



Annual Report 2016

Embracing Digital Communities



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**His Royal Highness
Prince Khalifa bin Salman
Al Khalifa**

The Prime Minister of
the Kingdom of Bahrain



**His Majesty
King Hamad bin Isa
Al Khalifa**

The King of the Kingdom
of Bahrain



**His Royal Highness
Prince Salman bin Hamad
Al Khalifa**

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

INTRODUCTION
THEME

...Embracing Digital Communities

In 2016 we continued on our digitisation journey, a journey that promises untold and as yet unimagined possibilities.

We believe that there are wonderful opportunities yet to be delivered on the path towards full digitisation.

Embracing Digital Communities

Innovation drives everything we do and has since the beginning. This was true when we were a local Middle Eastern operator and is true today now that we touch the lives of millions of customers across 14 geographically different and culturally diverse locations.

In 2016 we continued on our digitisation journey, a journey that promises untold and as yet unimagined possibilities. We believe that there are wonderful opportunities yet to be delivered on the path towards full digitisation.

Accordingly, we are continuing to invest in relevant platforms that differentiate our operations from those of competitors and elevate our customers' communications standards, helping them to interact more effectively and perform a myriad of daily tasks that simplify and enhance their lifestyles.

Millions of individuals connect through us to their friends and families and have access to unlimited information and a vast range of entertainment at their fingertips. Big and small businesses use our services every day to operate efficiently and compete in the global marketplace.

The industry continues to evolve at a pace not seen in any other industry and is consequently very challenging. We need to be focused and aware of new developments both in the markets we operate in as well as new developments in technology. To do so, we will collaborate with current partners and form alliances with new partners to deliver the most in-demand products, services and digital solutions that truly advance how our customers' businesses function and how they live their personal lives. We will invest much effort in positioning ourselves as the best customer experience operator in our different markets.

VISION,
MISSION & VALUES

OUR VISION

Batelco Group will be the leading integrator of digital solutions and services in its chosen markets.

OUR MISSION

We deliver innovation and value to our customers in each market, through competitive solutions and people excellence.

OUR VALUES

Our People

We are proud to be Batelco and keep empowering, appreciating and motivating others.

Teamwork

We support and trust each other, think win win and work towards our common vision.

Customer Driven

We respect and listen to our external and internal customers, serve with a smile, deliver on our promises and are responsive to customer requirements.

Integrity

We are professional, honest and transparent and keep our promises.

Creativity

We encourage new ideas, think outside the box, are open-minded and innovative.

Ownership for Performance

We are accountable and learn from our mistakes, take ownership and meet deadlines.

FINANCIAL & OPERATIONAL HIGHLIGHTS

BD 172.4

CASH AND BANK BALANCE
(BD MILLION)

59%

OF REVENUES
GENERATED
FROM OVERSEAS
OPERATIONS.



BD 1.6 Million

SOCIAL AND COMMUNITY
CONTRIBUTIONS



BD 37.6

Net Profit (BD MILLION)

EDITDA

BD 135.2

MILLION

BAHRAIN DINAR

**EARNINGS
PER SHARE**

22.6 Fils

EBITDA MARGIN

37%

SUBSCRIBER BASE

**9.4
MILLION**

NET ASSETS

BD537.0

MILLION

BAHRAIN DINAR



367.1

GROSS REVENUE (BD MILLION)

52%

OF EBITDA
GENERATED
FROM OVERSEAS
OPERATIONS.

CHAIRMAN'S STATEMENT

37.6M

Batelco Group ended the year with net profit of BD37.6 million (US\$99.7 million).

OUR OBJECTIVES ARE GEARED TOWARDS MAKING SUBSTANTIAL PROGRESS WITH OUR STRATEGIC PLANS IN ORDER TO EXCEED CUSTOMER EXPECTATIONS AND ENHANCE THEIR EXPERIENCE WHILE BOOSTING PROFITABILITY AND POSITIONING BATELCO GROUP AS A TOP TIER AND LEADING INTEGRATOR OF DIGITAL SOLUTIONS IN ITS CHOSEN MARKETS.



Chairman's Statement

On behalf of the Board of Directors, it gives me great pleasure to present the 35th Annual Report of the Bahrain Telecommunications Company BSC and its subsidiaries and affiliates (Batelco Group), for the year ended 31st December 2016.

For the full year 2016, Batelco Group reported Gross Revenues and EBITDA in line with the prior year despite competitive pressure across its key markets.

Gross revenues for the year were BD367.1 million (US\$973.7 million) compared to BD372.4 million (US\$987.8 million) the previous year, a marginal decrease of 1%. Similarly EBITDA of BD135.2 million (US\$358.6 million) experienced a slight decline of 2% compared to the prior year. The Group continues to maintain its robust EBITDA margin, with 37% margin reported at the end of 2016.

The Group ended the year with net profit of BD37.6 million (US\$99.7 million) compared to BD49.5 million (US\$131.3 million) reported in 2015, a 24% year over year decline. The reduced net profits for the period are mainly impacted by an impairment loss on goodwill related to the Group's operation in Jordan.

Nonetheless, the Group's balance sheet and financial position remain resilient and as of 31 December 2016, net assets were BD537.0 million (US\$1,424.4 million) with substantial cash and bank balances of BD172.4 million (US\$457.3 million). Earnings per share for the full year in 2016 stood at 22.6 fils.

Financial and Operational Highlights

- Gross revenues of BD367.1 million (US\$973.7 million) for the year;
- EBITDA of BD135.2 million (US\$358.6 million) representing a 37% margin;
- Consolidated net profit of BD37.6 million (US\$99.7 million) for the year;
- Markets outside of Bahrain contribute 59% of revenues and 52% of EBITDA;
- Subscriber base of 9.4 million, an increase of 4% YoY;
- Substantial cash and bank balances of BD172.4 million (US\$457.3 million); and
- EPS of 22.6 fils and recommended dividends of BD41.6 million (US\$110.3 million) for the full year, equivalent to 25 fils per share, marking the Group's ongoing ability to deliver strong value and returns to shareholders.

Proposed Appropriations

Based on the financial results, the Board of Directors has recommended for the approval of shareholders, the following appropriations for the year 2016.

BD millions	2016	2015
Final cash dividends proposed	24.95	24.95
Interim cash dividends paid	16.63	16.63
Donations at 2.5%	0.94	1.24
Transfer to statutory reserve	Nil	0.96

The Board of Directors will recommend to the Annual General Assembly of Shareholders a full year cash dividend of BD41.6 million (US\$110.3 million), at a value of 25 fils per share, of which 10 fils per share was already paid during the third quarter of 2016 with the remaining 15 fils to be paid in cash following the AGM in March 2017.

Market conditions in Bahrain and across a number of the Group operations are challenging due to the world's economic climate in general and also due to the vibrant nature of the communications industry which is experiencing a powerful shift as all players strive to gain a strong foothold in the world of digitisation.

However, in spite of decreased profits, we are encouraged to note that subscriber numbers are up by 4% year over year. The upswing in customer numbers is attributed to our investments in new networks including fibre and our efforts to strengthen our digital solutions portfolio. We are responsive to changes in our environment which helps us shape a flexible and sustainable business model and accordingly, we are optimistic that our subscriber base will continue to grow and ultimately boost the bottom line as a result of our plans going forward.

Auditors

The Board of Directors will recommend the re-appointment of KPMG Fakhro as Batelco's auditors for the financial year ending 31st December 2017.

Reaching out to our Community

Alongside Batelco's investments that support the economic growth and development of the Kingdom of Bahrain, the Company also invests in the local community through a highly reputable Corporate Social Responsibility programme.

CHAIRMAN'S STATEMENT (Continued)

During 2016 over BD1.6 million was committed as part of Batelco's CSR programme with the aim of making a positive difference in the lives of all citizens. Among the sponsorships for 2016 was the Ironman 70.3 Middle East Championship, as part of Batelco's commitment to Sports events. Extensive support is also given to Health, Education and Arts/Cultural programmes. Among the Health initiatives is annual support provided to Shaikh Mohammed Bin Khalifa Bin Salman Al Khalifa Cardiac Centre. The Crown Prince Scholarship programme is a major annual benefactor under the Education umbrella while Batelco's annual support towards Arts/Cultural initiatives includes support for the Bahrain Historical & Archaeological Society.

Appreciation for those who support us

On behalf of the Board of Directors I extend grateful appreciation to Shaikh Hamad bin Abdulla Al Khalifa, Batelco's Chairman from 2006 until December 2016. Shaikh Hamad's vision and dedicated leadership was unmatched and all at Batelco Group are indebted to him. Under his leadership Batelco grew from being a regional operation into an internationally reputed organisation and a leader in the local communications industry.

Batelco is very fortunate to benefit from the ongoing support of the Kingdom of Bahrain's leadership and their commitment to the development of the communications industry. Accordingly, on behalf of all members of the Batelco team, I extend appreciation to His Majesty King Hamad bin Isa Al Khalifa, King of Bahrain, His Royal Highness Prince Khalifa bin Salman Al Khalifa, the Prime Minister and His Royal Highness Prince Salman bin Hamad Al Khalifa, Crown Prince, Deputy Supreme Commander and First Deputy Premier.

On a personal note, I offer grateful thanks to the Board of Directors, Management and Staff throughout the Group for the very warm welcome and messages of support that I have received upon joining Batelco Group as Chairman.

The Batelco Group's executive teams and strong network of employees across all markets are the heart and soul of the organisation and their enthusiasm and commitment deserves much praise. I look forward with enthusiasm to working closely with both the Board and executive management.

I am confident that all teams are fully prepared with solid plans in place to face all operational and competitive challenges in the months ahead of us. While we have a number of strategic plans that cross the whole Group, each operation also has specific

plans in place to cater to the unique needs of its customers and geographic locations. In the Batelco Group, we operate globally in order to deliver locally.

Across the Group we reward our customers' loyalty by keeping in line with international market trends to ensure we deliver the products and services that support their communication requirements and improve their lifestyles. We are most appreciative that our customers continue to choose our offerings in markets that have such a vast range of choices.

Much appreciation is also due to Batelco's shareholders for their continuous support and confidence in our strategic plans. Our goal is to drive shareholder value through sharpening our focus on group wide synergies aimed at enhancing performance in all markets of operation.

