire to become an important platform for developing technology, stimulating innovation and improving the quality of services offered to private and public sectors. We also aspire to enter into more qualitative agreements with major international and local companies to elevate the level of services provided, and to achieve a noticeable positive impact within the ICT sector.

We are very proud of the positive numbers achieved by the company in terms of recruiting and qualifying nationals. We are also proud to expand opportunities that empower women, launching for instance, the Ambassadors Program for the company's female employees. We also opened wider horizons for the training of Saudi nationals - locally and abroad, and increased the level of their qualifications to contribute to the ICT sector.

We remain determined to achieve even greater positive results in the future by creating added value to meet the needs and expectations of the company's customers, staff, partners and shareholders of the company and to achieve a more effective contribution towards achieving Vision 2030.

HH Nayef bin Sultan bin Mohammed bin Saud Al-Kabeer



Message from the CEO

Zain KSA has entered a new era. This year marks a milestone in the growth of our operations. The positive developments in the Saudi Communications and Information Technology sector with regards supportive legislation and decisions, have helped to establish a strong platform for companies operating in this vital sector. This will inspire these companies, including Zain KSA, to play a bigger role in improving the quality of services, opening a wider horizon for the training and recruitment of nationals, and contributing to the realization of Vision 2030.

During 2018, Zain KSA achieved record financial results, the best since the inception of the company. These positive results demonstrate the efforts of the Board of Directors, and the company's executive departments at various levels, all of which help meet the aspirations and expectations of our customers, who are our success partners, and the company's shareholders.

At Zain KSA, we work tirelessly to increase our market share and elevate the quality of services offered. We look forward to continuing to build partnerships and value-adding agreements that will enhance innovation and keep abreast of technological developments.

The significant developments witnessed by the ICT sector in the Kingdom of Saudi Arabia have clearly contributed to achieving a qualitative leap, which gives the company a greater chance of continuing to deliver positive financial results, providing the opportunity to expand its business presence and open a wider horizon for recruitment, training and qualification of national workforce.

Celebrating Zain KSA's tenth anniversary, 2018 represented a new era, as it constituted a major milestone for the company's operational growth. We continue to work on a series of initiatives aimed at ensuring that Zain becomes a driver of innovation, highly advanced services, and digital transformation. Through Zain's investment in future technologies such as 5G, digital payment services in partnership with Halalah Company, and cloud computing in alliance with Ali Baba Cloud Co.; expanding the company's portfolio of enterprise services; and working on upgrading the network, the company remains dedicated to fulfilling its contribution to Vision 2030.

Eng. Sultan bin AbdulAziz AlDeghaither



Company's Establishment and Activities

Mobile Telecommunications Company Saudi Arabia (Zain KSA), provides mobile telecommunication services in the Kingdom of Saudi Arabia in which it operates, purchases, delivers, installs, manages, and maintains telecommunications services.

The entity is a Saudi Joint Stock Company established pursuant to Royal Decree No. 48/M dated 26th of Jumada I 1428H (corresponding to 12th of June 2007), Ministerial Resolutions No. 176 dated 25th of Jumada I 1428H (corresponding to 11th of June 2007), No. 357 dated 28th of Dhu Al Hijjah 1428H (corresponding to 7th of January 2008), and Commercial Registration No. 1010246192 issued in Riyadh, on 4th of Rabi Al-Awwal 1429H (corresponding to 12th of March 2008). These licenses allowed the entity to operate as the third public mobile cellular operator having received the first technology neutral license in the Kingdom for a period of 25 years. This license period has been extended for an additional 15 years, through the High Order issued in October 2016 that also granted the company a unified license to provide all telecommunications services.

Zain KSA commenced commercial operations in August 2008, following an Initial Public Offering in February 2008. In September 2011, the company was the first operator in the Middle East to launch a 4G/LTE network commercially. In August 2018, Zain launched 5G services as the first operator to do so in Saudi Arabia.

As of 31 December 2018, Zain KSA had served more than 8 million customers and extended its network coverage to 99% of the population via around 9,343 cell sites. Through its state-of-the-art network, the ever-evolving operator is attracting thousands of new voice and data customers daily.

Through ongoing investment in telecommunications infrastructure and proactive marketing initiatives, Zain KSA is committed to offering the most innovative customer experience available. The company employs high-caliber people and nurtures the finest Saudi talents, with a current workforce comprising around 1,300 energetic and inspired majority-Saudi talents.

Zain KSA's Head Office is located in Riyadh, Ash Shuhada, Granada Business Park, Building A3, with the postal address P.O. Box 295814 – Riyadh 11351 – KSA.

Subsidiaries

• Zain Sales Co Ltd.

A limited liability company registered in the Kingdom of Saudi Arabia, with a capital of 10,000 SAR, wholly owned by the Mobile Telecommunication Company Saudi Arabia. Established in 2018 as a subsidiary. The company's activity is engaged in the fields of commercial distribution & partner management of this company.

The Sales Subsidiary Company has been established to be the Company's Sales Arm in the Market; to function as an intermediate between Zain KSA and the Consumer Sales & Distribution Channels, for more efficient channel management and overall sale efficiency. Nevertheless, It is expected to be the biggest channel in terms of revenue contribution to Zain KSA as a wholesale revenue, volume of Voice & Data Scratch Card/Vouchers, in addition to Voice and Data lines (Postpaid & Prepaid), with an expected 20% Cost Efficiency and 20% better Productivity.

• Zain Business Ltd.

A limited liability company registered in the Kingdom of Saudi Arabia, with a capital of 10,000 SAR, wholly owned by the Mobile Telecommunication Company Saudi Arabia. Established in 2018 as a subsidiary. The company's activity is engaged in the fields of telecommunication, information technology, specialized sub-contracting. Up until today the Subsidiary has not noted any direct or non-direct financial impact on the company. However, regarding future financial predications; taking into consideration, the Subsidiary has been established to undergo all the Company's infrastructure projects, which shall be announced publicly.

Zain KSA - Strategy Overview

Zain KSA - Strategy Overview >>

The core of our strategy is to transform into a leading information and communications company in Saudi Arabia, which allows our customers to benefit from a hyper-connected, evolving society.

We aim to grow profitably and lead the ongoing evolution of a digitally connected future for individuals, businesses, and machines - and deliver value to all key stakeholders.

Our strategy is built on seven key pillars:

1. Strengthen the core business

Maximize the value of our own user base

The Saudi Arabian population is often cited as one of the highest in proportion of youth, which has led to an ever-growing demand for wireless digital connectivity services. The Saudi market continues to exhibit a huge growth in demand for data products and applications, not only fueled by a young and digitally connected population but also driven by the strong adoption of e-government services and popularity of video streaming and HD content on social media. Our investment in network expansion and spectrum acquisition is aimed at positioning Zain KSA as the mobile data operator-of-choice and the first brand choice for students from high school to university.

2. Improve Cash Management discipline

Improve profitability and cash position

Our main objective is to implement and design a yearly cost optimization plan by enhancing internal controls, improve procurement efficiency through team upskills, process digitization, optimizing capital structure and relationship with creditors and ensuring high return on investment (ROI). We are also interested in smart investment through the CAPEX value-based management.

3. Deliver growth from new Opportunities

Scale B2B revenue streams

As Vision 2030 is the driving force for the diversification of the Saudi economy, digitalization will be the key enabler across all industries. Superfast broadband access coupled with digital applications will continue to redefine the way we live and work in Saudi Arabia. Complementing our wireless portfolio, we plan to embark on delivering FTTH-based broadband connectivity to consumers. Through partnerships, we plan to deliver solutions to business clients based on high-speed connectivity and integrated applications. Our aspirations and plans are to be a leading ICT solution provider in Saudi Arabia in terms of innovation and agility.

4. Smart Network Evolution

Deliver seamless, end-to-end user experience across our network technologies and build network architecture for 2020 and beyond

Relevance and leadership in the data market is dependent on continuing to leverage the latest 5G evolution technologies. We will continue to invest in advanced wireless technologies, fiber-to-the-premises and hybrid fiber-wireless connectivity. In addition, we will ensure smart and efficient CAPEX investment, identify and execute OPEX optimization programs and maximize customer experience.

Zain KSA - Strategy Overview

5. Digitalization

Automate systems and processes to deliver consistent and better experience, and define lifestyle/entertainment digital services

We plan to enhance our digital capabilities to interface with the digital citizens of Saudi Arabia and serve more than 30% of customers electronically. We plan to participate in governmental and economic digitization efforts and projects, contributing to the Saudi knowledge-based economy and Vision 2030.

Consumers in Saudi Arabia are highly digitally-connected and in order to ensure that Zain KSA remains at the forefront of the ever-progressing digital economy, we have embarked on a digital transformation journey. This digital transformation will improve incrementally and digitalizing our customers' journey will bring the benefits of operational excellence and expansion of our digital footprint.

6. Human Capital Development

Develop and implement career management through effective and efficient practices

We plan to excel in the market by promoting a caring culture among our employees, as part of a fulfilling work environment, emphasizing the need to be an agile and efficient operator. We wish to attract and retain talented Saudis with an entrepreneurial attitude to ignite our growth and success. Performance, competitive spirit, challenger attitude, curiosity, women empowerment, innovation and success through teamwork will allow us to deliver better service to our customers, develop the right insights, and act quicker to translate initiatives into market success.

7. Venture Capital Investment

Taking advantage of growth in technology

There is a significant new player emerging in the venture capital world whose participation is changing the way the industry operates. Our objective is to strengthen brand equity while raising national transformation including venture capitalism as a corporate entrepreneurial responsibility to help solving unemployment in the Kingdom, while at the same time driving innovation and new revenue streams.

Zain KSA - Strategy Overview

Prospects and expectations

In light of the current economic challenges, increased competition in Saudi Arabia's telecommunications sector, the disruption of innovative applications for voice services, and declining demand for traditional telecom products, Zain KSA will continue to focus on revenue from digital products and services and quality data services for our customers.

Zain KSA believes that attracting more customers from targeted segments - across all sectors, individuals and companies - is the way to increase revenue and profitability, and new partnerships will be explored to provide solutions based on high-speed wireless and fiber-optic technologies without requiring an even larger fixed network infrastructure.

While the company's highest priority remains to expand its customer base and share of market revenue, it will also endeavor to enhance operational efficiencies, improve productivity and reduce operational costs. Current and future regulatory changes, particularly those involving a change in the company's fees and operating area, will have an impact on the company's future financial performance.

Internal Audit Department

Zain KSA's Internal Audit Department provides independent and objective assurance services to add value, improve operations and achieve the company's objectives. The internal audit plan has been developed using a risk-based approach in accordance with professional auditing standards as set out by the Institute of Internal Auditors and as described in the Internal Audit Charter at Zain KSA. The internal audit performed several audits in accordance with the annual audit plan approved by the Audit Committee to give necessary assurance of the effectiveness and efficiency of internal control in the company. The approved annual audit plan, for example, included reviewing procurement and financial policies and procedures, and reviewing and evaluating the company's internal control across operations.

Operational Overview

Operational Overview >>

The telecom market in Saudi Arabia has witnessed an unprecedented set of challenges that Zain KSA had to overcome to record its best commercial performance since inception. The year started with the implementation of VAT, which was the first tax of its kind in the Kingdom. The Kingdom also witnessed a huge departure of expats, including the increase of levies on the expats' dependents, which had a strong negative impact on the disposable income and share of wallet across the market.

1. Commercial Overview

Zain KSA quickly adjusted to the changing market dynamics and further strengthened its post-pay portfolio with innovative propositions targeting a disproportionate share of the acquisition market of local customers. The company also looked to preserve its prepaid business through a cluster of activities targeting customers with novel bundles and add-ons while maximizing customer value through around-the-clock offers.

Zain KSA's commercial strategy had a significant impact on growing our revenues by 3% year-on-year when compared to 2017, through the following actions:

- Establishing Zain KSA as the destination for best handset subsidies and installment programs in the Kingdom, coupled with post-pay products.

Zain KSA has revamped its voice post-pay products with the launch of the new iPhone, giving post-paid customers a unique opportunity to have an iPhone Xs at no additional charge by subscribing to a SAR 399 package. Zain KSA also introduced a SAR 299 offering inclusive of the iPhone Xr or Huawei Mate Pro at no additional charge, as well as launching the new SAR 199 package with the new Huawei Mate 20 or iPhone 8 included at no additional charge. Zain is also offering innovative benefits such as digital vouchers to be used with Google Play and App Store.

- Rebound the prepaid voice business and stop the bleeding on international revenues as well as de-risking the impact of the declining expat base.

On prepaid, our main focus was to stop the base and revenue decay and identify areas of growth potential. As the prepaid base was skewed towards expats, relevant and appealing propositions were devised. Focusing on the international component was pivotal, with nationality-specific add-ons created offering competitive international rates, which caused the steeply declining international revenues to stabilize, and slowed down the erosion of the prepaid base. The initiative also opened new opportunities tapping into unrepresented nationalities. We also started making international benefits hard-bundled into prepaid/hybrid packages to boost sales. Zain has strengthened its business in the growing visitors' market through a strong presence in relevant places, with a salesforce working 24/7 serving pilgrims wherever they are.

- Fortify Zain KSA's position as the leading data-centric operator.

Zain KSA continued its data monetization strategy across two fronts. Adjusting pricing for the entire data portfolio was a key step towards long-term profitability, coupled with the launch of innovative products such as the daily unlimited package to further cement the customer perception of being the go-to operator when it comes to data. In addition, and to aid in offsetting the impact of the declining mobile broadband (MBB) base, several successful win-back promotions were launched, with a focus on the high-value unlimited base. Several enhancements were introduced to facilitate an easier renewal and upgrade experience by using the automated usage notification message to promote more suitable packages based on customer usage and spending behavior.

Operational Overview

- Utilizing Client Value Management (CVM) capabilities to tap into and maximize revenue potential that is not covered by above-the-line propositions.

CVM focused on extracting value across all segments and was especially effective in helping the slowdown of the prepaid base decline by creating a vast number of targeted offers with various components such as local voice, data or value added services (VAS). Hundreds of different campaigns were launched in 2018, where customers were targeted based on their individual behavior with offers that would cater to their behavior. In 2018, the majority of Zain's active base were engaged in CVM offers, yielding millions of opt-ins and recording incremental revenue compared to the industry benchmarks.

- Transforming B2B to become an integrated ICT solution provider

After winning the unified license in 2018, Zain created a new organization focused on serving enterprise customers. During 2018, Zain Business saw significant growth in market position and customer recognition. Zain expects this trend to continue with strong reception of its services in the government and enterprise segments. Zain Business' go-to-market strategy is designed across the customer's journey to maximize satisfaction. This is supported by digitalizing customer interactions - offering easy to reach Zain features on the website, the offer of a digital app for managing existing services and IVR as well as a portal support for self-service customer care.

Zain Business offers top-notch customer experience to enterprise segments combined with industry leading SLA and customer care.

Zain Business developed comprehensive and innovative value propositions for mobile, fixed, IoT, IT security and cloud services, enabling customers to build end-to-end solutions to boost their productivity and enable growth in their businesses.

The fixed portfolio of Zain KSA is a recently built capability and a strong revenue growth lever, currently offering data and voice solutions over LTE, microwave and fiber. In 2018, Zain KSA launched DIA, and IP-VPN as main fixed data services and fixed voice product "SIP Trunk" service, leveraging its unified license.

IoT services are rapidly becoming common and during 2018, Zain KSA conducted several trials and proof-of-concepts for IoT services. Zain KSA also supported the leading IoT service providers to deliver IoT solutions such as fleet management and smart meters by capitalizing on the operator's infrastructure.

Mobility services form the core of the Zain Business portfolio, as the company focused on higher ARPU customers by expanding into the SME segments with higher tier mobile data driven bundles.

Zain KSA's portfolio is constantly being expanded and updated to maximize the value by making available the latest telecommunications technologies to our customers.

Zain KSA now has teams of key account managers, solutions architects with subject matter expertise, presales professionals, service delivery managers, field service managers, telephone service managers, and premium contact center and digital apps to support enterprise decision makers and users in making the most of Zain services. Through these highly customer-oriented teams, Zain KSA established long-term partnerships with government entities and companies of all sizes across the Saudi market.

Zain KSA's strategy is to develop an ecosystem of partners to help develop, sell and deliver Zain Business services. Zain signed partnership agreements with industry leaders such as Alibaba Cloud, IBM, Dell, Detasad and Dawiyat.

Operational Overview

2- Technology Overview

The technology team completed the projects and initiatives, which started in 2017 and continued to deploy structured technology/operational strategies and programs fully in line with Zain KSA's corporate strategies, industry trends and the market environment.

• Network expansions and coverage

Zain KSA continued to complete the first phase of the Ignite project, aiming to improve coverage and customer experience. Major contribution to coverage, data speeds and customer experience enhancement were achieved: LTE services now cover 440 cities in the Kingdom (25% increase from 2017); LTE-A services now cover 150 cities (20% increase from 2017).

Upon the completion of the Ignite phase one project, network coverage (by technology) reached the following levels:

- 2G - 99% population coverage
- 3G - 98% population coverage
- 4G/LTE - 93% population coverage

Zain KSA is also continuing the delivery of Ignite phase two, as 20% of the project has been delivered and complete project delivery is planned in Q2 2019.

In 2018, Zain KSA also delivered a project called Haramain High Speed Railway (HHR), which provided voice and MBB services for strategic railways connecting the cities of Makkah, Jeddah and Madinah, covering a distance of approximately 450 kilometers.

In September 2018, Zain KSA announced the successful launch of the first phase of Zain Fiber (FTTH) service based on an agreement with Dawiyat, targeting more than 81,000 households. Consequently, by end of 2018, Zain had more than 10,000 active FTTH subscribers. In addition, the agreement of the second phase is completed to cover more than 180,000 households.

Zain KSA successfully delivered the Universal Service Fund (USF) 12, 13,14 basic and broadband which were awarded in 2017 by CITC and MCIT. The projects are parts of the Digital Transformation program as one of several initiatives launched by CITC and MCIT in line with Vision 2030. Zain KSA delivered the projects ahead of schedule, resulting in over 800,000 residents receiving the basic voice and data services. Over 600 localities and more than 500,000 residents are served with high-speed internet via a wireless network. The project also served to increase the population coverage in the designated area, comprising of 3,629 residential and commercial communities in 28 different provinces.

The successful plan, execution and delivery of USF projects strengthens the position and relationship of Zain KSA with the regulator and enhances the operator's footprint and quality of service in the Kingdom.

Continuing to be a market lead in latest technologies, Zain KSA, in line with CITC and MCIT, was the first operator to launch 5G in Riyadh aligned with Vision 2030. Service has been launched in 219 sites in Riyadh, Jeddah, Makkah, Dammam and Madinah.

One of the main projects during 2018 was the Wi-Fi offloading project where 2,000 access points were implemented in malls, parks and public places where Zain users are able to connect automatically and free-of-charge, which resulted in better customer experience.

Operational Overview

Zain KSA has also increased efforts to further improve international outbound roaming coverage to over 211 countries around the world with 89 countries covered by LTE roaming. These efforts also extended to inbound roaming partners where Zain KSA secured international roaming service in Saudi Arabia for 214 countries with 82 countries enjoy LTE data roaming on the Zain KSA network.

• Information Technology system

A complete transformation program for the business support system capability of Zain KSA was launched and will continue until the second quarter of 2019. The aim of this program is to replace the legacy business processes and technology platforms with modern ones, at a time when differentiation for customers will come from business agility, which is precisely what these modern systems will allow. In order to be aligned with Zain KSA customer care values, this transformation is redefining business processes towards customer centricity, and is building solutions that will bridge the gap between customer needs and technology capabilities.

This IT transformation program focuses on three main objectives:

- **Introduce new revenue streams**
- **Enhance customer experience**
- **Enhance operational efficiency**

The program is planned to be delivered in phases, with single charging solution (for all customers and all services, with real-time balance management), mobile application for B2C, B2B, customers, smart dealers' application and real-time campaign solution were completed during 2017 and 2018. Upon program completion, planned by Q2 2019, Zain KSA will be the lead operator in this field in Saudi Arabia and one of the leaders in the region.

• Information Security

Zain KSA conducted an inaugural mega cyber security project that targeted protecting systems from cyber risks. The project aims to protect Zain KSA's systems from advanced and targeted attacks to steal users' information and also to prevent data leakage and unauthorized disclosure.

Moreover, the information security team periodically assesses Zain KSA's information technology solutions and infrastructure to ensure they do not contain any security gaps or potential risks.

Operational Overview

• Spectrum

Spectrum is one of the most valuable assets for mobile network operators. As customers continue to demand high-speed data services in the Kingdom, additional spectrum enables telecom operators to improve network capacity and deliver faster and more reliable data services, thus enriching the customer experience.

Zain KSA's technology team initiated a continuous program to keep the spectrum strategy up to date, in line with market requirements, target quality of service, cost efficiencies and industry standards. Accordingly, an initiative to enhance the end user throughput through the reconfiguration of 2100 MHz band was initiated. Therefore, LTE 2100 MHz is running on 15 MHz instead of 10 MHz. In March 2018, Zain KSA also announced it had secured 2x10MHz bandwidth in the 800 MHz band. This spectrum acquisition followed the conclusion of a spectrum auction conducted by the CITC. This additional spectrum was deployed in more than 1,200 sites across the Kingdom during 2018. The actual results show around 20% average improvement in data speeds and 17% improvement in capacity utilization, with data traffic increasing by 22%. Popular applications used by customers include YouTube and Snapchat.

There was a remarkable improvement in Zain KSA end user throughput as Zain is ranked number two in terms of download speeds according to CITC, with an improvement of 24% in Q3 2018 year-on-year. In addition, Zain throughput improved by 50% between July and December 2018.

The Zain KSA technology team initiated the preparation of a new spectrum auction initially scheduled by CITC for January 2019 in the 2300 MHz, 2600 MHz and 3500 MHz bands.

• Technology strategies and future plans

The Zain KSA virtualization program strategy, Agile, was successfully conceptualized with its main targets being the driving of cost efficiencies, architecture simplification, operational benefits and business agility. The program was kicked-off in 2017 with an agreed target architecture and detailed blueprint design. Materialization of this program will start in 2019 with initial RFPs for infrastructure, IT modernization and network functions virtualization (NFV).

In line with the Agile program, Zain KSA's technology team initiated a revamp of the operator's core/VAS/BSS architecture evolution strategies. Zain KSA works closely with Zain Group to define the API management layer architecture and initiate the exposure layer strategy, which will enhance the interconnection with external platforms. The evolution of Zain KSA architecture will also facilitate the adoption of new technologies such as IoT and 5G.

• Quality of Service

Timely and efficient execution of optimization activities allowed the improvement of network KPIs, elevating Zain KSA's data quality to becoming one of the leading data operators in Saudi Arabia for major cities (Jeddah, Dammam and Riyadh) and during Ramadan and Hajj seasons for Makkah and Madinah. In addition to completing various tracks, the trials of the Self-Organized Networks (SON) were completed, and the SON deployment plans are ongoing with clear targets focused on business efficiencies derived from processes automation.

Operational Overview

3- Regulatory Overview

Developments on Regulatory environment for the Telecommunications Sector in 2018

2018 can be branded as an overhaul year in terms of telecom regulations. CITC aimed to develop and respond to the rapidly changing sector by reviewing, issuing and developing a number of telecom-related frameworks in line with the objectives of the National Transformation Program 2020 and the Saudi Vision 2030.

2018 witnessed the issuance of decision No.1439/392, "Rules for ICT Infrastructure Provision and Deployment in New Developments", which aims to stimulate investment in ICT infrastructure, promote the spread of broadband services, and provide high quality telecommunications services through joint establishment, network participation and the development of general standards for the deployment and implementation of the network.

Pursuing its goal to encourage the investment in new technologies and to keep up with the rapid changes in the telecoms sector, CITC issued the Regulatory Framework on Cloud Computing to foster the provision and development of these services in the Kingdom.

To activate site sharing principles of telecoms towers and to coordinate among operators, the CITC has set up the rules governing these areas, before overseeing the establishment of the telecoms towers to provide the technical requirements and the required additional capacities.

The CITC issued decision No.1439/391 approving the "Quality of Service Framework" in which it sets out a general indicator to monitor the quality of telecom services, improving the customer experience and defining the minimum acceptable quality level of the networks system's performance.

This year the fixed telephony services sector, which received special attention from CITC to encourage the competition between operators, saw the issuance of decision No.1439/394 approving the procedures and the obligations of fixed number portability services. This aims to reinforcing the competition to protect beneficiaries' rights and access to the best offers provided by the operators.

As part of protecting the users' privacy, the CITC issued "Regulation for Reduction of SPAM" decision No.1439/395, to reduce disruptions caused by SPAM and provide users with the choice to block advertisement SMS. The decision also classified the types of the SMS and defined the restrictions for each.

The main aim of CITC decision No.1439/396, the "Rules of Procedure for Mergers and Acquisitions in the Telecommunications and Information Technology Sector" is to interpret and indicate the provisions set forth in the Telecommunications Act, Telecommunications act bylaws, and the related rules and regulations to state and clarify the procedures provided and followed by the CITC of reviewing the requests for mergers and acquisitions submitted for approval

In order to guarantee the continuity and the stability of providing services by operators in case of revocation, suspension, refusal to renew license and/or bankruptcy, CITC issued decision No.1439/397 to ensure implementing and complying with the procedures mentioned in this decision. These procedures reflect the provisions set forth in the Telecommunications Act, Telecommunications Act bylaws and the related rules and regulations.

The company also signed an agreement with the Ministry of Finance (MoF), the Ministry of Communications and Information Technology (MCIT) and the Communications and Information Technology Commission (CITC). The agreement resulted in the consolidation and reduction of the annual financial fee for the commercial services provided from 15% to 10% of the telecommunications services net revenues, starting 1/1/2018.

Operational Overview

Moreover, the dispute over financial remunerations with (CITC) for the period 2009-2017 has been settled. Zain KSA agreed to the implementation of the terms of the agreement for a period of three years. As a result, the Commission issued Resolution No. 400/1440 on the adoption of the new regulatory framework for financial interviews.

Decision No.1439/393 amended article seven (7) and article nine (9) of the "Terms to provide mobile telecommunication services, fixed telephone, data and Internet", whereas, operators are obliged to provide an electronic detailed invoice in both Arabic and English with the user being able to obtain a copy of the invoices for a period of not less than 12 months. Moreover, article nine (9) gave the user a grace period of 25 days from issuance of the invoice for payment before the service is suspended, unless the reason for suspension is the user having reached the credit limit. Zain KSA also complied with the Royal decision to approve unifying the date of the issuance of invoices to be at the end of every Georgian month.

Zain KSA announced that on 11/02/2018 it successfully completed the auction process and secured 2x10MHz of 800MHz spectrum, for a period of 15 years, for a total license fee of SAR 84,000,000 payable in equal annual installments over 14 years starting from 1 January 2019 in addition to an annual usage fee of SAR 54,000,000. This spectrum will be available from the second half of 2018. Following this acquisition, Zain spectrum holding comprises frequencies including 800MHz, 900MHz, 1800MHz and 2100MHz. Spectrum is a valuable asset for mobile network operators as customers demand high speed data services in the Kingdom. Additional spectrum enables telecom operators to improve network capacity and deliver faster and more reliable throughput, thus enriching the customer experience.

4- Human Resource

Changes in organizational structure:

A HR transformation project was successfully completed in October 2018. The scope of the project covered all divisions in terms of restructuring introducing new job titles and descriptions.

Key changes included the introduction of the following divisions, which directly report to the Chief Executive Officer:

- **Business Affairs** Division encompassing Government Affairs, Strategy and Business Development, Support, and Corporate Governance & Risk.
- **Commercial** Division encompassing Marketing, Sales, Commercial Planning, and Customer Care.
- **Regulatory Affairs and Compliance** Division, which includes Technical Regulations, Market Regulations, Compliance and Customer Complains.
- **Business and Wholesale** Division, which contains Business-to-Business and Wholesale.

Operational Overview

5- Social Responsibility

Stemming from Zain KSA's commitment to fulfilling its social responsibility, the company seeks to enhance its contributions in the community service sector by means of transforming its vision into programs, campaigns and events directed toward customers and the community as a whole. Some of the most important social responsibility programs in 2018 include:

- **Launching of Awareness Campaigns during the Hajj Season**

During the Hajj season in August 2018, Zain KSA launched an awareness campaign through various social media platforms such as Twitter and Facebook. The awareness campaign consisted of messages about Hajj rituals along with a series of health tips.

- **"Zain KSA" and "Nokia" (The Digital Capability Development Program)**

In order to deliver and establish technical knowledge in the Kingdom, promote entrepreneurship and self-employment, and support the transition to integrated digital society, both Zain KSA and Nokia jointly launched the Digital Capability Development Program, whose purpose is to train young, fresh graduate nationals in the fields of information technology and communications. This initiative seeks to provide training opportunities to develop digital capabilities in Nokia's certified centers, which are accredited by several European countries. The program was carried out following the signing of the binding agreement and will continue to operate for an entire year under the patronage of the Ministry of Communications and Information Technology.

- **Organizing a Blood Donation Campaign**

As Zain KSA strives to create a sustainable, healthy workplace, and as such the company organized a blood donation campaign to encourage both male and female employees to participate regularly in such campaigns. The donation drive took place in Riyadh, Jeddah and Dammam.

- **Dust Storm Awareness**

Via its Twitter account, Zain KSA launched an awareness campaign to inform the public of the safety measures needed during dust storms.

- **Participating in the "Technology in the Lives of The Hearing Impaired" Forum**

Zain KSA participated in the "Technology in the Lives of the Hearing Impaired" Forum, which was organized by the CITC in Riyadh. This forum recognizes the importance of this community and the company's participation came as part of the its strategy to serve society and to fulfill its social responsibility.