Looking Ahead with Confidence

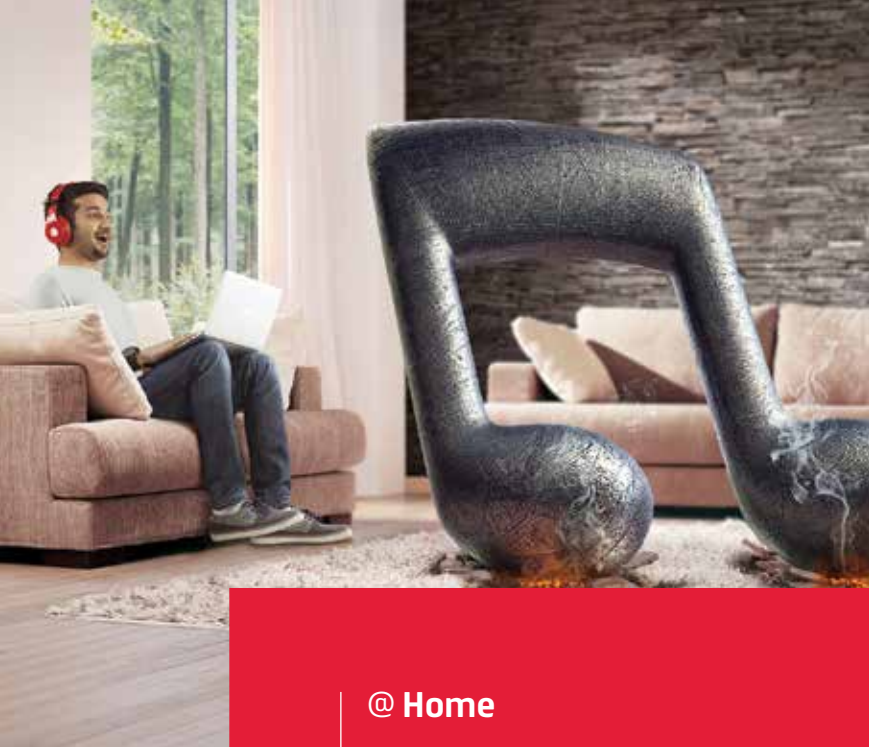
Going forward, we will focus on our strengths based on the excellent reputation we have established in the home market of Bahrain and also across our overseas markets via our joint ventures.

Our objectives are geared towards making substantial progress with our strategic plans in order to exceed customer expectations and enhance their experience while boosting profitability and positioning Batelco Group as a top tier and leading integrator of digital solutions in its chosen markets.

Throughout the Batelco Group, our aspiration is to achieve operational excellence. That is central to our goal to drive sustainable revenue growth and deliver value for our stakeholders.

Mohammed bin Khalifa Al Khalifa

Chairman of the Board
Bahrain Telecommunications Company BSC
February 22nd 2017



@ Home

We want to help our customers to do more of what they love – talking, messaging, watching their favourite show, shopping, playing games - and all of this digitally, from their laptops and handheld devices, no matter where they are, at any time. It's all about bringing simpler solutions to ensure our customers enjoy the very best of the digital world.



A world of entertainment



**GROUP CEO
MESSAGE**



“WE CREATE POSSIBILITIES BY DELIVERING THE MOST UP TO DATE SERVICES AND SOLUTIONS IN EACH MARKET OF OUR OPERATION, ENABLING THE BEST-IN-CLASS CONNECTIONS AND DELIVERING THE BEST VALUE FOR INDIVIDUALS AND BUSINESSES. WE WANT EACH OF OUR CUSTOMERS TO ENJOY AN INCOMPARABLE SERVICE EXPERIENCE WHEREVER THEY ARE LOCATED”

SUBSCRIBER BASE

**9.4
MILLION**

Overall performance across the Group was supported by increased customer numbers in the majority of the Group's operations.

Competitive pressure and the conversion of growing demands into enhanced revenues combine to challenge the Group daily. However, the outcomes of Batelco Group's operations are far reaching and not only financial, as across the Group each operation adapts to market trends, in order to make the right investments and deliver the products, services and solutions that their customers demand.

We create possibilities by delivering the most up to date services and solutions in each market of our operation, enabling the best-in-class connections and delivering the best value for individuals and businesses. We want each of our customers to enjoy an incomparable service experience wherever they are located.

To attain our goals we are focussed on a number of key pillars such as the development and growth of our Digital Solutions throughout the Group, improving the efficiency of our Op-Co's and the training and development of our own people to ensure the skills sets we need going into the future are readily available.

During 2016, we continued to invest in strategic projects across our different operations such as our Mobile Network expansion, acquiring 4G licences and rolling out 4G solutions and unified communications. The results of our investments mean that our main operators can provide end-to-end communications solutions for all sectors of customers.

Subsidiaries and Affiliates Strong Contribution to Group

At year-end 2016, 59% of revenues and 52% of EBITDA were sourced from overseas markets compared to 59% of revenues and 55% of EBITDA in 2015. Overall performance across the Group was supported by increased customer numbers in the majority of the Group's operations.

Jordan – Umniah: Umniah continues to be impacted by the difficult operating environment in Jordan due to high taxes and increased utility charges. In addition, the company's competitors launched their 4G network ahead of Umniah which resulted in reduced mobile subscriber numbers for the year 2016. The company ended the year with a mobile subscriber base of 2.8 million, 12% lower than the prior year. However, Umniah's broadband subscriber base made significant gains throughout the year with a 24% year-over-year increase.

Kuwait - Quality Net: Batelco Group holds a 90% shareholding in Qualitynet, which remains the clear market leader in the fixed Data Communications and Internet Services industry in Kuwait. The company was able to retain its broadband market share despite tough competition from fixed and wireless service providers.

Maldives - Dhiraagu: Dhiraagu ended 2016 with strong financial results driven by roaming, mobile data and enterprise data growth. Dhiraagu has pursued its network expansion and coverage enhancement, ending the year with widest 3G and 4G coverage in the Maldives. The company also announced the nationwide rollout of 4G coverage in line with its aim to improve customer experience and provide the best value propositions. Fibre broadband rollout continued with services launched in additional islands, offering the fastest broadband speeds in the country. Both mobile and broadband subscribers witnessed a 7% and 13% increase year-over-year respectively.

Channel Islands & Isle of Man – SURE: 2016 has seen continued significant investment in Sure's 3G and 4G mobile networks across the Channel Islands and Isle of Man, which has delivered enhanced indoor penetration and coverage whilst also improving uplink and downlink speeds for customers. The fixed broadband network in Guernsey has also been greatly enhanced with a record number of access nodes being deployed. Subscriber numbers continue to grow with 1% and 3% year-over-year increases in mobile and broadband subscribers respectively.

South Atlantic & Diego Garcia – SURE: It has been a challenging year for Sure S&D due to the end of the oil exploration phase in the Falklands, the delay in the launch of commercial flight operations in Saint Helena and an overall reduction in visitors across all operations. Despite the recent challenges, the South Atlantic businesses were able to grow mobile and broadband subscribers by 26% and 3% YoY respectively.

Other JVs: Sabafon, in which the Group has a 26.94% shareholding, was able to grow its subscriber base by 17% year over year despite the difficulties operating in an environment with increased political challenges. Atheeb, in which Batelco holds a 15% stake, reported an impressive 102% YoY improvement in subscriber numbers.

GROUP CEO MESSAGE (Continued)

These days, life and work is built around connectivity. Through Batelco, millions of customers connect to family and friends and benefit from life enhancing communications tools while businesses are enabled to operate efficiently, to grow and diversify.

Batelco Bahrain – Leading in Delivery of Digital Communications

Bahrain remains at the forefront of digital communications in the region with a vibrant internet economy supported by the progress that Batelco is making in the field of digitisation.

In spite of operational difficulties due to the overcrowded communications market in Bahrain, Batelco has not stopped with its bold plans to deliver fibre access to all areas of Bahrain, always keeping in mind the aspirations of the Kingdom's leadership and the 2030 vision to ensure internet connectivity for all residents.

Demand for fibre and its adjacent services is strong and our teams are working at full capacity to meet the huge number of orders for faster speeds and higher capacity that suits the ever growing usage of OTT applications.

Our investment in new networks continued during 2016 to deliver the most reliable cutting edge technology including the first in Bahrain 500Mbps Broadband, to ensure superior customer experience. The service, over our fibre networks, features the highest dedicated, superfast download speed in Bahrain.

Another major achievement during 2016 was the launch of Bahrain WiFi which provides WiFi access at all major public locations throughout Bahrain. The launch demonstrates Batelco's commitment in developing relevant Smart City solutions and further supports Bahrain's vision to be a leading regional communications hub.

Batelco additionally built on its Cloud Services portfolio by launching a number of new solutions throughout the year and established new partnerships with well-known security providers to meet the specific needs of different organisations and implement scalable, flexible and cost-effective security solutions.

In line with its Global provisioning goals, Batelco Bahrain completed a major global network expansion project which will serve to ensure network diversity, avoid single points of failure, provide better country resiliency, and efficiently use international capacities. These aggressive expansion plans allowed Batelco to deploy new Points-of-Presence (PoPs) around the world.

We understand that the availability of full digital services will enable a superior customer experience and offer a new set of customised and innovative services and solutions. During 2017 we will continue to focus on delivering top quality products, services and solutions for both the business and consumer sectors, with all our products and services intended to improve people's lives in welcome, relevant and affordable ways.

Awards and Achievements across the Group

Across the Group, Batelco's operations added major achievements to their list of successes and additionally were recognised for their efforts through winning a raft of internationally regarded awards.

Umniah, Jordan, was the winner of the tender for the Ministry of Education National Project, one of the biggest tenders in Jordan issued by the Ministry of Education. The project will see Umniah connect all public schools through their Managed Data Services including fibre network and microwave services.

Both Batelco in Bahrain and Umniah in Jordan were recognised by Speedtest by OOKLA for their outstanding performances, with Batelco named Bahrain's Fastest Mobile Internet provider and Umniah as Jordan's Fastest Mobile Network. Speedtest by OOKLA is the global leader in broadband and mobile speed testing and web-based network diagnostic applications.

Quality Net took home the award for Best Digital Experience in the Middle East region at the 5th Annual Customer Experience Management Summit in Telecoms, and at the Arabian Business Awards, Quality Net was named Kuwait's Best Internet Services provider.