Operational Overview

- **A Cooperation Between Zain KSA and the Ministry of Health during Ramadan**

Zain KSA worked hand-in-hand with the Ministry of Health in several health-related areas during the holy month of Ramadan. The company launched a campaign aimed at health aspects related to fasting, which also consisted of awareness messages on social media platforms warning against unhealthy habits during the holy month and providing healthy alternatives, particularly in relation to diet and diabetes.

- **Supporting 10 Charities during Ramadan**

As part of its social responsibility, Zain KSA contributed to the causes of 10 charities during the holy month of Ramadan. The operator activated a donation code and encouraged customers to contribute through social media by sending an SMS.

- **Zain KSA Participates in the Prostate Cancer Awareness Campaign (the Granada Oasis Marathon)**

Zain KSA participated in the international Movember initiative pertaining to supporting prostate cancer research. The annual event takes place in November and Zain KSA organized several sport activities for its employees across the Kingdom, including a marathon organized in its headquarters.

- **Participating in the Flu Awareness Campaign**

Zain KSA organized a campaign for its employees for the prevention of seasonal flu.

Important Events

December 16th, 2018

Zain KSA announces the signing of an agreement with the Ministry of Finance, the Ministry of Communications and Information Technology and the Communications and Information Technology Commission, which includes the consolidation of the annual Royalty for commercial service and the settlement of disputed amounts for the period from 2009 to 2017

Announcement detail: Zain KSA announces signing an agreement with the Ministry of Finance (MOF), Ministry of Communications and Information Technology (MCIT) and Communications and Information Technology Commission (CITC), which include the following:

1. Consolidate the annual royalty fee and reducing it from 15% to 10% of net revenues starting from 01-01-2018.
2. Settlement of the disputed amounts between Zain and CITC regarding the payment of disputed annual royalty fee for the period from 2009 to 2017. Under the condition that Zain invests further in expanding its infrastructure in addition to other conditions over the next three years.

Zain announces that the agreement has the following positive financial implications on the company:

1. The expected financial impact of applying the unified annual royalty fees from 01-01-2018 to 30-09-2018 resulting in a decrease of SAR 220 million. This amendment will be reflected in the next financial results. The company also anticipates positive future financial impact from the reduction in annual royalty fees, which will be reflected in the company's future financial results.
2. The expected financial impact from the settlement of the disputed annual royalty fees for the period from 2009 to 2017 is expected to reach SAR 1.7 billion over the next three years, by implementing the terms and conditions of the settlement agreement with the CITC for investment in infrastructure.

December 10th, 2018

Zain KSA Announces Resignation and Appointment of a Board and Audit Committee Member

Zain KSA announces that the Board of Directors has accepted, by circulation on 09/12/2018, the resignation of Mr. Thamer Ahmad Obeidat (non-executive) from its Board of directors, as well as the Audit Committee dated 25/11/2018. Mr. Obeidat began his membership for the current term of the Board on 26/04/2016 and has appointed in his place Mr. Martial Caratti to the Board (non-executive), as well as the Audit Committee, effective 09/12/2018.

The Chairman of the Board of Directors, HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer, and all the members of the Board of Directors express their appreciation to Mr. Obeidat for his valuable participation throughout his membership on the Board of Directors, wishing him further success.

The Board approval will not be considered as final and the appointment will be presented to the coming general assembly meeting for final approval.

Important Events

November 28th, 2018

Addendum Announcement from Zain KSA in regards exploring the sale of its towers

Zain KSA announces that further to its previous announcement on 02/10/2017 related to exploring the sale and lease back of passive tower infrastructure, the Board of Directors on 27/11/2018 accepted an offer from IHS Holding Limited for the sale and lease back of its passive tower infrastructure. The transaction is subject to a final binding agreement being entered into between the parties which will include an approval requirement from the Kingdom's CITC, as well as approval from the lenders.

June 6th, 2018

Zain KSA announces the refinancing of its existing syndicated Murabaha facility at preferential terms with an additional working capital facility

Zain KSA announces that on 5th June, 2018 it successfully refinanced and extended the maturity date of its existing five-year syndicated Murabaha facility of SAR 5.9 billion (USD 1.57 billion) renewed in 2013 and maturing this year, for an additional five years with three years grace period. Moreover, the agreement includes a working capital facility of SAR 647 million (USD 172 million) for two years, bringing additional liquidity to Zain to fund its digitally focused business growth plans.

The global coordinators and book runners of the facility are Al Rajhi Bank, Banque Saudi Fransi, Arab National Bank and Credit Agricole CIB. The lenders for this facility are Al Rajhi Bank, Banque Saudi Fransi, Arab National Bank, National Bank of Kuwait, Credit Agricole CIB, Gulf Bank, Ahli Bank of Kuwait and Boubyan Bank. This facility is secured partially by a guarantee from Mobile Telecommunications Company K.S.C.P, a pledge of shares by some of the founding shareholders and assignment of certain contracts and receivables.

This long-term preferential extension comes after detailed and productive discussions with the Saudi, regional and international Islamic and conventional banking community. This refinancing shows the confidence of the Saudi and international banks in Zain's financial strength, credit worthiness and its ability to meet its financial obligations. This favorable refinanced Murabaha facility represents a significant stage in supporting the balance sheet restructuring roadmap of Zain, following the recently announced capital reduction and subsequent increase through a rights issue that is planned to occur in the second half of 2018, subject to the company's General Assembly meeting and regulatory approvals. The capital restructuring is expected to improve the financial performance, profitability and leverage ratios of the company.

May 29th, 2018

Zain KSA announces the results of shareholder Ordinary General Assembly Meeting (First Meeting)

Zain KSA announces that the company held its Ordinary General Meeting (OGM) on 28th May 2018 at 23:00 in the Media Center of Tadawul, King Fahd Road, Taawuniya Towers (Northern Tower), Riyadh. After the required quorum was formed recording an attendance percentage of (50.42%) of total company capital, the OGM reviewed the agenda items and based on the voting results, the OGM resolved the following:

Important Events

- 1- Approved the Board of Directors report for the financial year ended 31st December 2017.
- 2- Approved the auditor's report for the financial year ended 31st December 2017.
- 3- Approved the financial statements for the financial year ended 31st December 2017.
- 4- Approved the appointment of Grand Thornton (Aldar Audit) as the external auditor for the company among nominees to review and audit the company annual and quarterly financial statements from the second, third, fourth quarters and full-year 2018, as well as first-quarter 2019 statement and determine their fees.
- 5- Approved the service contract between Zain KSA and Almarai Company where HH Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer, Chairman of Zain KSA has an indirect interest as a member of the Board of Directors of Almarai Company. For telecoms services that reached a total value of SAR 973,260 during 2017, and to authorize it for the coming year, according to prevailing market commercial terms, without preferred conditions.
- 6- Approved releasing the Board of Directors members from their liability for the financial year ending 31st December 2017.
- 7- Approved the total remuneration of SAR 3,675,000 for the members of the Board of Directors and its committees for the financial year ended 31st December 2017. Each Board member shall receive an amount of SAR 375,000 and each committee member shall receive an amount of SAR 50,000.

May 7th, 2018

Addendum announcement from Zain KSA related to the Board of Directors recommendation to reduce the company's capital and a subsequent capital increase through a rights issue

Addendum announcement from Zain KSA further to its previous announcement on 25th October, 2017 related to the Board of Directors recommendation to reduce the company's capital and a subsequent capital increase through a rights issue.

The company announces that on 7th May, 2018, its Board of Directors resolved to amend the said recommendations regarding the reduction of the company's capital and a subsequent capital increase in addition to making the following decisions:

1. Capital Reduction

Approve filing an application to the Capital Market Authority and the Saudi Stock Exchange (Tadawul) to reduce the company's capital from SAR 5,837,291,750 to SAR 3,616,110,780 representing a capital decrease of around 38%. The purpose of the capital reduction is to write-off the accumulated losses of SAR 2,221,180,970.

The capital reduction will be affected by cancelling 222,118,097 shares with 38 shares being cancelled for every 100 shares owned. As a result, the number of shares on issue will be reduced from 583,729,175 shares to 361,611,078 shares. The capital reduction will become effective at the end of the following trading day after the extraordinary general meeting being convened to approve the capital reduction.

The percentage of ownership of each shareholder in the company will not change as a result of the capital reduction and the capital reduction will not have any effect on the existing obligations or operations of the company.

Important Events

2. Rights Issue

Approve filing an application to the Capital Market Authority and the Saudi Stock Exchange (Tadawul) to increase the company's capital from SAR 3,616,110,780 to SAR 9,616,110,780 by way of a rights issue with a total value of SAR 6,000,000,000.

- The rights issue will be offered to those shareholders who are registered in the shareholders' register, at the close of trading on the day of the extraordinary general assembly being convened to approve the rights issue and whose names appear on the company's shareholders register at the Securities Depository Center at the end of the second trading day following the date of the extraordinary general meeting approving the rights issue.

April 15th, 2018

Zain KSA announces the appointment of Eng. Sultan bin Abdul Aziz AlDeghaither as the new CEO as Peter Kaliaropoulos steps down

Zain KSA announced that its Board of Directors, on 15th April 2018 decided that its CEO, Mr. Peter Kaliaropoulos, will step down to make way for the Chief Operating Officer, Eng. Sultan bin Abdulaziz AlDeghaither, to take the lead role across the company. Mr. Kaliaropoulos will leave Zain Saudi by 30th June 2018 to pursue other opportunities in the industry.

Zain Saudi Board of Directors further decided that the leadership change and appointment of Eng. AlDeghaither as CEO will be effective as of 1st July 2018 as part of succession planning for talented and experienced Saudi executives and consistent with government initiatives.

March 18th, 2018

Addendum to Zain KSA announcement relating to the signing of a new commercial facility agreement to replace the existing SAR 2.25 billion loan

Further to Zain KSA's announcement on 16/08/2016 relating to the signing of a new commercial facility agreement to replace the existing SAR 2.25 billion loan, on 18/03/2018, the company announced it had extended its commercial loan facility, originally signed on 15/08/2016 with the Industrial and Commercial Bank of China (ICBC), for one additional year postponing the maturity to 08/08/2019 as part of the debt restructuring project.

This ICBC loan continues to have the same terms and conditions and lower financing cost compared to previous facilities, hence there is no material financial impact.

Important Events

February 12th, 2018

Zain KSA announces the acquisition of additional spectrum in the 800 MHz frequency band

Zain KSA announces that on 11/02/2018 it successfully completed the auction process and secured 2x10MHz of 800MHz spectrum, for a period of 15 years, for a total license fee of SAR 84,000,000 payable in equal annual installments over 14 years starting from 1st January 2019 in addition to an annual usage fee of SAR 54,000,000. This spectrum will be available from the second half of 2018.

Following this acquisition, Zain spectrum holding comprises frequencies including 800MHz, 900MHz, 1800MHz and 2100MHz.

Spectrum is a valuable asset for mobile network operators as customers demand high speed data services in the Kingdom. Additional spectrum enables telecom operators to improve network capacity and deliver faster and more reliable throughput, thus enriching the customer experience.

In the last 12 months, through the auction process, Zain successfully secured 2x10 MHz in the 1800MHz and 2 x 10 MHz in the 800 MHz frequency bands.

The combined spectrum assets, some which have already been deployed in the market, will improve throughput rates significantly as well as the user experience for heavy data users, allowing for deployment of future network technologies, including 5G at lower total capital expenditure.

Zain will fund the total annual fees for the new spectrum from its operating cash flows and existing cash reserves and this investment had been anticipated in the company's business plan for 2018.

Summary of Zain KSA's Financial Results

Material difference in the operational results: >>

Operational profit reached SAR 1,219 million for the current year compared to operational profit of SAR 903 million in previous year due to an increase of revenue by 3% and decrease in cost of revenue by 16% which was offset by an increase in distribution and marketing expenses by 7%.

1- Balance Sheet Highlights as of 31st of December 2014, 2015, 2016, 2017 and 2018

The following table summarizes the financial position of Zain KSA as of 31st of December 2014, 2015, 2016, 2017 and 2018:

SAR Million	2014 Audited	2015 Audited	2016 Audited (restated)*	2017 Audited	2018 Audited	Change 18/17	% Change 18/17
Current Assets	3,888	4,096	3,356	3,710	3,944	234	6%
Non-current Assets	21,977	21,952	23,158	22,230	22,379	149	1%
Total Assets	25,866	26,048	26,514	25,940	26,323	383	1%
Current Liabilities	3,898	6,498	6,582	11,488	7,352	(4,137)	37%
Non-current Liabilities	16,504	14,998	16,374	10,888	14,959	4,071	-34%
Total Liabilities	20,402	21,497	22,956	22,376	22,311	(66)	-0.3%
Shareholders' Equity	5,464	4,552	3,559	3,563	4,012	449	13%
Total Liabilities and Shareholders' Equity	25,866	26,048	26,515	25,940	26,323	383	1%

Source: Audited financial statements for the years ended 2014, 2015, 2016, 2017 and 2018

Note: All figures are in (Millions) Saudi Arabia, Riyals

Note: Numbers may not sum up due to the rounding

*Restated as per the new IFRS requirement

As of 31st of December 2018, the Company had total assets amounted to SAR 26,323 million, of which SAR 16,241 million (62 % of total assets) relating to the carrying amount of the CITC license acquired in 2007. In addition, property and equipment amounted to SAR 6,123 million, which represented 23% of total assets.

At the same date, the Company's total liabilities amounted to SAR 22,311 million, of which 75% amounting to SAR 15,426 million are related to the following:

- Murabaha Facility.
- Advances from Shareholders.
- Junior Debt – ICBC.
- Governmental Loan.

Summary of Zain KSA's Financial Results

2- Overview of the Company's Borrowings

As of 31st of December 2018, the outstanding balances of borrowing arrangements amounted to SAR 15,426 million. The following table summarizes those borrowing arrangements:

SAR Million	Term	Principal Amount	Repaid During 2018	Lender	Outstanding Balance	Maturity
Murabaha Facility	5 years	5,959	1,125	Consortium of 8 banks	4,834	29 June 2023
Advances from Shareholders	Open	5,002	-	Founding Shareholders	5,444	Open
Junior Debt – ICBC	3 years	2,250	-	Industrial & Commercial Bank of China	2,250	08 Aug, 2019
Government Loan	14 years	Up to 800 per Year	-	Ministry of Finance	2,898	01 Jun, 2027
Vendor Financing	5.5 years	35	35	Export Credit Agency	-	31 Jan, 2018
Total					15,426	

Source: Audited financial statements for the years ended 2018

Note: All figures are in (Millions) Saudi Arabia, Riyals

Note: Numbers may not sum up due to the rounding

• Syndicated Murabaha Financing

On 31st July 2013, the Company had refinanced 2009 "Murabaha financing agreement" with a consortium of banks, which also includes existing Murabaha facility investors to extend the maturity date of its Murabaha facility for five years until 30th June 2018, which was due on 31st July 2013. This facility principal stood at SAR 8.6 billion with the SAR portion totaling SAR 6.3 billion and the USD portion totaling USD 0.6 billion (SAR 2.3 billion). This facility has been restructured as an amortizing facility, 25% of which will be due during years 4 to 5 of the life of the facility, as a mandatory minimum amount due, with 75% due at maturity date. The Company settled SAR 2.7 billion from this facility bringing the outstanding principal to SAR 5.9 billion at the maturity date.