In Bahrain, Batelco became the first telecommunications company in the Middle East to be awarded with ISO 9001:2015 certification from the BSI Group (British Standards Institution). Batelco also has the honour of being the first company across all industries in Bahrain to achieve this standard.

Outside of the Middle East region, Sure celebrated a decade in Jersey, having reached 10 years since the launch of its first high street store there in 2006.

Furthermore, Batelco's commitment in upholding sound corporate governance principles was recognised by World Finance who announced Batelco as the winner of the Best Corporate Governance award for Bahrain for 2016.

Appreciating our People and Customers

On behalf of Batelco Group's management teams and staff across our operations, I want to take the opportunity to offer sincere appreciation to Shaikh Hamad bin Abdulla Al Khalifa who led Batelco as Chairman for 10 years. It was a pleasure to work alongside him and we wish him well for the future.

We also extend a warm welcome to Shaikh Mohammed bin Khalifa Al Khalifa our new Chairman whose wise leadership and passion is already benefitting our daily operations. We look forward to a fruitful year ahead.

Our employees are the cornerstone of the entire operation and we greatly appreciate their ongoing contribution and enthusiasm. We are committed to investing in training and development programmes to keep their skills sharp and up-to-date in order to support their efforts and boost their opportunities for career advancement.

Our customers across all operations deserve the biggest vote of thanks for their loyalty. They will always be our top priority and we will continue to focus on their needs to deliver an unrivalled customer experience for them.

Looking Forward

These days, life and work is built around connectivity. Through Batelco and its subsidiaries and affiliates, millions of customers connect to family and friends and benefit from life enhancing communications tools while businesses are enabled to operate efficiently, to grow and diversify.

In terms of products, services and solutions, we are both a multinational and a multicultural company. Accordingly we will continue to design and develop our comprehensive portfolio of total communications products to target the specific needs of each location. To support our delivery, we will continue investing a lot of effort in positioning ourselves as the best customer experience operators, in all our different markets.

The growth engine of the industry is a digital ecosystem; during 2016 we made progress with our digitisation drive and throughout 2017 we will continue to push forward with our efforts towards a data driven digital world. We will also continue to invest in new and enhanced networks and solutions as without networks that are reliable and powerful, the latest communications technologies cannot be successfully used. We believe that there are still good opportunities for operator who make smart investments in the core business of connectivity.

Across our Group of Companies in 2017 we will adapt our business models to cope with the pace of change in the industry and improve our operating Companies' efficiencies. Our goal going forward is to deliver revenue growth and create sustainable value for our stakeholders.

Ihab Hinnawi

Group Chief Executive

Bahrain Telecommunications Company BSC

BOARD OF DIRECTORS

The Board provides strategic guidance to Management and oversees the Group.



Shaikh Mohammed bin Khalifa Al Khalifa
Chairman*



Shaikh Hamad bin Abdulla Al Khalifa
Chairman**



Mr. Abdul Razak Abdulla Al Qassim
Deputy Chairman



Mr. Abdulrahman Yusuf Fakhro
Director



Brigadier Khalid Mohammed Al Mannaei
Director

* Shaikh Mohammed bin Khalifa Al Khalifa was appointed as Chairman on 28 December, 2016.

** Shaikh Hamad bin Abdulla Al Khalifa served as Chairman until 19 October, 2016.



Mr. Raed Abdulla Fakhri
Director



Dr. Ahmed Ebrahim Al Balooshi
Director



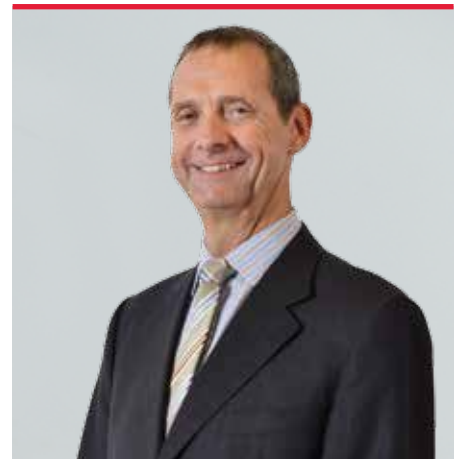
Mrs. Khulood Rashid Al Qattan
Director



Mr. Arif Haider Rahimi
Director



Mr. Ahmed Ateyatalla Al Hujairy
Director



Mr. Oliver McFall
Director

BATELCO GROUP **EXECUTIVE MANAGEMENT**

The key roles of Senior Management includes providing the vision and strategy to shape Batelco Group into an organisation that is very much admired across the region and internationally.



Ihab Hinnawi
Group Chief Executive Officer



Faisal Qamhiyah
Group Chief Financial Officer



Shaikh Ahmed bin Khalifa Al Khalifa
Group General Manager Human Resources & Development



Ahmed Al Janahi
Group Board Secretary & General
Manager Corporate Affairs



Bernadette Baynie
Group General Counsel



Ali Sharif
Group Chief Internal Auditor



Haytham Fatayer
A/Chief Technology & Information
Officer



Ian Kelly
CEO Sure South Atlantic & Diego Garcia



Dr. Ghassan Murad
Group General Manager Mergers &
Acquisitions



Karan Ponnudurai
Group Chief Digital Officer



Ahmed Abdellatif
Group Chief Wholesale Officer

BATELCO GROUP

Batelco connects you with the things that make a difference and matter most to you in your world.

The Batelco Group provides innovative solutions that keeps everyone in touch – in touch with family and friends, in touch with the things that entertain you, in touch with the office, and in touch with a world full of connectivity.

The Batelco Group is headquartered in the Kingdom of Bahrain and listed on the Bahrain Bourse.

Batelco Group has evolved from being a regional Middle Eastern operation to become a major communications company with direct and indirect investments across 14 geographies, namely Bahrain, Jordan, Kuwait, Saudi Arabia, Yemen, Egypt, Guernsey, Jersey, Isle of Man, Maldives, Diego Garcia, St. Helena, Ascension Island and the Falkland Islands.

Batelco's overseas operations continue to add value to the Group and in 2016 contributed 59% of revenues and 52% of EDITDA.

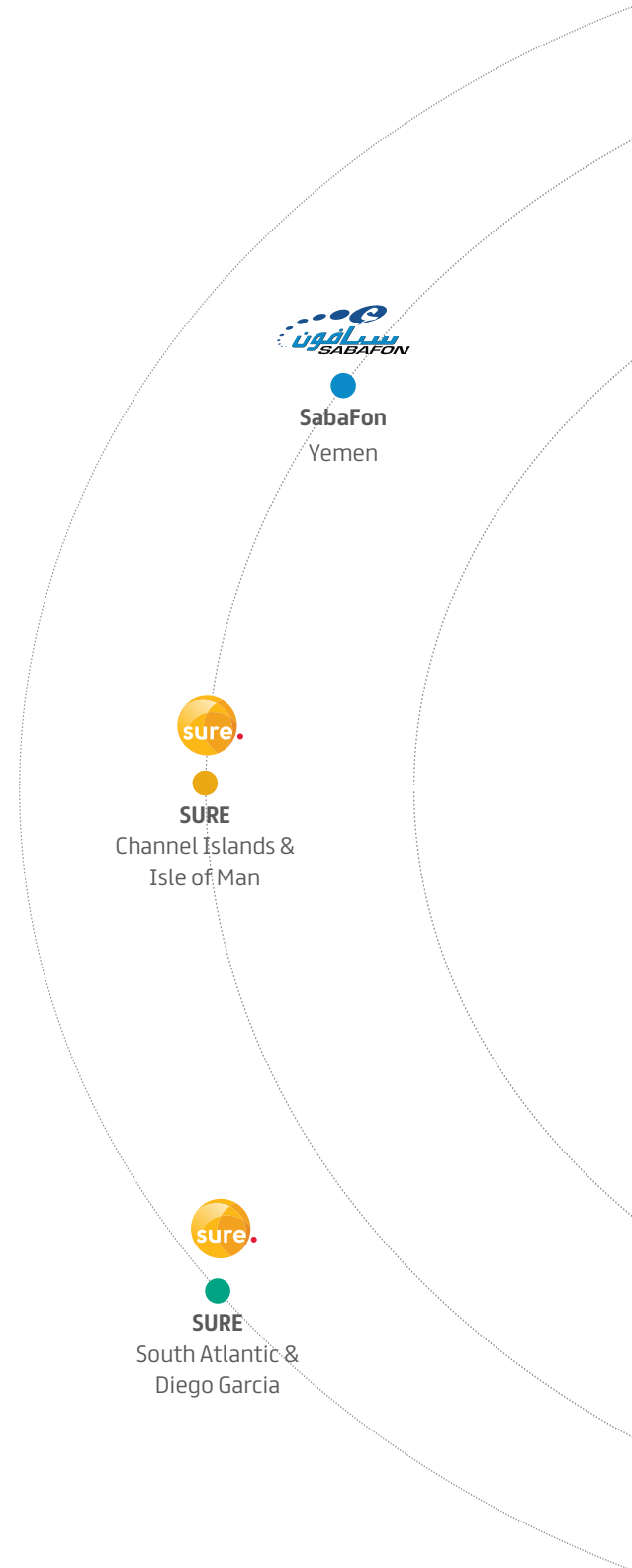
www.batelcogroup.com

Overseas Revenue Contributions

59%

Worldwide Locations

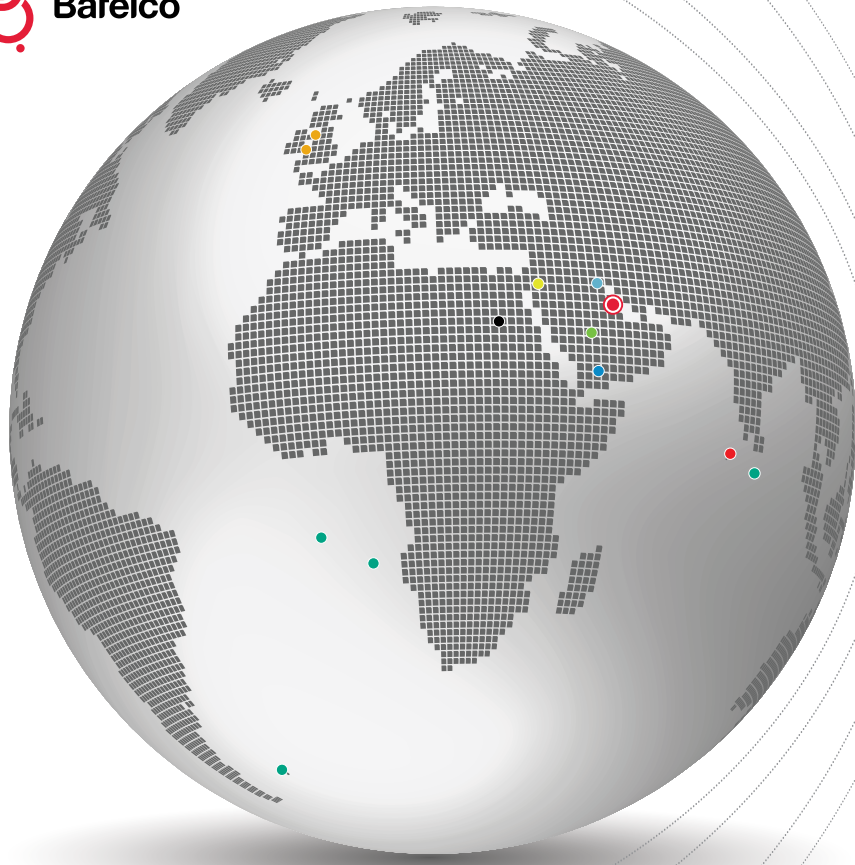
14





Umniah
Jordan

Headquarters in the
Kingdom of Bahrain
 **Batelco**



Quality Net
Kuwait



Etihad Atheeb Telecom
Saudi Arabia



Batelco
Egypt



Dhiraagu
Maldives

SUBSIDIARIES AND AFFILIATES

Bahrain / Batelco



Batelco (Bahrain Telecommunications Company) the leading digital solutions provider in the Kingdom of Bahrain continued with its commitment to enhance customer experience during 2016.

Batelco serves both the corporate and consumer markets through the delivery of cutting-edge fixed and wireless telecommunications solutions. Its comprehensive portfolio of solutions for the residential, business and government segments in Bahrain include all IP fixed and 4G LTE wireless Broadband networks and MPLS based regional data solutions.

The Company's digitisation and connectivity goals are in line with those of the Kingdom of Bahrain to transform how businesses operate as well as transform the lives of residents, enabling everyone to connect, work and live better through the delivery of technology based products and solutions. With an ongoing commitment to roll out Smart Home and Smart City digital solutions, Batelco is playing a crucial role in the Kingdom's prosperity and development.

Batelco is proud of the important role it plays in supporting its local communities and in 2016 contributed approximately BD1.6 million to health, education, sports and cultural initiatives. The Company aspires to have a positive impact on all segments of the community and reach all areas of Bahrain via its Corporate Social Responsibility (CSR) programme.



Eng. Muna Al Hashemi
Chief Executive Officer Bahrain



Sameer Altaf
Chief Financial Officer Bahrain



Mike Stanford
Chief Marketing Officer



Abderrahmane Mounir
Chief Operating Officer



Bashier Sallie
Chief Technology & Information Officer



Adel Al-Daylami
Chief Global Business Officer



Suhaila Alnowakhda
General Manager HR & Corporate Services

SUBSIDIARIES AND AFFILIATES (Continued)

Jordan / Umniah



Since its launch in June 2005, Umniah, which is 96% owned by Batelco Group, has achieved a strong presence in the Jordanian telecom market by offering high-quality mobile, internet and business solutions while keeping abreast of the latest industry trends and ensuring customer satisfaction.

The company acquired Batelco Jordan, a fully owned subsidiary of Batelco Group in 2008, which introduced new infrastructure and resources. The acquisition made possible the launch of Umniah's business solutions, diversifying and enriching the company's offerings to satisfy the Jordanian telecommunication needs.

In 2016 Umniah partnered with payments solution providers to launch "Mahfazati", a digital mobile financial service enabling transactions among unbanked customers in remote areas. The company has also partnered with the Ministry of Education and the Special Communications Commission to connect government schools, military schools and ministry directorates to an integrated network provided by Umniah. This is a significant milestone for Jordan's public education sector by adopting communication solutions and information technology in the education process.

Umniah's key priority going forward will be to continue building on its core values of innovation and customer centricity to service different segments. Its comprehensive selection of consumer services and business solutions means that everyone can "belong" to the Umniah community.

* Raed Rasheed served as Director of Distribution & Customer Care until 12 July, 2016.

* Ziad Al-Masri served as The Tank Director until 4 April, 2016.



Ziad Shatara
Chief Executive Officer



Abdullah Tahboub
Chief Financial Officer



Lara El-Khateeb
Director of Legal Affairs



Mahmoud Abu Zannad
Director of Enterprise & High Value Segment



Sami Idbies
Director of Engineering



Sami Jarrar
Director of HR & Corporate Affairs



Amjad Frouqa
Director of Quality, Business Continuity and Information Security



Mahmoud Zaghail
Director of Government Relations and Regulatory Affairs



Waseem Al Rousan
IT Director



Zaid Ibrahim
Consumer Marketing Director



Riyadh Kurdi
Digital Transformation Director



Anas Sughayer
A/Director of Distribution & Customer Care



@ Work

Our focus is on transforming the lives of people enabling them to connect and work better through the delivery of cutting-edge, technology-based products and solutions. The growth engine of the industry is a digital ecosystem so we will continue to invest time, money and effort to build the best networks and platforms to help our customers to meet their business objectives.



A world of information



Kuwait / Quality Net



Quality Net is the market leader in the fixed data communications and internet services industry in Kuwait. The company was established in 1998 and Batelco Group acquired 44% of the company in 1999, subsequently increasing its shareholding to 90% in 2014.

The company applies a full range of different technologies, industry leading brands and solution offerings that allow customers the flexibility to meet their specific requirements. In 2016 Quality Net partnered with a cyber- security and data protection company to offer testing, analysis and protection to customers from the growing threats the cyber world faces in the GCC region.

The company continues to evolve into a total solutions provider for reliable, scalable, secure and cost effective state of the art internet, data and ICT solutions



Mohammad Al-Nusif
Chief Executive Officer



Gareth Fooks
Chief Financial Officer



Essa Al-Kooheji
Chief Commercial Officer



Ali Al-Esmail
Chief Customer & Information Services
Officer



Mustafa Al-Najjar
Chief Technical Officer



Sudha Devadas
A/General Manager Finance

* Khalifa Al-Ammar served as General Manager Admin & HR until 30 June, 2016

SUBSIDIARIES AND AFFILIATES (continued)

Channel Islands & Isle of Man / SURE



SURE (CIIM) is a wholly owned subsidiary of Batelco Group, acquired in 2013. The company offers telephony services to the Channel Islands and Isle of Man and is the leading full service operator in Guernsey with market-leading positions in fixed voice, mobile and broadband services and the prime competitor in both Jersey and Isle of Man.

2016 was another year of significant investment in Sure's mobile and fixed line network which produced increases in postpaid mobile, broadband and fixed line voice subscribers. The company also successfully expanded its cloud capabilities with a unique technology mix which is now attracting new corporate customers.

During the year Sure upgraded its retail stores to ensure a customer led and digital experience. Customer satisfaction scores show that the company continues to lead in its markets with increased scores in both mobile and broadband across all islands.

The Isle of Man Government approved Sure's application for "Code Powers". Code Powers allow the company to install and maintain telecommunications apparatus on public and private land and will therefore facilitate the building of Sure's business to business fibre optic network, allowing it to complete more effectively against the incumbent operator.



Eddie Saints
Sure Group Chief Executive

SURE and the Batelco family were saddened that Eddie Saints, Chief Executive Officer of Sure (CIIM), passed away suddenly in early January 2017. Eddie had been CEO of Sure in Guernsey, Jersey and the Isle of Man since 2008 and he made a significant and long lasting contribution to the company. He will be sorely missed by everyone at Sure, Batelco and the across the wider business community in the Channel Islands and Isle of Man.



Alan Ibbotson
Chief Financial Officer



Cyrille Joffre
Chief Technical and Information Officer



Chris Durnell
Legal & Regulatory Director



Charlotte Dunsterville
Customer Experience Director



Justin Bellinger
Group Business Transformation and
Development Director



Graham Hughes
Chief Executive Sure Jersey



Mike Phillips
Chief Operating Officer Isle of Man



Lucienne de la Mare
Group Human Resources Director

* Simon Little served as Group Human Resources Director until 31 December, 2015.

* Jo Cox served as Group Chief Commercial Officer until 1 July, 2016.

* Gareth Fooks served as Sure Chief Financial Officer until 10 October 2016, prior to relocating to Quality Net.

SUBSIDIARIES AND AFFILIATES (continued)

Maldives / Dhivehi Raajjeyge Gulhun Plc (DHIRAAGU)



Dhivehi Raajjeyge Gulhun PLC (Dhiraagu), incorporated in the Maldives in 1988 and listed on the Maldives Stock Exchange, is the leading telecommunications operator offering total solutions and a comprehensive range of mobile, internet, data and fixed line services throughout the country. Batelco Group acquired 52% shareholding of the company in 2013.

Dhiraagu is the first operator to link the Maldives from North to South through its 1200km long fibre-optic submarine cable which supports high speed internet and data services. The company has the strongest presence across the country, with nine strategically located operation centers and the largest distribution and retail network.

Dhiraagu was also the first operator to offer mobile broadband to the whole country. At the end of 2016, the entire population had 3G coverage and the company provided the widest 4G network. Fibre broadband services were rolled out to more islands and businesses. Innovative new products, customized packages and attractive offers were introduced throughout the year to provide superior value to customers.

With over 28 years of excellence, Dhiraagu continues to hold leading market positions across all customer and product segments.

* Mohamed Musad served as Director Networks until 30 June, 2016.

* Ahmed Mohamed Didi served as Director Human Resources until 31 July, 2016.