On 5th June 2018, the Company has refinanced 2013 "Murabaha financing agreement" and extended the maturity date for additional five years until 29 June 2023 with a three years' grace period. The new facility principal stands, at the financing day, at SAR 5.9 billion with the SAR portion totaling SAR 4.38 billion and the USD portion totaling USD 0.42 billion (SAR 1.575 billion). Moreover, the agreement includes a working capital facility totaling SAR 647.3 million with the SAR portion totaling SAR 476 million and the USD portion totaling USD 45.6 million (SAR 171 million) for two years. The working capital facility has not been utilized yet.

Financing charges, as specified under the "Murabaha financing agreement" are payable in quarterly installments over five years. The new facility is secured partially by a guarantee from Mobile Telecommunications Company K.S.C and a pledge of shares of the Company owned by some of the founding shareholders and assignment of certain contracts and receivables.

The Company is complying with the existing loan covenants.

Summary of Zain KSA's Financial Results

• **Syndicated Murabaha Financing voluntary payments**

During the third quarter of 2018, the Company made an early voluntary payment for (SAR portion: SAR 428.3 million, and the USD portion: USD 45.8 million) totaling SAR 600 million.

During the fourth quarter of 2018, the Company made a second early voluntary payment for (SAR portion: SAR 374.81 million, and the USD portion: USD 40.05 million) totaling SAR 525 million.

• **Advances from Shareholders**

The founding shareholders have provided and, continue to provide, advances to the Company since 2007. The outstanding balance as of 31st of December 2018 amounted to SAR 5.4 billion. Financing cost started to take place in August 2009 following the refinancing of the Syndicated Murabaha Financing which took place at that time, while the loans carry financing costs as agreed with the Founding Shareholders.

The Company initially obtained these advances from the founding shareholders in order to serve the following purposes:

- Partially finance the acquisition of CITC license.
- Finance the working capital requirements.
- Provide security required by syndicated Murabaha financing agreement.
- Pay for all dues on the junior debt & Finnvera junior loans.

• **Junior Debt – ICBC**

On 15th August 2016, the Company has signed a long-term commercial loan facility agreement amounting to SAR 2.25 Billion with a two years' tenor that is extendable by one additional year and payable at maturity. The new facility agreement signed with the Industrial and Commercial Bank of China to replace the existing syndicated facility; this new facility will have lower financing cost compared to the existing facilities. Financing charges are based on LIBOR plus agreed margin and payable in quarterly instalments.

On 18th March 2018, the Company has extended the final maturity date to 8th August 2019.

• **Governmental Loan**

During 2013, the Company has signed an agreement with the Ministry of Finance, Saudi Arabia to defer payments of its dues to the government for the next seven years, estimated at SAR 5.6 billion. These deferred payments under this agreement will be bearing commercial commission payable annually, while the amount due will be repayable in equal instalments starting June 2021. The amount deferred by the Company as of 31st December 2018 amounted to SAR 2,898 million (31st December 2017: SAR 2,431 million).

Vendor Financing

On the 20th of June 2012, an Export Credit Agency Facility Agreement having two tranches (A and B) totaling USD 325 million was signed between the Company and three international banks. This facility is secured by a guarantee provided by Mobile Telecommunications Company K.S.C. and subordinated to the Murabaha Facility. The purpose of this facility is to:

Summary of Zain KSA's Financial Results

- Repay amounts due to one of the Company's technical vendors.
- To finance further new expansion plans provided by the same technical vendor.

Financing charges as specified under this facility agreement are payable in semi-annual installments over the life of the loan. Repayment will take place over five years on a semi-annual basis starting July 2012 for tranche A (totaling USD 155 million) and July 2013 for tranche B (totaling USD 98 million). The final maturity of this facility will be on the 31st of January 2018. Principal and interest are payable from Mobile Telecommunications Company K.S.C. and cross charged back to the Company.

As at 31st January 2018, all the facility was repaid in full, (31st December 2017: 18 instalments were repaid in full).

It is worth mentioning that there is not treasury shares held by the Company or uses of such shares.

3- Statements of Operation Highlights for Years Ended on the 31st of December 2014, 2015, 2016, 2017 and 2018

The following table summarizes the statement of operation for the years ended on 31st December 2014, 2015, 2016, 2017 and 2018:

SAR Million	2014 Audited	2015 Audited	2016 Audited (restated)	2017 Audited	2018 Audited	Change 17/18	% Change 17/18
Revenues	6,170	6,741	6,927	7,306	7,531	225	3%
Cost of Revenues	(2,948)	(2,790)	(2,526)	(2,510)	(2,106)	404	-16%
Gross Profit	3,223	3,951	4,401	4,796	5,425	629	13%
Distribution and Marketing	(2,031)	(2,047)	(2,366)	(2,068)	(2,208)	(140)	7%
General and Administrative	(91)	(275)	(239)	(211)	(208)	3	-1%
EBITDA	1,101	1,629	1,796	2,517	3,009	492	20%
Depreciation and Amortization	(1,633)	(1,770)	(1,850)	(1,614)	(1,790)	(176)	11%
Net profit /(loss) before net finance income and Zakat	(534)	(141)	(54)	903	1,219	316	35%
Finance & other Income	9	7	32	18	44	26	144%
Financial Charges	(745)	(838)	(956)	(910)	(931)	(21)	2%
Net Profit/(Losses) for The Year	(1,270)	(972)	(979)	12	332	320	2667%

Source: Audited financial statements for the years ended 2014, 2015 2016, 2017 and 2018

Note: All figures are in (Millions) Saudi Arabia, Riyals

Note: Numbers may not sum up due to the rounding

*Restated as per the new IFRS requirement

Summary of Zain KSA's Financial Results

- Revenue reached SAR 7,531 million for the current year compared to SAR 7,306 million in previous year an increase of 3%, where data revenue represents 51% (excluding value added services & SMS)
- Gross profit reached SAR 5,425 million for the current year compared to SAR 4,769 million in previous year an increase of 13%, with gross profit margin reaching 72% compared to 66% in previous year.
- Distribution and marketing expenses reached SAR 2,208 million for the current year compared to SAR 2,068 million in previous year an increase of 7%. General and administration expenses reached SAR 208 million for the current year compared to SAR 211 million in previous year a decrease of 1%.
- EBITDA reached SAR 3,009 million for the current year compared to SAR 2,517 million in previous year an increase of 20%, with EBITDA margin reaching 40% compared to 34% in previous year.
- Depreciation and amortization expenses reached SAR 1,790 million for the current year compared to SAR 1,614 million in previous an increase of 11%.
- Operational profit reached SAR 1,219 million for the current year compared to operational loss of SAR 903 million in previous year.
- Net profit after zakat and tax reached SAR 332 million for the current year compared to net profit after zakat and tax of SAR 12 million in previous year.
- Total comprehensive income reached SAR 318 million for the current year compared to total comprehensive income of SAR 5 million in previous year.
- Profit per share reached SAR 0.569 for the current year compared to profit per share of SAR 0.02 in previous year.
- Total shareholders' equity (there is no minority interest) reached SAR 4,012 million for the current year compared to SAR 3,564 million in previous year an increase of 13%.
- The accumulated deficit reached SAR 1,800 million for the current year, representing 31% of the Company share capital of SAR 5,837 million compared to SAR 2,263 million in previous year representing 39% of the Company share capital.
- Zain KSA subscriber base was stable, reaching 8 million subscribers for the current year and prior year.

4. The following Table Presents Revenue Breakdown for Years 2014, 2015, 2016, 2017 and 2018:

SAR Million	2014	2015	2016	2017	2018	Change 17/18	% Change 17/18
Usage Charges	5,566	6,161	6,127	4,471	4,437	(34)	-1%
Subscription	395	437	778	2,673	2,337	(336)	-13%
Other	209	143	21	162	757	595	367%
Total Revenue	6,170	6,741	6,926	7,306	7,531	225	3%

Source: Audited financial statements for the years ended 2014, 2015 2016, 2017 and 2018

Note: All figures are in (Millions) Saudi Arabia, Riyals

Note: Numbers may not sum up due to the rounding

Summary of Zain KSA's Financial Results

It's worth mentioning that the geographical analysis of revenue does not apply due to the nature of the Company's operations. This is attributed to the mobility of the customer within the Kingdom; so the customer's information might be registered in some region while he initiates calls from different regions depending on his/her existence. Furthermore, revenue generated by international calls couldn't be linked to any region since they occur overseas.

External Auditor's Report Containing Reservation

There is no emphasis of a matter by external auditor.

It is worth mentioning that the Board did not recommended replacing the external auditor during the year.

Basis of Preparation of the Financial Statements

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants (SOCPA). IFRS 15 and IFRS 9 have been applied.

Dividend Policy

Item (47) of the Company's bylaws states that after deducting all general expenses and other costs, the Company's annual net profits shall be allocated as following:

- a)** Ten percent (10%) of the annual net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when said reserve totals (30%) of the Company's capital.
- b)** The Ordinary General Assembly may, upon recommendation of the Board of Directors, set aside no more than twenty percent (20%) of the annual net profits to form other reserves to be allocated for the purpose or purposes decided by the Ordinary General Assembly.
- c)** Out of the balance of the profits, if any, shall be paid to the Shareholders as an initial payment of not less than five percent (5%) of the paid-up capital.
- d)** Out of the balance, a percentage of (5%) shall be paid as remuneration to the members of the Board of Directors.
- e)** The balance shall be distributed to the shareholders as an additional share of the profit.

It is worth mentioning that no dividends were distributed to the shareholders during the year 2018 and the Board of Directors did not propose any distribution percentage. It is the long-term aim of the Company to make regular dividend payments to shareholders, alongside retaining and investing capital to maximize shareholder value. However, the Company does not expect to pay annual dividends to Shareholders in the near term, where the Company will consider its retained earnings, capital expenditure requirements, financial condition, market condition, the general economic climate and other factors, including investment opportunities and the reinvestment needs of the Company, cash and capital requirements, business prospects, other legal and regulatory considerations and any dividend restrictions under any debt financing arrangements entered into by the Company. In addition, the payment of dividends, if any, will be subject to certain requirements of the Companies Regulations and the by-Laws.

Risk Factors

Risk Factors >>

The Board of Directors of Zain Company has adopted a framework and a policy for managing the Company's risks. This framework is in accordance with the Corporate Governance Regulations issued by the Capital Market Authority and in line with the leading practices in this field.

This risk management framework at Zain Company provides a logical assurance that identifies all the major risks and finds ways to address them. However, there are still some risks that have not been currently identified or whose consequent risks are relatively low, these low risks may become highly critical in subsequent periods. Such risks include, but are not limited to, the following:

1. Accumulated losses / Capital Structuring

The Board of Directors and Executive Management continuously seek to resolve the accumulated losses problem via intensifying sales activities and reducing costs. In cooperation with the Ministry of Finance, Zain continues to study the available options that will reduce losses and improve cash flows.

On May 7th, 2018, Zain's Board of Directors raised a recommendation to reduce the company's capital from 5,837,291,750 SAR to 3,616,110,780 SAR, and then increase it through a rights issue amounting to 6,000,000,000 SAR. The company announced that it submitted an application for the approval of capital reduction and increase through a rights issue on May 8th, 2018 to the Capital Market Authority and Saudi Stock Exchange (Tadawul). The company will announce any future developments in this regard at the time.

2. Organizational Risks:

2018 was one of the years that witnessed significant changes in the regulatory environment of the telecommunications sector. There was a noticeable activity carried out by the Ministry of Communications and Information Technology and the Communication and Information Technology Commission. This activity has contained reviewing and developing a number of organizations in order to move forward and keep pace with the rapid changes in the movement of the sector. Moreover, such activity aimed at modifying some of the regulations and instructions to address the imbalances and to be in line with the National Transformation Program 2020 and Vision 2030. Accordingly, a number of regulatory decisions have been amended and issued.

Depending on the principle of the company's interest to abide by the regulations of the legal and regulatory telecommunications sector, the Company has created a department specialized in compliance and conformity, which follows up and ensures the compliance with the rules and regulations and the implementation of regulatory decisions of the Communications and Information Technology Commission. The Department of Compliance and Conformity works within a regulatory framework that will contribute to raising the Company's ability to comply with new regulatory laws and regulations. It also enables the company to apply the best international practices to protect itself from fines and penalties that may result from non-compliance with regulations and instructions through monitoring and managing the violations to control the process of complying with the regulatory framework and reduce any financial loss.

In addition, Zain Company has established a department specialized in applying the highest standards in corporate governance, taking into account all the regulations in force in the Kingdom of Saudi Arabia.

3. Cyber-Attacks and Information Leakage:

Cyber-attacks on the key infrastructure may disrupt service delivery and lead to a consequent misuse and leakage of sensitive or confidential information or data, which poses risks to business growth. In addition, Cyber-attacks or successful penetration of network security and protection systems may result in disruption or interruption of service delivery to customers. It harms the reputation of the company and may result in significant revenue losses as well as the consequent penalties or fines imposed on the company. To reduce these risks, Zain continues to activate procedures and measures to achieve informational and electronic security. It also continues to work on permanent improvement and updating in order to face any electronic attacks on the security of the network and customer information. In order to achieve that, Zain launched the Information Security Project in its first phase. This program will be the primary factor in addressing cyber-attacks, and it includes the following:

- Users' devices protection system from advanced attacks with data and email encryption system
- Infrastructure protection systems against unauthorized access or advanced attacks trespassing security systems
- Network access control system to protect the network from any unprotected devices
- Sites protection system against directed attacks
- Security Surveillance Program, which is designed to monitor all components of the network and to address unauthorized intrusion or use at an early stage
- Establishing and developing the security awareness program which aims to raise the sense of security among employees
- Zain Users Awareness Program was launched to alert Zain users against attacks targeting them
- Reviewing user authorities periodically
- Meeting all information security requirements under the organization's regulations, legislation and policies
- Demanding all parties acting on behalf of Zain to comply with all information security policies and procedures
- Ensure the availability of channels for reporting all incidents related to information security internally and externally

4. Risks, legal developments, and preventive measures:

The communication and information technology sector is characterized by rapid changes, particularly with regard to the statutes and regulations governing the sector. Therefore, it should be taken into account and understood in advance to ensure the Company's compliance. In the course of 2018, the Legal Department ensured that all the products and services provided by the company in addition to the agreements concluded with the various parties are in compliance with all relevant laws and regulations. At the same time, it ensured the application of the best international legal practices to reduce any potential losses and protect the rights of the company. Furthermore, the company was keen to continuously raise legal awareness in its various sectors.

Additionally, the company is continuously working to improve business continuity and invest in it. It is also working to improve the disaster recovery service framework. The Company is keen that all of the procedures, policies, and plans set out should be in accordance with the Regulatory Framework, issued by the Communications and Information Technology Commission. Based on that, the Company ensures the continuous provision of telecommunications services throughout the Kingdom of Saudi Arabia.

Corporate Governance

Corporate governance framework compliance >>

Zain KSA believes in the importance of applying regional and global best practices in governance, which is essential for sustainable growth. And in its pursuit to strengthen corporate governance practices and to activate the role of oversight and ensure its effectiveness in the implementation of governance principles, the company has established a new department for Corporate Governance in its organizational structure. As well, the Board of Directors of Zain KSA has adopted a Framework for Corporate Governance on 5th of December 2017 in line with the requirements of the Corporate Governance Regulations issued by the Capital Market Authority (CMA). It includes rules and standards to ensure integrity of business and adherence to best governance practices to protect shareholders, customers, employees and all stakeholders.

Compliance with CMA Regulations and reasons of non-compliance:

Zain KSA has adhered to implementing corporate governance regulations which are issued by the CMA. The Company has adhered to all of these regulations, with a few exceptions; they are detailed below:

• Mandatory Articles

Article	Clause	Justification
Article 51 Paragraph (b)	b) The Company shall take into consideration while forming the remuneration and nomination committees that their members are of Independent Directors. The Board may appoint Non-Executive Directors or persons other than Board members either from shareholders or others, provided that the chairmen of committees mentioned in this paragraph are of the Independent Directors.	Due to the sensitivity of the role of the chairman of NRC and the knowledge, skills, experience and autonomy the Board was unable to appoint an independent member during the year 2018 and will continue searching for qualified candidate during 2019.
Article 90 (19)	The Board's Report: The Board's report shall include the Board's operations during the last fiscal year and all factors that affect the company's businesses, such report shall include the following: 19) Geographical analysis of the company's and its affiliates' revenues.	Geographic analysis of the Company's total revenues is not available based on the nature of the Telecoms Sector as the revenue generated by subscriber is not linked to a certain location or area.

Corporate Governance

• Guiding Articles

Article	Clause	Justification
Article 39	Training: The Company shall pay adequate attention to the training and preparation of the Board members and the Executive Management, and shall develop the necessary programmers.	The Board of Directors did not see the necessity of training and qualifying the members of its Board due to their capabilities and expertise to manage the Company.
Article 70	Composition of the Risk Management Committee The Company's Board shall, by resolution therefrom, form a committee to be named the "risk management committee.". Chairman and majority of its members shall be Non-Executive Directors. The members of that committee shall possess an adequate level of knowledge in risk management and finance.	The Board of Directors did not see the need to establish a Risk Management Committee during the year. Instead, the company focused on the Risk Management department and it includes Business Continuity
Article 87	Social Responsibility The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community.	Zain KSA has participated in many activities during the year under the supervision of the executive management. This article will be considered in future
Article 88	Social Initiatives The Board shall establish programmers and determine the necessary methods for proposing social initiatives by the Company.	Currently the executive management takes the responsibility and will take this article in consideration in future.
Article 95	Formation of a Corporate Governance Committee If the Board forms a corporate governance committee, it shall assign to it the competences stipulated in Article (94) of these Regulations. Such committee shall oversee any matters relating to the implementation of governance, and shall provide the Board with its reports and recommendations at least annually.	The Board of Directors did not see the need to form a Corporate Governance Committee during the year. Instead, Corporate Governance Department has been established in this regard and delegated the responsibilities.

Corporate Governance

Shareholders Register Requests >>

The Company's shareholders register was requested 12 times during the year 2018 and the reason for the requests is for the Company to analyze its shareholding structure, in addition to answer shareholders who call the company to inquire about their shareholding, especially after the capital restructuring.

The following table shows the dates of the requests made by the Company and the date of the shareholder register:

#	Date of request	Date of shareholder register
1	15/01/2018	31/12/2017
2	26/02/2018	01/01/2018
3	04/03/2018	28/02/2018
4	02/04/2017	31/03/2018
5	08/05/2017	30/04/2018
6	08/07/2017	31/05/2018
7	09/07/2017	28/06/2018
8	28/08/2017	31/07/2018
9	28/08/2018	29/08/2017
10	17/10/2018	30/09/2018
11	12/11/2018	31/10/2018
12	02/12/2018	30/11/2018

Corporate Governance

Major Shareholders

Over the course of the reporting period, Zain KSA has received no notifications (other than from the Company's directors, senior executives, their spouses, and minor children detailed separately below) pursuant to Article 45 of the Listing Rules. However, in this period, the following shareholders held at least 5% of the Company's share capital.

Shareholder	No. of Shares on 31 st of December 2016	No. of Shares on 31 st of December 2017	Ownership % on 31 st of December 2017
Mobile Telecommunication Company K.S.C.P.	216,243,575	216,243,575	37.05%
Faden Trading & Contracting Establishment	34,856,143	34,856,143	5.97%
Saudi Plastic Factory	34,125,198	34,125,198	5.85%

Board of Directors

Board of Directors >>

The Company's management and operations are overseen by the Board of Directors, whom of which currently consist of (9) nine members. Each member of the Board is appointed for a term of three years as of 19/7/1437H corresponding to 26/4/2016G; which is the date of their appointment, by the approval of the Ordinary General Meeting which approved them. His Highness Prince Naif bin Sultan bin Mohammed bin Saud Al-Kabeer was appointed Chairman of the board; and Mr. Bader bin Nasser Alkharafi was appointed Vice Chairman of board on 26/7/1437H corresponding to 3/5/2016G.

Board of Directors' Resolutions during the year 2018

During the year 2018, the Board of Directors have conducted four (4) meetings, which resulted in eighteen (18) circular resolutions, the main resolutions are as follows:

- The Board of Directors resolved to distribute the member's annual remuneration, with an amount of SAR 375,000 (three hundred and seventy five thousand) Riyals, per member and each committee member shall receive an amount of SAR 50,000.
- The Board of Directors resolved to set the maximum amount of permitted committee memberships to (2), with a remuneration of SAR 50,000 (fifty thousand) Riyals per member, per committee.
- The Board of Directors unanimously accepted the resignation of Mr. Peter Kaliarpoulos from his position as of 16/10 /1439H corresponding to 30/06/2018G, to persue his career in other positions; and approved the appointment of Eng. Sultan bin Abdulaziz Al Deghaither as the CEO of the Company as of 17/10/1439H corresponding to 01/07/2018.
- The Board of Directors unanimously accepted the resignation of Mr. Thamer Ahmed Obeidat (Non-Executive) from his position at the Board of Directors, the Audit Committee and his position as a member of the Nomination and Remuneration Committee on corresponding to 9/10/2018G, and appointed Mr. Martial Caratti as a non-executive member of the Audit Committee.
- The Board of Directors issued a circular resolution appointing Mr. Ossama Michael Matta as a non-executive member of the Nomination and Remuneration Committee as of 4/3/1440H corresponding to 12/12/2018G.
- The Board of Directors resolved to issue a resolution to withdraw its Executive Committee on 20/5 /1439H equivalent to 6/2/2018G, due to the fact that the Executive Directorate are conducting their duties efficiently and effectively.
- The Board of Directors issued a resolution following deliberation, to approve the Whistle Blowing policy. The Board of Directors formed a Nomination and Remuneration Committee (NRC), which is responsible for evaluating the performance of the board, its committees and members, without the need for third party evaluation.

Board of Directors

Shareholders Description and Classification Shareholdings by Members of the Board of Directors, Their spouses and Minor Children in Zain KSA

Board Member	Membership Type	Membership Status	No. of Shares Held on 1 st of January 2018	No. of Shares Held on 31 st of December 2018
HH Prince Naif bin Sultan bin Mohammed bin Saud Al-Kabeer	Chairman	Independent	1,000	1,000
Bader bin Nasser Al-Kharafi	Vice Chairman	Non-Executive	1,540	1,540
Raied bin Ali Al Seif	Member of the Board	Independent	1,003	71,283
Saud Abdullah Al-Bawardi	Member of the Board	Non-Executive	1,000	1,000
Hisham Mohammed Attar	Member of the Board	Independent	1,000	986
Ossama Matta*	Member of the Board Representative of Etisalat Plus	Non-Executive	1,000	1,000
Scott Gegenheimer*	Member of the Board Representative of the Communications and Information Advisory Group	Non-Executive	1,000	1,000
Abdulaziz bin Yaqub Al Nafisi *	Member of the Board Representative of Mobile Telecommunications Company (Zain Group)	Non-Executive	216,243,575	216,243,575
Thamer Ahmed Obeidat**/**	Member of the Board Representative of Al Nahar Economic Consultancy Company	Non-Executive	1,000	1,000
Martial Caratti**/**	Member of the Board Representative of Al Nahar Economic Consultancy Company	Non-Executive	1,000	1,000

*A description of Board of Directors' benefits as per the accounts of the following companies

**Acceptance of the Mr. Thamer Obeidat's resignation from the Board of Directors on 9/12/2018 and the appointment of Mr. Martial Caratti as his predecessor

Board of Directors

Board members, and committee members with their respective qualifications: 

Member name	Qualifications	Current job	Practical experiences
His Highness Prince Nayef bin Sultan bin Mohammed bin Saud Al-Kabeer	Bachelor of Business Administration from King Saud University	General Director of Technical Projects & Contracting Co., and Ashbal Al Arab Contracting Est	Prince Nayef bin Sultan bin Mohammed bin Saud Al-Kabeer, a well-known businessman and a member of the boards of several giant companies, including Almarai and Al Yamamah Cement Company.
Bader bin Nasser Al-Kharafi	Master of Business Administration from London Business School	General Director of Al Khair National Company for Shares and Real Estate	Mr. Bader Al-Kharafi has served as Deputy Chairman of Zain Group in Kuwait since February 2014 and has been appointed to the Board of Directors since April 2011. Mr. Bader is currently a Board Member of Al Khatem Telecom, 2013, and in October 2015 Mr. Bader was appointed as Vice Chairman of Zain KSA. Mr. Bader currently serves as Chairman of the Board of Directors, Vice President and Board Member of several companies belonging to Al-Kharafi Group and outside the Group.
Abdul Aziz bin Yaqoub Al-Nafisi	Bachelor's degree in Mechanical Engineering from Kuwait University	Vice Chairman of Kuwait Finance House	Mr. Abdulaziz Al-Nafisi has a long history in communications, finance and diversified investments from 1978 until now.
Ossama Matta	Bachelor of Business Administration from the University of Tipperary, California, USA	Chief Financial Officer of Zain Group as of 10 th June 2010	Mr. Osama Matta represents Etisalat Plus Company K.S.C.P (Closed) established in 2001, which is specialized in the import, export and installation of mobile phones, maintenance equipment, and telephone line trading, this company is 99% owned by Zain Kuwait. Mr. Osama was appointed Chief Financial Officer of Zain Group as of June 2010 ,10.
Scott Gegenheimer	Bachelor in Finance and Administration from the University of Illinois, and a Master's degree from DePaul University in Chicago	Chief Operating Officer of Zain Group	CEO of Zain Group from 2 December 2012 to 12 March 2017. Mr. Scott is a veteran in the telecommunications industry with more than 25 years of experience, a record of impressive results, and has spent much of his time in Kuwait and elsewhere in the region.
Raed bin Ali Al-Saif	Bachelor's degree in Administrative Sciences, Accounting specialization, King Saud University	Director of Investment and Business Development Department of the Office of His Highness Prince Sultan bin Mohammed Bin Saud Al-Kabeer, Al Saud since 2008	Mr. Raed Al Sief has a long track record in investment management, in addition to his banking experience.

Board of Directors

Board members, and committee members with their respective qualifications: >>

Saud bin Abdullah Al-Bawardi	Master's degree in International Business from the Swiss Business School in Zurich BA in Media from King Saud University	CEO of United Trading	Mr. Saud Al Bawardi served as Zain's Executive Vice President and Chief Operating Officer until the end of 2015. Mr. Saud has more than 16 years of experience in the telecommunications and banking sectors.
Hisham bin Mohammed Mahmoud Attar	BA in Economics and Business from Brown University - Providence, Rhode Island USA	Chairman of the Saudi-Jordanian Investment Funds	Mr. Hisham is Senior Vice President of the Public Investment Fund and has extensive experience in portfolio management. He was also assigned to Body Masters, a member of Amwal Al Khaleej, and spent two years as executive vice president and then took over. He was a Director at Amwal Al Khaleej for 8 years and a Senior Broker at National Commercial Bank.
Tamer Ahmed Obeidat *	Master in Law from Harvard University, USA	Partner and director of Obeidat and Frayhat, lawyers from 1998 till now in Amman, Jordan.	Mr. Tamer worked as a lawyer with White & Case Law Firm from 1988 to 1991 in New York City. And a lawyer at the Center for Law and Arbitration in Amman from 1992 to 1998. He has practiced law since 1988 in New York, United States and Amman, Jordan.
Martial Anthony Caratti **	BA in Finance and Accounting from ESLSA University in Paris	Omantel's Chief Financial Officer	Mr. Martial served as Head of Financial Management at Ooredoo Telecom Tunisia from 2008 to 2015. Mr. Martial has more than 30 years of experience in the telecommunications industry in the Middle East and Europe. Where he began his career in 1986 at NCR in France and then served as CFO of a subsidiary of France Telecom from 1992 to 1996. In 1996, he became the controller of France Telecom Group for customer branches and financial Director of the French telephone operator, which is part of France Telecom then / Orange Group. He also served as vice president of finance and content division at Orange Group London headquarters. From 2000 to 2004, and Deputy Head of Finance and Administration, Content Section, Orange Group France from 2005 to 2006

Board of Directors

Board of Directors' current and previous Memberships in other Saudi and International listed Companies

Director	Current Board Member in other listed Companies	Previous Board Member in other listed Companies
HH Prince Naif bin Sultan bin Mohammed bin Saud Al-Kabeer	<ul style="list-style-type: none"> - Board Member at Al Marai (Joint Stock Company) - Board Member at Yamama Saudi Cement (Joint Stock Company) - Board Member Farabi Petrochemicals Company - Board Member at Kuwait Chinese Holding Company- (Joint Stock Company) - Board Member at Tarabot Investment & Development Company - Board Member at Ideal Factory for Sweets and Pastries Company - Board Member at Alnafoura Food Supply Company - Board Member at Alnafoura Fishery Company - Board Member at Alnafoura Catering - Chairman of the Board of Directors at Taste of Diplomats for Sweets Company - Chairman of the Board of Directors at Diplomat Factory for Sweets and Pastries - Chairman of the Board of Directors at Dar Alsulal Company - Member of the Board of Directors at Tijory Company 	<ul style="list-style-type: none"> - Board member of Technical Projects & Contracting Co., - Board member of Ashbal Al Arab Contracting Est
Raied bin Ali Al Seif	<ul style="list-style-type: none"> - Chairman of the Board at ANB Invest Company - Board Member at Ideal Factory for Sweets and Pastries Company - Board Member at Alnafoura Food Supply Company - Board Member at Alnafoura Fishery Company - Board Member at Alnafoura Catering - Board Member at the Taste of Diplomats for Sweets Company - Board Member at the Diplomat Factory for Sweets and Pastries - Board Member at at Dar Alsulal Company 	<ul style="list-style-type: none"> - Vice Chairman of the Board of Jusoor Holding Company.
Saud Abdullah Al-Bawardi	<ul style="list-style-type: none"> - Board Member at National Gypsum Company (Joint Stock Company) - Board Member at Jiffin Alriyadh Company - Board Member at Excellent Foods Company 	<ul style="list-style-type: none"> - None

Board of Directors

Bader bin Nasser Al-Kharafi	<ul style="list-style-type: none"> - Chairman of the Board at Gulf Cable & Electrical Industries Co. KSCP, Kuwait - Board Member at Foulath Holding B.S.C (c) Bahrain - Vice Chairman at Diamond International Motors, Egypt - Vice Chairman at Mobile Telecommunications Company, KSCP, Kuwait - Board Member at Zain Group Holding (Bahrain) - Board Member at Refreshment Trading Company, Kuwait - Board Member at Gulf Bank KSCP, Kuwait - Chairman Mobile Interim Co. 2 (MAC 2) "S.A.L" (Joint Stock Company) Lebanon - Board Member at Al-Khatem for Telecommunication - Board Member at Coutts & Co. England – Middle East Consultant Member - Chairman of the Board at Foo Holding (Joint Stock Company) Lebanon - Member of the Board of Directors of NEXGEN Advisory Group FZ-LLC. - Member of the Board of Directors of Athir National "W.W.L" Bahrain. - Vice Manager of Board of Directors Sudanese Mobile Telephone co. "Ltd". 	- None
Hisham Attar	<ul style="list-style-type: none"> - Member of the Board at Saudi Industrial Investment Company (Dussur) - Member of the Board at Industrialization and Energy Services Company (TAQA) - Chairman of the Board at Saudi Jordanian Investment Funds - Member of the Board at Alfarabi Medical Company - Member of the Board at Marketing and Trading Co. Ltd - Member of the Board of Directors of the Distinguished Academy for Sports Training 	- None
Martial Carrati	<ul style="list-style-type: none"> - Member of the Board at Mobile Telecommunications Company, KSCP, Kuwait. 	- None
Abdul Aziz bin Yaqoub al-Nafisi	- None	- None
Ossama Matta	- None	- None
Scott Gegenheimer	- None	- None

Board of Directors

Attendance Record of Board of Directors Meetings during the year 2018.