Ismail Rasheed
Chief Executive Officer & Managing Director



Robin Wall
Chief Financial Officer



Isabelle Hajri
Chief Marketing Officer



Athifa Ali
Director Corporate Services



Ali Riyaz
Director Customer Services and Sales



Ahmed Maumoon
Director Business Development



Musthag Ahmed Didi
Director Customer Solutions



Abdulla Firag
Director Networks



Ajwad Ali
Director Human Resources



Mohamed Hazmath Abdulla
Director Property, Procurement & Administration



Pavan Kumar Malladi
Director Information Systems

SUBSIDIARIES AND AFFILIATES (continued)

South Atlantic & Diego Garcia SURE



SURE South Atlantic & Diego Garcia (S&D) are wholly owned subsidiaries of Batelco Group, acquired in 2013. The companies are telecommunications providers serving customers in the British Overseas Territories of the islands of Ascension, Falklands, Saint Helena and Diego Garcia. In each of these locations, operating under an exclusive license Sure is a full feature network operator delivering voice, broadband and data services.

New supplier contracts awarded during 2016 combined with further investment in IP networks have delivered substantial IP capacity increases across Sure S&D enabling further enhancement of broadband services for customers.

Sure South Atlantic continued investment and improvement in mobile coverage and leveraging the existing networks in the South Atlantic businesses. Various initiatives have been implemented including new opportunities realized in renewable energy, hosting and managed services.

Sure Diego Garcia mobile data revenues continue to grow driven by further investment in additional mobile network capacity.

Yemen Sabafon



Sabafon, in which Batelco Group has a minority shareholding of 26.942%, is a GSM operator in Yemen offering national coverage across the country. The company started its operations in 2001 with the vision to establish a strong, dynamic and flexible organization to serve and benefit the people of Yemen with the latest GSM technology and services.

Despite operating in a challenging environment in 2016, Sabafon was able to continue providing its customers with telecommunication services.

Saudi Arabia Etihad Atheeb Telecom



Etihad Atheeb Telecommunications Company (Atheeb) was established in 2008 and is a publically listed company in the Kingdom of Saudi Arabia, in which Batelco holds a 15% stake.

The company operates under the "GO" brand and has a broad portfolio of products and services for both business and retail customers including but not limited to VOIP communication solutions, high speed data services, wireless broadband internet, fixed line telephony, hosting cloud solutions and enterprise connectivity services.

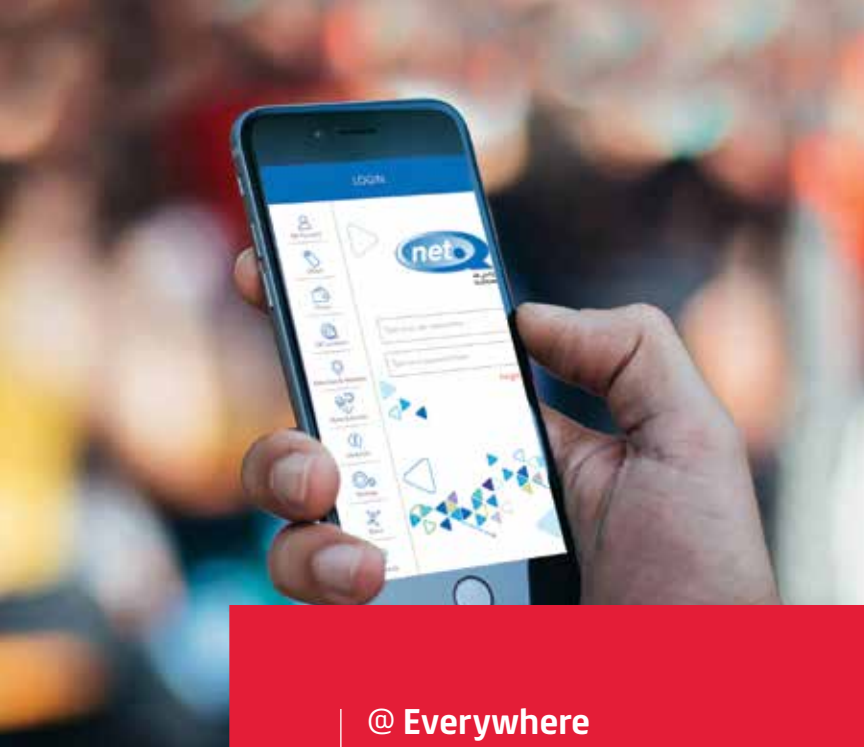
In 2016 Atheeb continued its strategic focus on selling FTTH and LTE services, strengthening its B2B solutions and adapting its products and services to meet evolving customer needs.

Egypt Batelco Egypt Communications (S.A.E.)



Batelco Egypt is wholly owned by Batelco Group. The company was established in 2003 with a focus on providing end to end worldwide data communication solutions to corporates, multinational customers and global telecommunication providers.

As part of the network upgrade, the global connectivity to Egypt was upgraded significantly to accommodate the increased demand to and from Egypt allowing Batelco to secure several global contracts. The company will continue building its data service capabilities to cater to its customers' diversified communication requirements through alliances with international partners.



@ Everywhere

Our aim is to unlock the possibilities of the digital world and connect our customers with the things that enrich their communication platforms. Providing innovative solutions that enables everyone to be in touch is important to us; linking devices, linking friends and families, linking businesses and using the amazing power of communication to create a better world for our global customers.



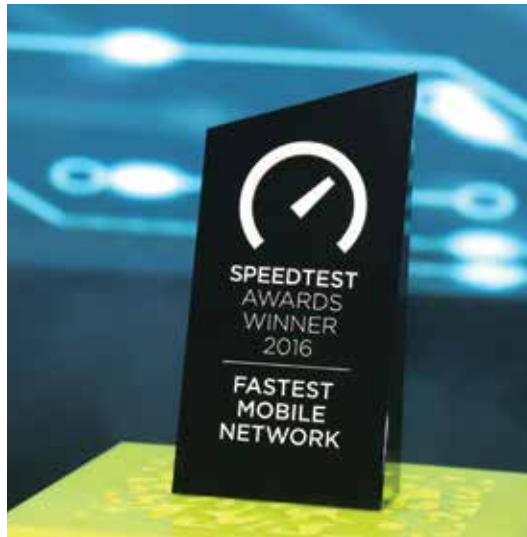
A world of communication



YEARLY HIGHLIGHTS AWARDS AND ACHIEVEMENTS

Speedtest by OOKLA

Batelco Bahrain and Umniah Jordan were recognised by Speedtest by OOKLA for their outstanding performances. Batelco was named Bahrain's Fastest Mobile Internet provider and Umniah Jordan's Fastest Mobile Network. Speedtest by OOKLA is recognised as the global leader in broadband and mobile speed testing.



Fibre Network

Dhiraagu was the first service provider to establish a fibre network for the greater Male' region, Maafushi Island and Laamu Gan, to provide customers with high-speed broadband services.

Umniah Wins Major Tender

Umniah won the tender for the Ministry of Education National Project, one of the biggest tenders in Jordan. The project will see Umniah connect all public schools through their Managed Data Services including fibre network and microwave services.

CEM Summit in Telecoms Awards

Quality Net took home the award for Best Digital Experience in the Middle East region at the 5th Annual Customer Experience Management Summit in Telecoms. Quality Net was recognised for its competitiveness in successfully engaging customers and managing high service levels across social media and web channels.



Arabian Business Awards

Quality Net was named Kuwait's Best Internet Services provider at the 2016 annual Arabian Business Awards.



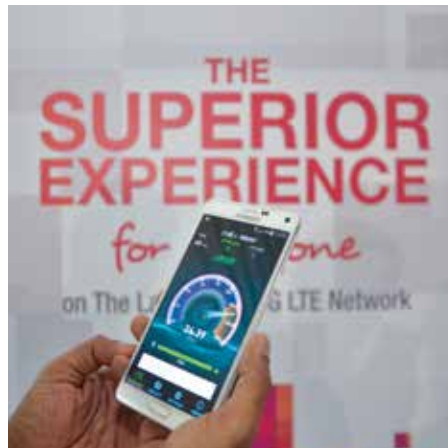


Batelco Launches Bahrain WiFi

Batelco launched Nationwide WiFi for the Kingdom of Bahrain. Bahrain WiFi, which will make Bahrain as one home with internet access, includes WiFi Hotspots at key public areas all over Bahrain.

World Finance Best Corporate Governance - Bahrain

World Finance, which has been celebrating achievement and innovation in their annual awards since 2007, announced that Batelco was named as the winner of the Best Corporate Governance award for Bahrain for 2016.



Dhiraagu Celebrates 500,000th Customer

Dhiraagu, the Maldives' Largest telecommunication services provider with widest coverage across the country, welcomed its 500,000th customer to its growing network in July 2016.

SURE 4G Network Upgraded

Sure upgraded its 4G Networks across Jersey, Guernsey and Isle of Man to implement 800 MHz technology, bringing faster speeds and enhanced indoor coverage

SURE Decade of Service

SURE celebrated a decade in Jersey, having reached 10 years since the launch of its first high street store there in 2006.



BSI Group Certification

Batelco Bahrain became the first telecommunications company in the Middle East to be awarded with ISO 9001:2015 certification from the BSI Group (British Standards Institution).

Batelco also has the honour of being the first company across all industries in Bahrain to achieve this standard.



CORPORATE SOCIAL RESPONSIBILITY

Keeping our communities close as part of our extended Group Family

Batelco takes its responsibility to its customers and the Kingdom very seriously and therefore strives to give back to the community via providing financial and 'in kind' support for a wide range of initiatives.

Annually, Batelco's CSR programme continues to make a difference through a major commitment that benefits Health, Education, Sports and Arts/Cultural programmes. These four umbrella themes are chosen as being very beneficial to all residents.

The broad range of organisations that receive support from Batelco reflects the company's values and strengthens community ties.

A culture of giving.





Crown Prince International Scholarship Programme (CPISP)

The CPISP programme provides top international educational, training, and cultural opportunities for outstanding Bahraini students and since the formation of the programme in 2006, Batelco has been among its major supporters. In 2013 Batelco renewed its Platinum sponsorship for the programme pledging a total of BD1 million over five years.

Ramadan Baskets

Batelco's Ramadan Basket programme is really appreciated by thousands of residents of Bahrain. In 2016, 30,000 baskets containing produce that is traditionally in high demand for the preparation of Ramadan meals, were handed out through the Kingdom's Charity Societies.

King Hamad Golf Trophy

His Majesty King Hamad's 9th Trophy Golf Championship has proven to be a great initiative in promoting golf in the Kingdom and Batelco is delighted to have been associated with this major tournament since its inception.