The table below details the dates and attendance records for the Board of Directors' four meetings that were previously held during 2018. Please note that the mark (✓) denotes that the director attended the meeting, while the mark (x) means the director did not attend:

Members	6th of Feb 2018	12h of Apr 2018	14th of Oct 2018	12th of December 2018	Total Attendance
HH Prince Naif bin Sultan bin Mohammed bin Saud Al-Kabeer	x	✓	✓	✓	3
Bader bin Nasser Al-Kharafi	✓	✓	✓	✓	4
Abdulaziz bin Yaqub Al Nafisi	x	x	✓	✓	2
Ossama Matta	✓	✓	✓	✓	4
Scott Gegenheimer	✓	✓	x	✓	3
Thamer Ahmad Obeidat	x	✓	✓	x	2
Raied bin Ali Al Seif	✓	✓	✓	✓	4
Saud Abdullah Albawardi	✓	✓	✓	✓	4
Hisham Mohammed Attar	✓	✓	✓	✓	4
Martial Anthony Caratti	x	x	x	✓	1
Total Attendance	6	8	8	9	-

* Acceptance of the Mr. Thamer Obeidat's resignation from the Board of Directors on 9/12/2018 and appointment of Mr. Martial Caratti as his predecessor

Board of Directors

Attendance Record of Board of Directors to the General Assembly's Meetings

The table below details the dates and attendance records for the Board of Directors' for the Ordinary General Assembly Meeting that was held on May 28 2018 at 23:00 in the Media Center of Tadawul, King Fahad Road, Taawuniya Towers (Northern Tower) Riyadh. Please note that the mark (✓) denotes that the director attended the meeting, while the mark (x) means the director did not attend:

Members	28th of May 2018 (OGM)
HH Prince Naif bin Sultan bin Mohammed bin Saud Alkabeer	✓
Bader bin Nasser Alkharafi	x
Abdulaziz bin Yaqub Al Nafisi	x
Ossama Matta	x
Scott Gegenheimer	✓
Thamer Ahmad Obeidat	x
Raied bin Ali Al Seif	✓
Saud Abdullah Albawardi	✓
Hisham Mohammed Mahmoud Attar	✓
Total Presence	6

Board of Directors

Voting results on the agenda of the Ordinary General Assembly meeting: >>

- 1- Approval of the Board of Director's report for the financial year ended 31st December 2017.
- 2- Approval of the auditor's report for the financial year ended 31st December 2017.
- 3- Approval of the financial statements for the financial year ended 31st December 2017.
- 4- Approval of the appointment of an external auditor for the Company among nominees based on the recommendation of the Audit Committee to review and audit the Company annual and quarterly financial statements from the second, third, fourth quarters and annual of the year 2018 and the first quarter of the 2019 and determine their fees.
- 5- Approval of the service contract between Zain KSA and Almarai Company where HH Prince Naif bin Sultan bin Mohammed bin Saud Al-Kabeer, Chairman of Zain KSA has an indirect interest as he is a member of the Board of Directors of Almarai Company. For telecommunication services that reached a total value of SAR 973,260 during 2017, and to authorize it for the coming year, according to prevailing market commercial terms, without preferred conditions.
- 6- Approving the release of the Board of Director's members from their liability for the 2017 financial year.
- 7- Approval of the total remuneration of SAR 3,675,000 for the members of the Board of Directors and its committees for the financial year ended 31/12/2017, each Board member shall receive an amount of SAR 375,000 and each committee member shall receive an amount of SAR 50,000.

Related Parties' Transactions >>

Board of Directors Interests in Contracts with Zain KSA

The following transactions took place in 2018, may reflect direct or indirect interests of Zain KSA members of the Board of Directors, and require approval from the General Assembly:

- Zain KSA has signed a contract with Almarai Company for providing telecom services, according to the commercial conditions prevalent in the market. The contract is renewed yearly upon the approval of the General Assembly, since 2015 up to date. On May 28th 2018 the Ordinary General Assembly approved the renewal of the contract for another year. The total value of the services provided in 2017 amounted to 2,718,295 Saudi Riyals. It is also worth noting that His Royal Highness, Prince Naif bin Sultan bin Mohammed bin Saud Al-Kabeer, Chairman of Board of Directors at Zain KSA, is also a member of Almarai's Board of Directors.
- Zain KSA has signed a contract with Archiving and Warehousing Storage Solutions Company, a subsidiary of Tojory Company. During 2017 His Royal Highness, Prince Naif bin Sultan bin Mohammed bin Saud Al-Kabeer was appointed Member of the Board of Directors of Tijory. The Contract for archiving and warehousing services took place in 29-7-2015, accumulating to an amount of 916,000 Saudi Riyals. It is also worth noting that His Royal Highness, Prince Naif bin Sultan bin Mohammed bin Saud Alkabeer, Chairman of Board of Directors at Zain KSA

Board of Directors

Major Shareholder's (5% and more) interests in Contracts with Zain KSA >>

- None.

Actions taken by the Board of Directors to inform its members - especially non-executives - of shareholders' proposals and comments about the Company and its performance >>

The Company has an investor relations department that meets all investors' requests, and responds to their inquiries, and thereafter briefs the Chairman of any recommendations suggested by the shareholders; and then submit their comments and suggestions to the Board of Directors of the Company. Several means are available and accessible to shareholders, including telephone and email correspondence.

The means by which the Board of Directors has evaluated its performance and the performance of its committees and members:

At its meeting held on 13th December 2018, the Remuneration and Nomination Committee reviewed the evaluation criteria for Board members and evaluated the current performance of the Board, noting that the current composition of the Board meets the skills required to manage the Company.

Committees of the Board of Directors and a brief description of its responsibilities:

(1) Audit Committee

AC Roles and Responsibilities >>

The Committee's roles and responsibilities include its statutory duties as per the CMA Corporate Governance Rules, the Companies Law and the responsibilities assigned to it by the Board of Directors.

The Committee has carried out its functions through meetings and discussions with Executive Management, Internal Audit team and External Auditors. The AC meets at least four times per annum, with authority to convene additional meetings as circumstances require.

The main responsibilities for the AC are the following:

- Assist the Board of Directors in its evaluation of the adequacy and efficiency of the internal and financial control systems, accounting practices, information systems, and auditing processes applied within the Company.
- Review and monitor the Company's management, Internal and External Auditors and the Company's finance policies to reasonably assure the adequacy of accounting principles and financial practices applied. As well as review and discuss the accounting policies adopted and any changes in accounting policies, and submit recommendations and views to the Board of Directors.
- Review and analyze the interim (quarterly) and annual financial statements prior to presentation to the Board of Directors, and provided its opinion and recommendations thereon to ensure their integrity, fairness and transparency.
- Nominate and recommend the appointment and remuneration of External Auditors, and monitor their effectiveness and determine their equivalents.
- Supervising and monitoring the company's Internal Audit department to verify its effectiveness in performing the

Board of Directors

duties and tasks assigned to it. As well as review with the Internal Audit General Manager the results of the Internal Audit efforts on a periodic basis, or as necessary

- Reviewed the effectiveness of the system for monitoring compliance with applicable laws and regulations including governance regulations, the results of management's investigation and any instances of non-compliance.
- Approved the Internal Audit charter as well as Internal Audit policies and procedures.

Meeting individually and periodically with the Internal Audit General Manager to discuss any matters that the Audit Committee or the Internal Audit General Manager may consider necessary.

Audit Committee formation: >>

The Audit committee consists of the following members:

	Members	Role
1	Raied bin Ali Al Saif	(Chairman)
2	Ossama Matta	(Member)
3	Thamer Ahmad Obeidat *	
4	Martial Caratti *	

* Acceptance of Thamer Obeidat's resignation from the Board of Directors on 9/12/2018 and appointment of Martial Caratti as his predecessor

The following table shows the audit committee's attendance: >>

(✓) denotes that the member attended the meeting, while the mark (x) means the member did not attend:

Members	22nd of January 2018	19th of March 2018	23rd of July 2018	26th of Sep 2018	8th of November 2018	Attendance
Raied bin Ali Al Saif	✓	✓	✓	✓	✓	5
Ossama Matta	✓	✓	✓	✓	✓	5
Thamer Ahmad Obeidat	✓	✓	✓	x	✓	4
Martial Caratti	x	x	x	x	x	0
Total Attendance	3	3	3	2	3	3

Board of Directors

Internal Control Systems

The internal control system has an important role to play in the success of any organization. Zain KSA is committed to ensuring an effective internal control system to achieve regulatory objectives, asset protection, accurate internal and external reporting, risk reduction and adherence to regulatory requirements.

The Audit Committee oversees the Internal Audit work, which periodically reviews the adequacy and effectiveness of the internal control system, to provide a continuous assessment of the internal control system and its effectiveness. The Committee also reviews the External Auditor's reports and management letter, which might include any lack of internal control noted by the External Auditor as part of his internal controls assessment. This comes within the objectives of the Board of Directors to obtain reasonable assurance about the soundness of the design and effectiveness of the performance of the Company's internal control system.

Based on the above, the Audit Committee believes that the internal control system within the Company is appropriately designed and effectively serves organizational objectives, operational efficiency, financial reporting reliability and regulatory compliance without any material deficiency or material weakness. Zain KSA will evaluate and review the internal control system periodically with the guidance from Audit Committee, and with adhering to relevant laws and regulations, Zain KSA will continue to increase the internal control effectiveness and ensure that the internal control objectives are achieved by improving the efficiency of operations.

It is worth noting that there is no recommendation was made by the Audit Committee for the appointment of Internal Auditor as it exists. Also, all Audit Committee recommendations are consistent with the Board of Directors decisions.

2) Nomination and Remuneration Committee (NRC)

Responsibilities and functions of the Committee:

The roles, responsibilities, and duties of the Nomination and Remuneration Committee (NRC) have been determined in accordance with the regulations issued by the Capital Market Authority (CMA) and the Company Law. The NRC members perform their duties by attending meetings, discussions with executive management, and evaluating the performance of the Board of Directors and the Executive Management. The NRC shall meet at least once every six months, with the authority to hold additional meetings as required.

The main functions of the Nominations and Remuneration Committee include the following:

- Recommend clear policies and criteria for Board of Directors membership approved by the General Assembly to the Board of Directors. The Committee also assists the Board of Directors in applying these policies.
- Recommend the approval of the appointment of the Chief Executive Officer and the Chief Financial Officer to the Board of Directors.
- Approve the CEO's recommendations to appoint all senior officials of the company.
- Recommending the nomination and re-nomination of members of the Board of Directors to the Board of Directors in accordance with the approved policies and standards.

Board of Directors

- Take into account the provisions of the Corporate Governance Regulations from the terms and conditions and follow the requirements of the Capital Market Authority when nominating members of the Board of Directors
- Ensure annually the independence of the independent members and the absence of any conflict of interest if the member is on the board of another company
- The Committee reviews and recommends to the Board of Directors a written policy for dealing with conflicts of interest
- The Committee shall ensure that no member of the Board accepts gifts from any person having business dealings with Zain KSA, if such gifts would lead to a conflict of interest
- Recommend the remuneration of Board members, its committees and senior executives to the Board of Directors in accordance with the approved remuneration policy
- Review the remuneration policy and evaluate its effectiveness in achieving its objectives periodically.
- Review and approve the organizational structure of the company in addition to the Remunerations and allowances of all employees.

Formation of Nominations and Remuneration Committee: >>

The Nomination and Remuneration Committee shall consist of the following members

	Name	Position
1	Scott Gegenheimer	(Chairman)
2	Raed Ben Ali Al Seif	Members
3	Tamer Ahmed Obeidat*	
	Ossama Matta*	

* Acceptance of the Thamer Obeidat's resignation from the Board of Directors on 9/12/2018 and appointment of Ossama Matta as his predecessor

Board of Directors

The following table shows the Nomination and Remuneration Committee attendance: 

Members	5th of February 2018	5th of April 2018	25th of June 2018	13th December 2018	Total Attendance
Scott Gegenheimer	✓	✓	✓	✓	4
Raied bin Ali Al Seif	✓	✓	✓	✓	4
Thamer Ahmad Obeidat *	✓	✓	✓	x	3
Ossama Matta *	x	x	x	✓	1
Total Attendance	3	3	3	3	-

* Acceptance of the Thamer Obeidat's resignation from the Board of Directors on 9/12/2018 and appointment of Ossama Matta as his predecessor

3) Executive Committee:

The Board of Directors formed its Executive Committee on 5th of December 2017, which was composed of: HH Prince Naif bin Sultan bin Mohammed bin Saud Alkabeer (Chairman), Mr. Bader bin Nasser Alkharafi (Vice Chairman), Mr. Saud Abdullah AlBawardi (Member), Mr. Ossama Michael Matta (Member) and Mr. Mark Scott Gegenheimer (Member).

The Executive Committee was assigned the right to exercise all authorities delegated by the Board of Directors. The exercise of such authorities by the Executive Committee shall not prejudice the authority reserved for the full Board neither shall it relieve the Board of its responsibilities. The Committee shall report to and manage the communications with the Board of Directors with transparency. The Committee shall not have the right to amend any decisions or resolutions of the Board.