Batelco's CSR activities have a broad scope and wide reach. During 2016 the recipients of Batelco's support included:

- INJAZ Bahrain
- Bahrain Society for Women's Development
- Shaikh Mohammed Bin Khalifa Bin Salman Al Khalifa Cardiac Centre
- Bahrain Disabled Sports Federation
- Al Rahma Centre
- Diabetic Society
- Down Syndrome Society
- Rashid Equestrian King Hamad Horseracing Festival
- IronMan Bahrain
- Bahrain International Circuit Partnership
- Batelco Racing Team
- The Bahrain Historical & Archaeological Society
- University of Bahrain Career Day





Elderly Care

Caring for the elderly is very important to Batelco. They have built the nation we enjoy today through their hard work and love for their country. Al Manar for Parents Care and UCO Parents Care Centre are among those to receive annual support.

Batelco Group's JV's also have reputable CSR programmes in place to strengthen their relationships with their local communities.

Umniah Al-Khair Ramadan Campaign

On the occasion of the holy month of Ramadan, Jordan Umniah distributed a set of welfare care packages to underprivileged people throughout Jordan's governorates. The Umniah Al-Khair campaign also supports orphans by arranging group Iftars for their enjoyment as well as other initiatives.

Sure Big Screen

Sure Big Screen is Guernsey's only outdoor cinema event held annually as a way saying thank you and giving back to the local community, with a week-long free cinema event showcasing a wide range of films for the whole family to enjoy.

Endeavor's DealMakers

Cementing its commitment to Jordan's entrepreneurs and budding startups, Umniah sponsored Endeavor's DealMakers in 2016, for the third year in a row. The annual event aims to elevate the conversation between investors and entrepreneurs on the importance of maximizing the investment opportunities in Arab startups.

Kuwait 3rd MSU conference

Qualitynet sponsored the 3rd MSU conference titled 'The Era of Prevention and Screening: Spread Knowledge, Spread Health'. The conference was held by the Kuwait University - Medical Students' Associations' Medical and Surgical Updates. Doctors from all over the world were in attendance to discuss concerns and screening measures on a variety of health issues.





Sure Big Gig

The Sure Big Gig weekend was created to raise money for local children's charities in Jersey. All proceeds are donated back in to the community under the umbrella charity, 'Helping Jersey Charities' and among those who benefit are the Teenage Cancer Trust and Brighter Futures. Sure are also joined at the event by young people and their carers from Les Amis – a charity which supports people with learning disabilities to reach their full potential in life.

Every Child Our Future

In 2016 the successful Sure Community Foundation was extended to run in Jersey and among the first to benefit was "Every Child Our Future", which provides vital support to children who are falling behind their reading expectations. Volunteer staff from Sure leave the office for an hour per week to go in to schools and listen to children read on a one to one basis. Many of the children receiving support are from disadvantaged families or students with English as an additional language.

For the Oceans Campaign

Dhiraagu launched "For The Oceans" campaign in collaboration with Parley, encouraging all staff and public to use reusable bags and to reduce single-use plastic bags. This also included a company-wide initiative to reduce non-biodegradable single-use PET water bottles.

Dhiraagu Maldives Road Race

With 3,000 participants, organised the Dhiraagu Maldives Road Race 2016 for the 10th consecutive year. The run was a major platform for NGOs working in the area of Child protection and support, to raise funds and create awareness.

Dhiraagu Special Sports Festival

200 children participated in Dhiraagu Special Sports Festival 2016, an annual event organized and driven by Dhiraagu for children with disabilities in collaboration with various NGOs.



CORPORATE GOVERNANCE

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CORPORATE GOVERNANCE

Overview

As a Bahrain-based Company, Batelco is subject to the corporate governance standards of the Central Bank of Bahrain (CBB) and the Bahrain Commercial Companies Law. Batelco aspires to the highest standards of ethical conduct based on sound corporate governance. In accordance with its commitment to both meeting legal and regulatory requirements and adhering to international best practices, Batelco has put in place a comprehensive Corporate Governance framework to maximize operational efficiency and protect shareholders' rights. Batelco regards the guiding principles of its Corporate Governance framework to be fairness, transparency, accountability and responsibility.

Batelco's corporate governance practices have been structured around the following eight principles:

- The Company shall be headed by an effective, collegial and informed Board
- The directors and officers shall have full loyalty to the Company
- Board shall have rigorous controls for financial audit and reporting, internal control, and compliance with law
- The Company shall have rigorous procedures for appointment, training and evaluation of the Board
- The Company shall remunerate directors fairly and responsibly
- The board shall establish a clear and efficient management structure
- Company shall communicate with shareholders, encourage their participation, and respect their rights
- The Company shall disclose its corporate governance code and its compliance to it.
- While placing the paramount importance to the code, the board has ensured that the governance framework adopted and implemented across all levels of the organization, exhibits the principles of fair dealings, honesty, environment of effective oversight and strong accountability.

To ensure the above, the Board has delegated some of its responsibilities to specialized committees with a definite mandate to make certain that all facets of good governance are implemented and monitored on an ongoing basis

While placing the paramount importance to the code, the board has ensured that the governance framework adopted and implemented across all levels of the organization, exhibits the principles of fair dealings, honesty, environment of effective oversight and strong accountability.

The Board of Directors of the Company together with its management undertook measures and ensured that for the year ended 31 December 2016 and to the date of the annual report, Batelco was compliant with the provisions of CBB's Corporate Governance requirements.

The Board has resolved that it shall investigate any non-compliance or deviations from these Corporate Governance Guidelines.

The Executive Committee of the Board is responsible to review the Corporate Governance Guidelines document at least once every two years, or as and when required, in order to comply with the Code or any other relevant legislation in the Kingdom of Bahrain.

The Corporate Governance Guidelines approved by the Board are available on the Company's website. Shareholders of the Company can obtain the copy of the Corporate Governance Guidelines of the Company from the Corporate Secretary.

Developments in 2016

Batelco was the first telecommunications company in the Middle East to be awarded with ISO 9001:2015 certification from the BSI Group (British Standards Institution). In addition to being the first telecom company in the Middle East to receive the certification, Batelco has the honour of being the first company in Bahrain to achieve this standard.

Batelco was recognised by Speedtest by OOKLA for its outstanding performance as Bahrain's Fastest Mobile Internet provider.

Batelco, in line with its commitment to enable the Kingdom of Bahrain's future vision, launched Bahrain WiFi. The Nationwide WiFi rollout, which will make Bahrain as one home with internet access includes a number of Hotspots located all key locations throughout the Kingdom.

Umniah Telecommunication Company - Launched its 4G high-speed Internet services for individuals and its LTE fixed services for households and businesses

Qualitynet Telecommunication Company - Was awarded as the best internet services provider in Kuwait, at the Arabian Business Achievement Awards

Dhiraagu Telecommunication Company - Became the first operator to introduce Smart Home solutions in The Maldives.

CORPORATE GOVERNANCE (Continued)

Communication with Investors and Shareholders

To encourage transparency and foster the culture of active communication, the Board strives to maintain an open communication channel with its investors and shareholders at all times.

The Board is committed to communicate its strategy and activities clearly to the stakeholders and, to that end, maintains an active dialogue with stakeholders through planned activities.

By policy, the Company is committed to publicly disclose to all its stakeholders fair, transparent, comprehensive and timely relevant information. To support this principle of transparency, Batelco's financial statements are maintained on its website at all times thus ensuring all material facts are made available to shareholders prior to any vote.

The principal communication with investors and shareholders is through the annual report of the Company and the AGM, an occasion which is attended by all directors and at which all shareholders present are given the opportunity to question the Board.

Overall responsibility for ensuring that there is effective communication with investors and to understand the views of major shareholders on matters such as governance and strategy rests with the Chairman, who makes himself available to meet shareholders for this purpose.

Management Statement (risk management)

The Board has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the Company's approach to creating long-term shareholder value. In recognition of this, the Board determines the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management, including responsibility for the day to day design and implementation of the Company's risk management and internal control system. Management reports to the Audit Committee as well as the Executive Committee who in turn report to the Board on the Company's key risks and the extent to which these risks are being adequately managed.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with identified risks. These include the following:

- Board approval of a strategic plan, which encompasses the Company's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets.

Please refer to note 4 of the Financial Statements for further details.

Ownership Structure

Batelco's principle shareholders include institutional investors, Sovereign Wealth Fund Institutes (SWF's) and general public.

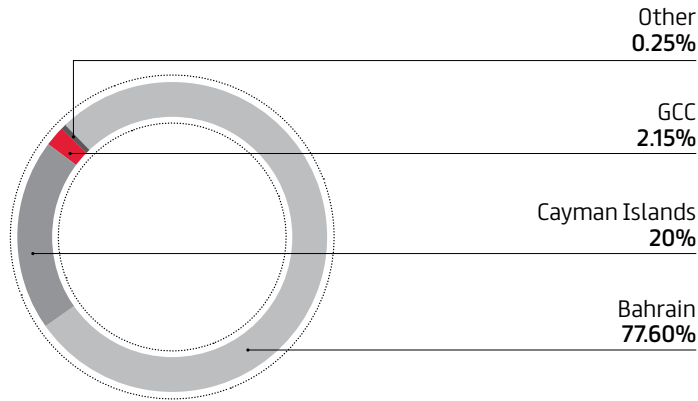
The unique and diversified ownership structure gives Batelco the edge whereby it can seek to pursue the Company's strategies objectively, independently and without bias and as a result aligns interests between Batelco and its shareholders.

Ownership Structure by Nationality

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

Nationality	Number of Shares	% of shares held
1. Bahrain	1,290,645,272	77.60%
2. Cayman Islands	332,640,000	20%
3. GCC	35,826,868	2.15%
4. Others	4,087,860	0.25%

Distribution of Shares by Nationality

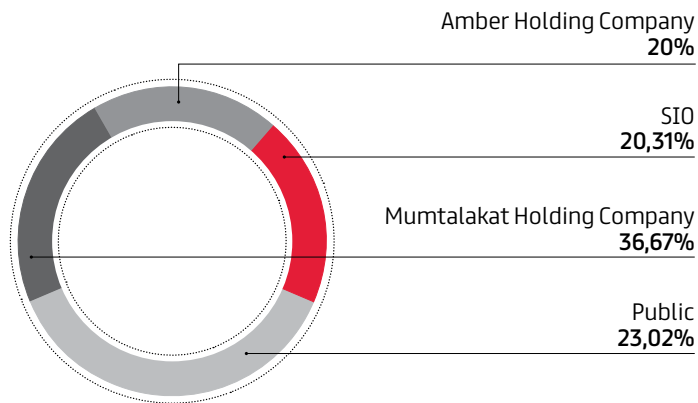


Ownership Structure by Size

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

Owner	Number of Shares	% of shares held
1. Mumtalakat Holding Company	609,840,000	36.67%
2. Amber Holding Company	332,640,000	20%
3. Social Insurance Organization (SIO)	337,835,705	20.31%
4. Public	382,884,295	23.02%

Distribution of Shares by Size



CORPORATE GOVERNANCE (Continued)

Ownership Structure by Category

The table below shows the distribution of ownership of Batelco shares by the government entity (ies), directors and executive management:

Government Entity(ies)	Number of Shares	% of shares held
1. Mumtalakat Holding Company	609,840,000	36.67%
2. Amber Holding Company	332,640,000	20%
3. Social Insurance Organization	337,835,705	20.31%

Directors	Number of Shares	% of shares held
1. Shaikh Mohamed bin Khalifa Al Khalifa	57,570	0.003%
2. Abdul Razak Abdulla Al Qassim	577,815	0.03%
3. Abdul Rahman Yusuf Fakhro	170,752	0.010%
4. Ahmed Ateyatalla Al Hujairi	31,470	0.0019%
5. Arif Haider Rahimi	31,170	0.0019%
6. Khulood Rashid Al Qattan	30,010	0.0018%
7. Raed Abdulla Fakhri	3,710	0.0002%

Executive Management	Number of Shares	% of shares held
1. Dr. Ghassan Murad	103,950	0.0062%

Directors and Senior Management trading during the year 2016

No trading was done by Directors nor Senior Management in the year of 2016.

Board Structure

The Board has the final responsibility for the overall conduct of the Company's business, providing direction by exercising objective judgment on all matters independent from executive management.

The Board of Directors of the Company is accountable to shareholders for the proper conduct of the business and also for ensuring the effectiveness of and reporting on the corporate governance framework in place.

The Board of the Company comprises of 10 Directors. In addition to the Chairman whose role and responsibilities are separate from the Chief Executive Officer, there are 10 Non-Executive Directors, 7 of which are Independent.

The detailed information about the directors in the Board of Batelco is set out below:

	Shaikh Mohamed bin Khalifa Al Khalifa Chairman	Shaikh Hamad bin Abdulla Al Khalifa Chairman (Sep 2006 – 19 October 2016)
Appointed by/ Status	Mumtalakat Holding Company / (Non-Executive–Independent)	Mumtalakat Holding Company / (Non-Executive–Independent)
Committee membership	Chairman of the Donation committee Chairman of the Nomination and Remuneration Committee	Chairman of the Donation committee Chairman of the Nomination and Remuneration Committee
Qualifications and Experience	<ul style="list-style-type: none"> • Has been serving on Batelco Board since 28 December 2016. He was appointed by Mumtalakat Holding Company until the end of the term. • Obtained a Bachelor’s degree in Business Administration from Arab University – Lebanon. • Used to serve as President of Customs Affairs at the Ministry of Interior. • Assistant Undersecretary for Financial, Administrative and Minor’s Estate Affairs at the Ministry of Justice and Islamic Affairs. • A previous Board Member of Batelco and Gulf Air. 	<ul style="list-style-type: none"> • Has been serving on Batelco Board since 09/2006. He was re-appointed by the shareholders in the AGM in 2014, as a non-executive independent director in the Board for a period of 3 Years. Shaikh Hamad resigned as chairman of the Board on 19 October 2016 • Obtained a Bachelor’s degree in Aeronautic Science from the University of King Faisal in 1976 and an MBA in the same field from the US in 1985. • He was a founder of the Bahraini Royal Air Force and became the commander of the Royal Air Force before he retired in 2003. • He was a member of the TRA Board.
Years of Experience	<ul style="list-style-type: none"> • Over 46 years of experience. 	<ul style="list-style-type: none"> • Over 40 Years of experience in the business sector
Board Representation	<ul style="list-style-type: none"> • Chairman of Umniah Telecommunication (Jordan) • Chairman of Sure Chanel islands and Isle of Man (UK) • Chairman of Quality net Telecommunication(Kuwait) 	<ul style="list-style-type: none"> • Chairman of Umniah Telecommunication (Jordan) • Chairman of Sure Chanel islands and Isle of Man (UK) • Chairman of Quality net Telecommunication (Kuwait)
	Mr. Abdul Razak Abdulla Al Qassim Deputy Chairman	Mr. Abdulrahman Yusuf Fakhro Director
Appointed by/ Status	(Non-Executive–Independent)	Social Insurance Organization/ (Non-Executive–Dependent)
Committee membership	Chairman of the Executive Committee Deputy Chairman of Nomination and Remuneration Committee	Deputy Chairman of the Executive Committee
Qualifications and Experience	<ul style="list-style-type: none"> • Has been serving on Batelco Board since 02/2008. He was re-elected by the shareholders at the AGM in 2014, as a non-executive independent director in the Board for a period of 3 Years. • Chief Executive Officer of National Bank of Bahrain. • Holds a Master’s degree in Management Sciences and a Sloan Fellowship from MIT (Massachusetts Institute of Technology), USA. • Joined NBB in 1977 after nine years with Chase Manhattan Bank and Standard Chartered Bank. 	<ul style="list-style-type: none"> • Has been serving on Batelco Board since 04/2012. He was re-appointed at the AGM in 2014. He holds the role as a non-executive Dependent director for a period of 3 years. • Chairman of Bahrain Commercial Facilities Company (BSC) and Yusif bin Yusif Fakhro B.S.C. © • University of Cairo, Faculty of Commerce.
Years of Experience	<ul style="list-style-type: none"> • Over 39 years in the Banking sector 	<ul style="list-style-type: none"> • Over 51 years in the investment and insurance sector.
Board Representation	<ul style="list-style-type: none"> • Deputy Chairman of Umniah Telecommunications company (Jordan) • Deputy Chairman of Sure Chanel islands and Isle of Man telecommunications company (UK) • Deputy Chairman of Quality net Telecommunications company (Kuwait) • Chairman of Benefit Company • Chairman of Bahrain Association of Banks • Board member of National Bank of Bahrain • Board member of The Crown Prince International Scholarship Program • Board member of Deposit and URIA Protection at Central Bank of Bahrain 	<ul style="list-style-type: none"> • Deputy Chairman of Dhiraagu Telecommunications company (Maldives). • Deputy Chairman of Social Insurance organization (SIO) • Deputy Chairman Osool Asset management • Chairman of Bahrain Marina • Chairman of Amlak.

CORPORATE GOVERNANCE (Continued)

	Brigadier Khalid Mohammed Al Manna'ei Director	Mr. Raed Abdulla Fakhri Director
Appointed by/ Status	Amber Holdings Company/ (Non-Executive-Dependent)	Mumtalakat Holding Company / (Non-Executive-Dependent)
Committee membership	Donations Committee	Executive Committee Nomination and Remuneration Committee Chairman of NBN founding committee
Qualifications and Experience	<ul style="list-style-type: none"> • Has been serving on Batelco Board since 8/2012. He was re-appointed at the AGM in 2014. He holds the role as a non-executive Dependent director for a period of 3 years. • General Manager & Board member of the Military Pension Fund • Holds a Master's degree in Business Administration from Sheffield Hallam University (UK). • Joined the Military Pension Fund in February 2011 following a long service with Bahrain Defense Force. • He is one of the founders of the GCC Expanded Military Pension Coverage committee. 	<ul style="list-style-type: none"> • Has been serving on Batelco Board since 03/14. He has been appointed in the AGM 2014 and holds a role as a non-executive Dependent director in the Board for a period of 3 Years. • Mumtalakat Holding Company Vice President Investments since March 2013 • Holds an Executive MBA from the University of Bahrain, and Bachelor of Science in Electronics Engineering Technology from the University of Central Florida, Orlando, USA. • Co-founded BDI Partners in 2010 and headed the firm as a Managing Director. • Spent 3 years in Capinvest Investment Bank, heading the Investment Department. • Batelco Senior Manager in New Business Development Unit. • Spent 3 years with Gulf Petrochemical Industries Company (GPIC) as a Control Systems Engineer and Project Engineer.
Years of Experience	37 years of experience	Over 22 years of experience mainly in business development and investment banking.
Board Representation	<ul style="list-style-type: none"> • Board member in Umniah Telecommunication (Jordan) • Board member in Sure Diego Garcia Limited • Deputy Chairman of Bahrain Islamic Bank • Board member in Social Insurance Organization (SIO) • Board member in Osool Asset Management • Board member and General manager in Military Pension Fund 	<ul style="list-style-type: none"> • Board member and Audit committee member in Umniah telecommunication Company (Jordan) • Board member in Dhiraagu Telecommunication company (Maldives) • Board member in McLaren Technology Group Limited • Board member in Investrade • Board member in BDI Partners

	Dr. Ahmed Ebrahim Abdulqader Al Balooshi Director	Mr. Arif Haider Rahimi Director
Appointed by/ Status	Amber Holdings Company/ (Non-Executive–Independent)	(Non-Executive–Independent)
Committee membership	Chairman of the Audit Committee	Executive Committee Deputy Chairman of NBN Founding committee
Qualifications and Experience	<ul style="list-style-type: none"> • Has been serving on Batelco Board since 03/14. He was appointed at the AGM in 2014. He holds the role as a non-executive independent director for a period of 3 years. • Currently, the CEO of Smarteam Consultancy. • Attained the role of Assistant Professor at the College of Business Administration, UOB in early 2014. • Held the post of Undersecretary, Regulatory and Performance Audit, National Audit Office, from 2005 to 2013. • He holds a Ph.D in Accounting from the University of Surry, UK and is a Certified Public Accountant (CPA) - USA. • Used to hold a post of Senior Manager with Ernst and Young, and Director of Audit at the Ministry of Finance and Head of Computer Audit, Ministry of Finance. 	<ul style="list-style-type: none"> • Has been serving on Batelco Board since 03/14. He was elected by the shareholders at the AGM in 2014, as a non-executive independent director in the Board for a period of 3 Years. • Managing Partner for the Masar Group of Companies and Director for Venture Projects WLL. • A Certified Public Accountant, Board of Accountancy, Oregon, USA • Held the post of Managing Partner of BDO Jawad Habib Consulting, leading their corporate finance consulting division.
Years of Experience	<ul style="list-style-type: none"> • 28 years of experience 	<ul style="list-style-type: none"> • Over 25 years of experience in financial services.
Board Representation	<ul style="list-style-type: none"> • Board member in Sabafon telecommunication (Yemen) • Board member and Chairman of the Audit committee in Dhiraagu Telecommunication company (Maldives) • Board member in Ibdar Bank Bahrain, and chairman of the audit, risk and compliance committee • Chairman of UOB Alumni • Member of Alba Audit committee • Member of Falcon Group Audit Committee 	<ul style="list-style-type: none"> • Board member and Chairman of the Audit committee of Quality Net Telecommunications company (Kuwait) • Board Member of BTC Sure South Atlantic Limited (UK and Falkland Islands) • Chairman of the Bahrain International Circuit (BIC) • Member in Bahrain Judicial Committee for Stalled Real Estate Projects.