The Executive Committees authorities are as follows:

- Identifying and recommending the enforcement of the objectives and strategies for the Company in the development of its business, having regard to the interests of its shareholders, customers, employees and other stakeholders.
- Agreeing policy guidelines for departments based on the strategy approved by the Board.
- Monitoring the successful execution of Company's business plan (as approved by the Board).
- Monitoring the departmental objectives and budgets to ensure that they fall within the Company's targets (as approved by the Board).
- Reviewing the organization structure of the Company and making recommendations for any changes.
- Ensuring the control and co-ordination including monitoring of risks within the Company.
- Ensuring the Company's compliance with relevant legislation and regulations, including the Corporate Governance Rules for the Company.

Board of Directors

- Safeguarding the integrity of management information and financial reporting systems with management.
- Identifying and executing new business opportunities outside the current core activities, including geographic diversification.
- Examining all trade investments, divestments and major capital expenditure proposals and notifying any recommendations to the Board of those which are material either by nature or cost;
- Optimizing the allocation and adequacy of the Company's resources.
- Review, recommending and ensuring implementation of Zain KSA 's Company's policies except certain and specific policies which are under the direct responsibility of other Board Committees such as accounting, finance, internal audit, and compensation and benefits policies of the company.

The Committee has not conducted any meeting since formation, Board of Directors resolved to issue a resolution to withdraw its Executive Committee on 20/5 /1439H equivalent to 6/2/2018G, due to the fact that the Executive Directorate are conducting their duties efficiently and effectively.

Members of the Executive Committee:



	Name	Position
1	HH Prince Naif bin Sultan bin Mohammed bin Saud Al-Kabeer	(Chairman)
2	Bader bin Nasser Al-Kharafi	Vice Chairman
3	Saud Abdullah AlBawardi	(Member)
4	Ossama Matta	
5	Scott Gegenheimer	

Senior Executives

Senior Executives >>

• Shareholdings by Senior Executives and their Wives and Minor Children in Zain KSA

There are no shareholdings by any of the executive management and their wives and minor children in Zain KSA as of the dates of 1st January 2018 and 31st December 2018.

• The Senior Executives are as follow:

Eng. Sultan bin Abdulaziz AlDeghaither

(Chief Executive Officer)

Eng. Sultan embarked on his new role as CEO of Saudi Mobile Telecommunications Company (Zain) on July 1st of this year, 2018. Eng. Sultan has an impressive track record of accumulated experience in the telecommunications sector. Eng. Sultan's first role at Zain KSA was when he joined the company in 2009 as Director of Network Planning. He then was assigned a number of roles before becoming Chief Technology Officer, then Chief Operating Officer; a role which enabled him to play an impactful role in the development of the company's operations on commercial and technical levels, in addition to improving subscriber experience.

Al-Deghaither worked on developing and setting up Zain's network in Saudi Arabia to cover more than 98% of the inhabited areas. He was the head of the 4G network team; a project that was launched by the company in 2011, making Zain the first operator to launch this service in the Kingdom. He also led (Project Reload), one of the largest projects in the history of the company, with an investment of 4.5 billion Saudi Riyals behind this project.

Al-Deghaither, who holds a bachelor's degree in communications and electronics engineering from King Saud University, will commence the strategic transformation the company is undergoing to fully utilize the tremendous growth opportunities available in the Kingdom's telecommunications sector.

Mehdi Khalfaoui

(Chief Financial Officer)

Mr. Mehdi Khalfaoui joined Zain KSA in February 2017 as Chief Finance Officer.

Mehdi has more than 10 years of ICT sector experience. He joined Zain Group in 2009 and played key roles in the financial transformation and growth for a number of companies operating across the MENA region. Working in Telecom industry has given Mehdi a well-rounded strategic finance experience with extensive international exposure in various areas, namely in Financial Management, Performance Monitoring, Budgeting and Planning, Treasury and Corporate Finance.

Mehdi holds a master's degree in Corporate Finance from INSEEC Business School, France.

Sherif Tahoun

(Chief Commercial Officer)

Sherif's professional career spans over twenty-five years working predominantly in delivering business growth and transformations across large organizations in high profile industries such as Telecoms, FMCG and Oil & Gas, and Investment Management. Prior to Zain, Sherif was engaged by Etisalat Egypt and worked for Vodafone Egypt, BP, Procter and Gamble in which he held various key roles in both Saudi Arabia and Egypt.

Eng. Tahoun holds a Bachelor's of Science degree in Civil Engineering from Cairo University.

Faris Al-Zahrani

(Chief Human Resource Officer)

Faris embarked on his new role as (Chief Human Resource Officer) of Saudi Mobile Telecommunications Company "Zain" in October 2018. His professional career spans over 15 years of experience in the telecommunications sector.

Senior Executives

Al-Zahrani first role at Zain, was when he joined the company in 2015, as Human Resources Services General Manager. He played a key role in automating HR services. He also played an integral role in expanding human resources function within the company Regions, as well as enhancing internal and external recruitment processes and policies. Furthermore, he participated in achieving overall "Saudization" targets through planning and implementing the "Saudization" plan.

Al-Zahrani holds a bachelor's degree in Business Administration from the University of Lakehurst in USA. He also holds an associate degree in Business Management from CDS USA.

Yahya Al Mansour

(Chief Sales and Distribution Officer)

Yahya has joined Zain KSA in December 2017 with more than 17 years of B2B experience across different business leadership roles. His most recent role was Chief Sales Officer at Jawwy. He has also held various sales and marketing roles in STC, including GM SME Sales in Enterprise Business Unit, GM Marketing, Director Finance and Banking and Director Key Accounts Sales and Head of Government Sector Sales.

Yahya holds an MBA in Marketing from University of Central Florida, USA and a bachelor's degree in Business Administration from King Abdulaziz University. He also attended several leadership and executive trainings with Harvard, Stanford, Colombia and INSEAD.

Eng. Saad A. Al-Sadhan

(Chief Business and Wholesale Officer)

Saad embarked on his new role as CBWO of Zain in July 2018. His professional career spans over 15 years in the telecommunications sector.

Eng. Al-Sadhan began his journey with Zain in 2016 as Wholesale Senior Director then as an Executive General Manager for the department. Where he was able to strengthen Zain's brand by attracting international affiliates, roaming and wholesale partners, and third party networks for wholesale expansion, in line with the Zain's overall goals and objectives.

Eng. Al-Sadhan holds a bachelor's degree in Electrical Engineering from King Fahad University of Petroleum and Minerals (KFUPM).

Hernan Munoz

(Acting Chief Technical Officer)

Hernan Munoz embarked on his role as (Acting Chief Technical Officer) of Saudi Mobile Telecommunications Company "Zain SA" in July 2018. Hernan has twenty-nine years of experience in the telecommunications sector.

Hernan Munoz joined Zain Saudi Arabia in April 2017 as Engineering (Executive General Manager). During his time in this position, he led major projects including Reload Technology Transformation, and USF (High-Speed internet network expansion in rural areas). Hernan was also driving revamping engineering processes and design strategies, thereby maximizing investment efficiency, differentiating customer experience and enriching the concept of virtual data and strategy centers.

Munoz holds an Electronics Engineering degree from the Pontificia Bolivariana University in Colombia.

Abdulaziz Attallah Altoaimi

(Internal Audit General Manager)

Abdulaziz joined Zain KSA in December 2017 with more than 17 years of experience in Internal Audit. His most recent role was Investment and Special Assignment Director in Internal Audit Sector at STC. He has also held Internal Audit and Inspection and Compliance roles in Capital Market Authority and Saudi Industrial Development Fund.

Abdulaziz holds an MBA in Business Administration from University of Colorado State, USA, and a bachelor's degree in Accounting from King Saud University. He holds the certificate of Saudi Organization Certified Public Accountant, he also attended several audit and leadership training workshops in London, Geneva, Colorado, Dubai, Abu Dhabi and Kuwait.

Senior Executives

Rayan Ibrahim AlKarawi

(Investor Relations General Manager)

Rayan Joined Zain KSA in 2014. He is an award-winning Investor Relations professional, with a career that spans more than 25 years, having held key positions covering areas such as financial markets, corporate finance and financial policies, apart from investor relations.

The organizations he worked for include: the Saudi Arabian Monetary Authority, the Saudi Arabian Investment Bank and Dar Al-Arkan.

Rayan holds a bachelor's degree in International Business from Schiller International University, London.

He is also one of the founding members of the Saudi Chapter of the Middle East Investor Relations Association (MEIRA).

Faris Al-Ribdi

(Regulatory Affairs and Compliance Executive General Manager)

Faris began his journey with of Saudi Mobile Telecommunications Company "Zain" as a General Manager of Regulatory Affairs and Compliance in January 2018. His professional career spans 14 years in the telecommunications sector.

As General Manager of Regulatory Affairs and Compliance, Al-Ribdi is accountable for providing leadership and direction on subjects related to regulations and compliance, also contributes to the formulation of the strategy and implementation of regulatory policy.

Were he also in charge of managing all interactions with the Regulatory Authority MCIT/CITC, and ensures compliance with decisions and the company licenses obligations, moreover providing regulatory support, guidance to company departments

Al-Ribdi holds a bachelor's degree of Information System from the Imam Muhammad Ibn Saud Islamic University.

Eng. Salah Al-Ghamdi

(Digital and Analytics General Manager)

Eng. Salah embarked on his role as Senior Manager of Digital department at Saudi Mobile Telecommunications Company "Zain" in November 2016 and then later as General Manager for the same department. Salah has fifteen years of experience in the telecommunications sector.

Eng. Al-Ghamdi has been leading the organizational digital transformation of Zain into a Digital Telco. His responsibilities include setting the company's strategy and execution for new digital ventures, electronic channels, business intelligence and big-data capability development.

Al-Ghamdi holds a bachelor's degree of Electrical Engineering from the King Saud University. In addition, he holds a master's degree in Engineering Entrepreneurship and Innovation from the McMaster University in Hamilton, Canada.

Rayan Abdullah Alturki

(Communication Executive General Manager)

Rayan began his journey with Saudi Mobile Telecommunications Company "Zain" as a Communication Executive General Manager in 2018.

Rayan has more than 15 years of experience in Marketing, Communication, and Branding, he worked at several organization such as Mobily, Careem, and MCI.

Alturki holds a bachelor's degree of Computer Science from King Saud University, and MBA from Rochester Institute of Technology.

Senior Executives

Former Senior Executive:

Name	Job title	Brief Summary	End of Service
Peter Kaliaropoulos	Former CEO	Peter Kaliaropoulos joined Saudi Mobile Telecommunications Company (Zain) in January 2017 as Chief Executive Officer. Peter has more than 30 years of experience in the field of communications and information technology. He has held several executive positions and has made clear contributions to the management of transformation and the implementation of growth strategies for a number of major companies in Asia and the Middle East.	30 th July 2018
Abdul Majeed Al Rashoudi	Chief Executive Customer Service Officer	Abdul Majid Al Rashoudi joined the Saudi Mobile Telecommunications Company (Zain) in February 2008, where he was part of the founding team of the company, carrying with him a rich journey supported by 17 years of experience in various fields	26 th September 2018
Sultan Al Shahrani	Chief Executive Human Resources and Institutional Communication Officer	Mr. Al Shahrani joined Saudi Mobile Telecommunications Company (Zain KSA) in October 2015 after working for more than 16 years in the telecom and retail sectors. Under his position as Chief Human Resources Officer, Mr. Al Shahrani is responsible for the development and implementation of Zain's HR strategy.	2 nd July 2018
Hatem Qutbi	Chief Executive Marketing Officer	Hatem joined Zain KSA in 2015. He has over 18 years of experience in the telecoms industry and has held important positions in several areas including marketing, customer segmentation, mobile data, value added services, pricing management and customer value. Through his work in communications, Hatem has gained extensive knowledge in marketing strategies, product development, consumer trends and transformation programs.	31 st October 2018

Remuneration of Board of Directors and Executive Management

According to the Remuneration Policy that approved by the General Assembly of Zain KSA on 21st of Dec 2017 which it reflects the interests of the shareholders and the company, we enclosed the terms used for Board Remuneration and Executive management as follow:

• Remuneration of Board of Directors:

Efforts are made to ensure that the remuneration of the Board of Directors matches to the level in other regional and global telecom and listed companies on Saudi Stock Exchange, considering their size and operations in relevance to Zain KSA, whilst also taking into consideration board members' required competencies, effort and the scope of the board work, including the number of meetings. The mechanism of distribution the remuneration of the Board as follow:

Senior Executives

Fixed remuneration

- Members of the Board of Directors shall receive a fixed amount (basic remuneration), which shall be approved by the General Assembly for the current financial year, annually.
- In addition to the basic remuneration, annual committee remuneration is paid to board members who are also members of one of the board committees.
- Should a Board member assume specific ad-hoc tasks beyond the normal work as member of the Board, the Board of Directors will decide on a fixed fee for such tasks subject to approval by General Assembly.

Variable remuneration.

- The Board members, shall be entitled to profits in terms of their respective shareholding as recommended by the Board and as approved by the General Assembly, in form of distributable profits (dividend), in accordance with the dividend payout policy.
- If Board's remuneration represents a percentage of the company's profits, it must not exceed 10% of the net profits after the deduction of reserves as determined by the General Assembly pursuant to the provisions of Companies Law, and after distribution of a dividend of not less than 5% of the company's paid up capital to the shareholders, provided that the entitlement for such remuneration shall be in proportion with the number of meetings attended by the member. Any determination of remuneration made in violation of this provision shall be considered void.

Reimbursement of expenses

- Expenses such as travel and accommodation relating to Board meetings, meetings of the Committee and relevant training are reimbursed in accordance with the Company's travel policy applicable at senior executive's level.
- In all cases, the total amount of the remunerations, of board members shall not exceed Saudi Riyals Five Hundred Thousand (SAR 500,000) of financial or in kind benefits annually, in all cases, in accordance with measures imposed by the competent authority.

Board of Directors' Remuneration

Board members and its committee's remuneration

Pursuant to the Company's Nomination and Remuneration Policy, which stipulates that Board Members and Committee Members are entitled to a basic remuneration, which is approved by the General Assembly on an annual basis. The General Assembly meeting held on 28/05/2018 voted and approved the remuneration of the members of the Board of Directors and its committees for the financial year ending 31/12/2017. Board Members are entitled to an amount of SAR 375,000 and each committee member are entitled to an amount of SAR 50,000.

Board members	Fixed remuneration							Variable remuneration					Total	End of Service Gratuity	Grand Total	Expense Allowance
	Base amount	Attendance allowance for meetings of the Board of Directors	Total attendance allowance for committee meetings	In-kind benefits	Fiscal, administrative and advisory work	Remuneration of the President of the Board of Directors, the Managing Director or the Secretary	Total	percentage of profits	Periodic Remunerations	Short - term incentive plans	Long - term incentive plans	Shares Given (Value Added)				
First: Independent members																
HH Prince Nayef bin Sultan bin Mohammed bin Saud Al-Kabeer	375,000	-	-	-	-	-	-	-	-	-	-	-	375,000	-	-	-
Raed bin Ali al-Saif	375,000	-	-	-	-	-	-	-	-	-	-	-	375,000	-	-	-
Hisham Mohamed Mahmoud Attar	375,000	-	-	-	-	-	-	-	-	-	-	-	375,000	-	-	-
Total	1,125,000	-	-	-	-	-	-	-	-	-	-	-	1,125,000	-	-	-
Second: Non-executive members																
Bader bin Nasser Al-Kharafi	375,000	-	-	-	-	-	-	-	-	-	-	-	375,000	-	-	-
Scott Gegenheimer	375,000	-	-	-	-	-	-	-	-	-	-	-	375,000	-	-	-
Ossama Matta	375,000	-	-	-	-	-	-	-	-	-	-	-	375,000	-	-	-
Tamer Ahmed Obeidat	375,000	-	-	-	-	-	-	-	-	-	-	-	375,000	-	-	-
Abdul Aziz bin Yaqoub al - Nafisi	375,000	-	-	-	-	-	-	-	-	-	-	-	375,000	-	-	-
Saud bin Abdullah al-Bawardi	375,000	-	-	-	-	-	-	-	-	-	-	-	375,000	-	-	-
Total	2,250,000	-	-	-	-	-	-	-	-	-	-	-	2,250,000	-	-	-

Board of Directors' Remuneration

Remuneration of members of committees emanating from the Board of Directors

Committee members		Fixed remuneration	Attendance Allowance for meetings	Total
Members of the Audit Committee				
1	Raed bin Ali al-Saif	50,000	-	50,000
2	Ossama Matta	50,000	-	50,000
3	Tamer Ahmed Obeidat	50,000	-	50,000
Total		150,000	-	150,000
Members of the Remuneration and Nominations Committee				
1	Scott Gegenheimer	50,000	-	50,000
2	Ossama Matta	50,000	-	50,000
3	Raed bin Ali al-Saif	50,000	-	50,000
Total		150,000	-	150,000

Board of Directors' Remuneration

• Remuneration of Executive Management >>

The Nomination & Remuneration Committee submits proposals concerning the remuneration of the senior executives. Management, based on their level, receives a competitive remuneration package consisting of the following components:

Fixed salary >>

The fixed salary shall be based on the current market level.

Performance Based Bonus >>

- Members of the management participate in a performance-based bonus scheme which is based on the results for the year and individual performance. The bonus is paid out annually after adoption of the annual report for the relevant financial year.
- The bonus scheme is based on target achievement of a number of parameters, at corporate level and individual level

Variable remuneration >>

The variable components shall always be within the limits of the overall budget and guidelines for incentive pay as approved by the Board.

Long-term Incentive Plan >>

Zain KSA may decide to offer its employees long term incentive plans for example employee share options. Such plan and program shall be offered in accordance with the relevant rules and regulations issued by CMA and Zain KSA Bylaws. For this purpose, the company shall issue a policy for each proposed program subject to approval by the relevant authority.

End of Service benefits >>

Zain KSA pays its employees end of service benefits in accordance with Saudi Arabia Labor Law.

• Senior Executives Remuneration

The table below shows the remuneration received by the top five senior executives of the Company including the Chief Executive Officer and Chief Financial Officer.

Senior Executives	Fixed remunerations				Variable remunerations					End-of service award	Total remunerations for Board executives, if any	Aggregate Amount	
	Salaries	Allowances	In-kind benefits	Total	Periodic remunerations	Profits	Short-term incentive plans	Long-term incentive plans	Granted shares (insert the value)				Total
Total	7,123,279	1,280,800	-	8,404,079	8,025,484	-	-	-	-	8,025,484	945,733	-	17,375,297

The Board of Directors of the company approved the resignation of the Chief Executive Officer of the company, Mr. Peter Kaliaropoulos, in order to open the way for the Chief Operating Officer and Technology Eng. Sultan bin Abdulaziz Al-Deghaither, to lead the company. Where the resignation of Mr. Kaliaropoulos became effective on 30/06/2018.

It is worth mentioning that all amounts paid out for the Board and Executives are in compliance with the approved remunerations policy and there is no deviations.

Transactions with Related Parties

AMOUNTS DUE TO RELATED PARTIES

	2018	2017
Mobile Telecommunications Company K.S.C (refer to note 1)	1,140,618	937,293
Mobile Telecommunications Company K.S.C (refer to note 3)	5,277,458	4,836,833
Founding shareholders (refer to note 2)	134,888	134,888
Infra Capital Investments (refer to note 3)	31,661	890,13
Other related parties	78	310,3
	6,584,703	5,943,125

1. Mobile Telecommunications Company K.S.C

This amount relates to accrued management fees and is payable to the Company's largest shareholder. The amount is unsecured, interest free and does not have any fixed terms of repayment but is not repayable until certain conditions are met in the Syndicated Murabaha facility.

2. Founding shareholders

This amount relates to accrued finance charges and is payable to the Company's founding shareholders. The amount is unsecured, bears interest at market rates and does not have any fixed terms of repayment but is not repayable until certain conditions are met in the Syndicated Murabaha facility.

3. Mobile Telecommunications Company K.S.C and Infra Capital Investments

These amounts are payable to shareholders and bears interest at market rates. The amounts are unsecured and cannot be repaid until certain conditions are met in the Syndicated Murabaha facility. These amounts include accrued financial charges of SAR 1,838 million (2017: SAR 1,536 million).

Disclosure

RELATED PARTY INFORMATION

During the year, the Company entered into the following trading transactions with related parties:

	2018 SAR'000	2017 SAR'000
Revenue from entities owned by a shareholder	7,266	10,187
Purchases from entities owned by a shareholder	14,740	11,934
Branding fees charged by a shareholder	203,324	52,722
Finance charges charged by a shareholder	304,174	281,026

The following balances were outstanding at the reporting date:

	2018 SAR'000	2017 SAR'000
Amounts due to a shareholder	6,584,625	5,943,083
Amounts due to entity owned by a shareholder	78	42
Amounts due from a shareholder	721	673
Amounts due from entity owned by a shareholder	-	5,837

Description of any conversion or subscription rights under any convertible debt instruments, contractually based securities warrants or similar rights issued or granted by the company >>

Board of Directors recommendation to reduce the Company's capital and a subsequent capital increase through a rights issue

The Board of Directors, in their meeting held on May 7, 2018, recommended restructuring the share capital of the Company by reducing it from SAR 5,837,291,750 to SAR 3,616,110,780 the following measures, subject to regulatory and extraordinary general assembly approvals:

1. Capital Reduction

The Company's capital will be reduced from SAR 5,837,291,750 to SAR 3,616,110,780 representing a capital decrease of around 38%. The purpose of the capital reduction is to write off the accumulated losses of SAR 2,221,180,967.

The capital reduction will be affected by cancelling 222,118,097 shares with 38 shares being cancelled for every 100 share owned. As a result, the number of shares on issue will be reduced from 583,729,175 shares to 361,611,078 shares. The capital reduction will become effective at the end of the following trading day after the extraordinary general meeting being convened to approve the capital reduction.

The percentage of ownership of each shareholder in the Company will not change as a result of the capital reduction and the capital reduction will not have any effect on the existing obligations or operations of the Company.

Disclosure

2. Rights Issue

Following the capital reduction, the Company plans to increase its capital from SAR 3,616,110,780 to SAR 9,616,110,780 by way of a rights issue with a total value of SAR 6,000,000,000.

The rights issue will be offered to those shareholders who are registered in the shareholders register, at the close of trading on the day of the extraordinary general assembly being convened to approve the rights issue.

The proposed capital reduction and subsequent rights issue are subject to obtaining prior approvals from the relevant authorities including the Capital Market Authority and the relevant extraordinary general assembly meetings.

The Company anticipates that the capital reduction and rights issue will result in the injection of additional fresh cash which will be used to reduce the Company's debt on the balance sheet and therefore result in significant interest savings.

The capital re-structuring is expected to improve the financial performance, profitability and leverage ratios of the Company.

On 25th May 2017, the company appointed Saudi Fransi Capital as a financial advisor to help the company explore various options to further strengthen its financial position. On October the 24th, 2017, the Board of Directors expanded the scope of the work under which Saudi Fransi Capital will act as financial advisor and appoint Baker & McKenzie as legal counsel to manage capital reduction and capital increase through the issue of priority shares.

The Company will make further announcements upon submitting the capital reduction and rights issue applications to the Capital Market Authority.

Convertible Debt Instruments, Options, Warrants, or Similar Rights >>

The new facility is secured partially by a guarantee from Mobile Telecommunications Company K.S.C and a pledge of shares of the Company owned by some of the founding shareholders and assignment of certain contracts and receivables.

Except as stated above, the Company has no debt instruments, options, guarantees or similar rights that are convertible from the date of incorporation until the date of this report.

Redeemable Debt Instruments >>

No redeemable debt instruments have been redeemed, or purchased, or cancelled by Zain from the date of incorporation until the date of this report.

Waiving of Compensation >>

There have been no arrangements or agreements under which a BoD member of Zain KSA has waived any compensations during 2017.

Waiving of Dividend Payment >>

There has been no arrangement or agreement under which any of Zain KSA's shareholders waived his dividends payments.

Board of Directors' Remuneration

Outstanding Statutory Payments >>

Zakat and Taxes:

The Company had finalized its zakat and tax status up to 2008 and obtained the related certificate.

The Company had submitted its financial statements along with zakat and returns for the years 2009 to 2017 and paid zakat and withholding tax according to the filed returns.

On 18 Ramadan 1436 H (corresponding to 07th July 2015), the Company received the Zakat and withholding tax assessments from General Authority of Zakat and Tax (GAZT) for the years 2009 to 2011 whereby they asked to pay an additional amount of SAR 620 million of which SAR 352 million are related to Zakat differences and SAR 267 million as withholding tax subject to delay penalty payable from the due date up to the settlement date equals to 1% for every 30 days.

Zain appealed this claim for additional payments on 27th August 2015, and was able to have the amount of SAR 352 million related to Zakat revoked entirely. In addition, SAR 219 million of the withholding tax claim was also revoked.

To appeal before the High Appeal Committee (HAC), Zain completed the required conditions in the Articles of the Saudi Tax Law, by paying the invoices issued by GAZT amounting SAR 48 million on 16th November 2017 related to Withholding Tax (WHT) and issued a bank guarantee for the amount of SAR 43 million related to the penalty generated from the delay in paying the WHT.

Based on the above, Zain received the reassessment letter for the paid amount and presented its objections before the HAC on the preliminary Appeal Committee opinion on 19th November 2017.

There is no financial impact as the Company has sufficient provisions to cover these amounts.

Others:

By the end of 2018, the outstanding statutory payments stood at SAR 3,053 million payable to:

1. CITC:

Revenue sharing with the government: SAR 155 million

2. Ministry of Finance:

Ministry of Finance Loan: SAR 2,898 million

Other than that, there are no other outstanding statutory payments.

Financial Penalties Imposed on Zain KSA During 2018

Fines and Penalties >>

- No penalties imposed by the Capital Market Authority (CMA).
- The Communications and Information Technology Commission's (CITC) violations committee issued 146 decisions that impose financial penalties on Zain due to the company's failure to comply with the CITC's rules and regulations. The total amount of penalties imposed equal to eight million nine hundred and forty-eight thousand and five hundred Saudi Riyals (8,948,500 SAR). Most of the received penalties in 2018 were revolved around issuing SIM cards without complying to the CITC rules and regulations during the previous. Compared to the total amount of penalties that were imposed on the company in 2017, in the total amount of 31,474,000 SAR. It is notable that there is a big reduction in value between the two years equal to 22 million and 500 thousand riyals.

As a result of establishing a Compliance division that monitors and ensures the compliance of all the related rules, regulations and ascertaining the implementation of all the regulatory decisions issued by the CITC.

The Compliance division works within a robust regulatory framework, which will contribute to raising the company's ability to comply with the rules and regulations and implementing the world best practice, to protect the company from any future penalties that may result from non-compliance with related rules, regulations and instructions. By monitoring the breaches and the violations within the company in order to control the process of the company's adherence to the regulatory framework and to reduce any financial losses.

Penalty / Precautions / Restriction	Reasons of the violation	The signatory of the violation	Treatment and Future avoidance methods
8,168,000	Issuing SIM card in an irregular way	Communications and Information Technology Commission	Develop procedures to limit the commission of such violations and follow up with relevant departments to ensure compliance with the regulations and systems
30,000	Refrain from implementing a decision issued by the Authority	Communications and Information Technology Commission	Establish a specialized compliance department to follow up and ensure compliance with regulations and systems and to implement regulatory decisions issued by the Communications And Information Technology Commission
10,000	Failure to provide the Commission with any report or information within its jurisdiction upon request	Communications and Information Technology Commission	Develop procedures to ensure that the required information is submitted according to the specified dates
10,000	Non-compliance with regulations and systems	Communications and Information Technology Commission	Establish a specialized compliance department to follow up and ensure compliance with regulations and systems and to implement regulatory decisions issued by the Communications and Information Technology Commission
730,500	The Commission shall receive financial compensation from the service providers for handling of complaints	Communications and Information Technology Commission	Develop procedures to resolve and reduce these issues before escalating complaints to the Authority by customers.

Financial Penalties Imposed on Zain KSA During 2018

Legal Cases >>

As in previous years, a number of lawsuits have been issued against the CITC at the Administrative Court ("Board of Grievances") in relation to the fines and penalties issued by the CITC. The Company has always resorted to the competent judicial authorities to ensure the implementation of CITC decisions on Zain KSA are fair and reasonable within the applicable laws and regulations of the Kingdom. The outcome of such litigation cases cannot be predicted; however, the Company is doing its best endeavors to protect the rights of the Company. During the year 2018, the CITC issued (78) fine-incurring administrative decisions against the Company. The reasons behind the issuance of such decisions, as claimed by CITC, relate to the Company's non-compliance with CITC's decisions number (215) as well as other decisions. The Company's legal department challenged these decisions before the Administrative Court Board of Grievances as per the imposed regulations. Further in 2018, the Administrative Court reviewed (84) administrative lawsuits filed by the Company during 2015, 2016 and 2017 against CITC. The Court issued preliminary Judgments in favor of the Company in a number of cases, whereas the CITC's decisions have been dismissed. Nevertheless, the Court has issued final Judgments in favor of the Company, whereas the courts have rejected the decisions of the CITC in the cases brought against the Company; in which dismissed (4) cases filed against CITC for a total amount of SAR 19,915,000 and only rejected (1). There are still cases remaining under consideration by the Administrative Court, to date.

Employees' End-of-Service Benefits >>

The value of the employees' end-of-service benefits, provided by Zain KSA, amounted to SAR 93 million as at 31st of December 2018.

The Company did not do any investments or reserves to be set up for the benefit of the employees of the company.

Declarations of the Board of Directors >>

The Board of Directors declares the following:

- Proper books of accounts have been maintained.
- The system of internal control is sound in design and has been effectively implemented.
- There are no significant doubts concerning the Company's ability to continue as a going concern.

Board of Directors
Mobile Telecommunications
Company Saudi Arabia (Zain)