CORPORATE GOVERNANCE (Continued)

	Mr. Ahmed Ateyatalla Al Hujairy Director	Mrs. Khulood Rashid Al Qattan Director
Appointed by/ Status	(Non-Executive-Independent)	(Non-Executive-Independent)
Committee membership	Audit Committee NBN Founding Committee	Deputy Chairperson of Audit Committee Donation Committee
Qualifications and Experience	<ul style="list-style-type: none"> • Has been serving on Batelco Board since 03/14. He was elected by the shareholders at the AGM in 2014, as a non-executive independent director in the Board for a period of 3 Years. • Founder and CEO of Gulf Future Business S.P.C. and group of companies. • He holds an executive MBA (Distinguished Honours) from DePaul University, Chicago, USA • He began his career with Riyadh Bank, Saudi Arabia • He attained the post of Director in the Health Information Directorate. • Held the role as Acting CEO, Advisor to the Bahrain Minister of Health on Health Economics at Salmaniya Medical Complex • Held the role of General Manager at Gateway Gulf B.S.C. • Senior Advisor to the Board of Bahrain Technology Companies Society. Advisor and Founder of Bahrain Internet Society and a member of the Bahrain Society for Training and Development. 	<ul style="list-style-type: none"> • Has been serving on Batelco Board since 03/14. She was elected by the shareholders at the AGM in 2014, as a non-executive independent director in the Board for a period of 3 Years. • General Manager of Prime Advisory WLL and Managing Director of Green FX WLL. • She holds a Bachelor Degree in Accounting from Ayn Shams University, Cairo • She started her career as a trader in the US & European equities and has experience in capital and money market instruments in the local, regional and international markets and also in portfolio management. • Early career started with Bank of Bahrain & Kuwait where she worked her way to Head of Investment Department • She widened her experience with ADDax Investment Bank, Abu Dhabi Investment House and Evolve Capital.
Years of Experience	<ul style="list-style-type: none"> • Over 33 years of experience in Information Technology and Communications, Business, and Management. 	<ul style="list-style-type: none"> • Over 24 years of experience in banking and investment.
Board Representation	<ul style="list-style-type: none"> • Board member and Chairman of the Audit committee in Umniah Telecommunications company (Jordan). 	<ul style="list-style-type: none"> • Board member of Etihad Atheeb Telecommunications (Saudi Arabia) • Board member and Deputy Chairperson of Audit committee in Umniah Telecommunications company (Jordan) • Board member in Sico Financial Services company (SFS) • Member in Committee for the Young Women Entrepreneur award
	Mr. Oliver McFall Director	
Appointed by/ Status	Mumtalakat Holding Company / (Non-Executive-Independent)	
Committee membership	Nomination and Remuneration Committee	
Qualifications and Experience	<ul style="list-style-type: none"> • Has been serving on Batelco Board since 03/2014. He was appointed at the AGM in 2014 by the shareholders representing Mumtalakat Holding Company and he holds the role as a non-executive independent director for a period of 3 years. • Vice President of Roland Berger Strategy Consultants Middle east office • Senior Partner and member of the Executive Team with AT Kearney. • Senior Project Manager with McKinsey & Company. • Client base include major industrial corporations, telecom, energy and metals in Europe, Middle East and North America. 	
Years of Experience	More than 31 years of experience in international management consulting	
Board Representation	<ul style="list-style-type: none"> • Board member and Chairman of the Audit committee of Sure Channel Islands and Isle of Man (CIIM) Telecommunication Company (UK) • Board member in Ballard Europe; production of fuel cell systems • Executive director in Blue Ocean/HSV (Switzerland); real estate management and development in Europe • Board member in Ringford Holding (Switzerland); telecom technology 	

Mandate of the Board

The principle responsibilities of the Board, as set out in its Charter, are as follow:

- Represent the shareholder interests and optimizing long term financial returns.
- Establishing the Company's policies and strategy and regularly monitoring the performance of executive management against it.
- Oversight, performance evaluation and succession planning of directors and executive management
- Preparation and fair presentation of the financial statements in accordance with the applicable financial reporting standards.
- Risk recognition and assessment to ensure that the Company's operations, are measured, monitored and controlled by appropriate, effective and prudent risk management systems.
- Approve and monitor the progress of major capital expenditure, capital management, loans, and acquisitions, including the sale of movable and immovable property, granting permission for withdrawal of money and securities owned by Batelco
- Establishing policies to manage potential conflicts of interest including matters such as related party transactions.
- Establishing and disseminating to all employees and appointed representatives of the Company a corporate code of conduct

Board Meetings

As per the Charter of the Board, the directors are required to meet at least 4 times in a given financial year to discharge its responsibilities effectively.

During the year, the Board of Directors met 10 times on the following dates and discussed the below mentioned significant items.

The summary of significant items discussed during the meetings is also stated below:

- Discussion and approval of Quarterly and YTD financial performance and dividend payout
- Discussion of Budget and business plan 2017-2021
- Discussion and approval of Key Projects

Board Meeting Attendance in 2016:

Members	3 Feb	15 Feb	24 Feb	10 Mar	28 Apr	5 May	4 Aug	11 Sep	19 Oct	2 Nov
Sh. Hamad Bin Abdulla Al Khalifa (Chairman)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Mr. Abdul Razak Al Qassim (Member)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mr. Abdulrahman Fakhro (Member)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Brig. Khalid Al Mannaei (Member)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mr. Raed Fakhri (Member)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Dr. Ahmed AlBalooshi (Member)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Mr. Arif Rahimi (Member)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Mr. Ahmed Al Hujairy (Member)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Mrs. Khulood Al Qattan (Member)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Mr. Oliver McFall (Member)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<input type="checkbox"/>	Attended	<input checked="" type="checkbox"/>	Did not attend
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Elections of Directors

There are formal, rigorous and transparent procedures for the appointment of new directors to the Board.

Candidates are identified and selected on merit against objective criteria and with due regard to the benefits of diversity on the Board, including gender.

The current directors of the Company are appointed by the General Shareholders Meeting from among candidates proposed by the Board on the recommendation of the Nomination and Remuneration Committee (NRC).

Director Appointment Letter

As a member of the Board, each Director has signed a formal written appointment letter which covers among other things, the Director's duties and responsibilities in serving on the Board, the terms and conditions of their directorship, the annual remuneration, and entitlement to reimbursement of expenses and access to independent professional advice when needed.

CORPORATE GOVERNANCE (Continued)

Induction and Training of Directors

The Chairman in conjunction with the NRC is responsible for ensuring that induction and training programs are provided.

Individual directors are also expected to take responsibility for identifying their training needs and to take steps to ensure that they are adequately informed about the Company and their responsibilities as a Director.

The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director.

On appointment, individual Directors undergo an induction program covering, amongst other things:

- The business of the Company;
- Their legal and regulatory responsibilities as Directors;
- Briefings and presentations from relevant executives; and
- Opportunities to visit business operations.

Throughout their period in office the Directors are continually updated on the Company's businesses and the regulatory and industry specific environments in which it operates.

These updates are by way of written briefings and meetings with senior executives and, where appropriate, external sources.

Termination of Directors

The membership of the Directors is terminated upon the expiry of the term upon which he/she needs to be subject to re-election.

The termination of directorship can also take effect if any Director is in breach of the applicable governing laws and requirements of the Articles of Association.

Performance Evaluation

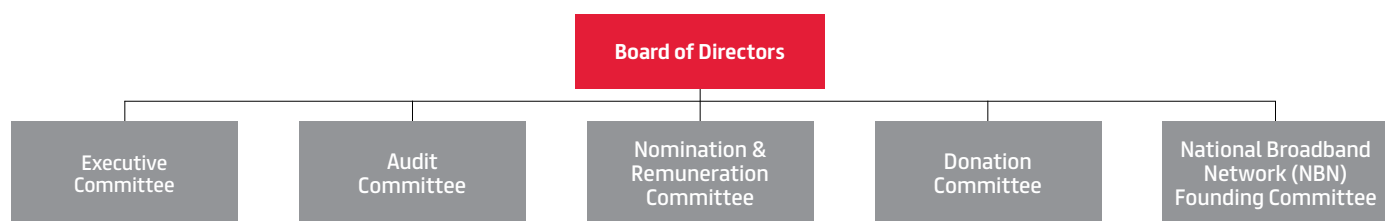
Performance evaluation of the Board, Board Committees' individual Directors and executive management takes place on an annual basis and is conducted within the terms of reference of the NRC with the aim of improving the effectiveness of the Board and its Committees, individual contributions and the Company's performance as a whole.

The evaluation is designed to determine whether the Board, its Committees, individual Directors and executive management continues to be capable of providing the high level judgment required and are informed and up to date with the business and its goals and understand the context within which it operates.

The next performance evaluation of the Board, its Committees, individual Directors and executive management is scheduled for 2017.

Board Committees Structure

In order to assist the Board in discharging its duties effectively and efficiently, the Board has established the following sub-committees:



The Board ensured that the Board Committees are provided with all necessary resources to enable them to undertake their duties in an effective manner. Each Board Committee has access to such information and advice, both from within the Company and externally, at the Company's cost as it deems necessary.

Executive Committee

The Executive Committee's primary duties and responsibilities are to:

- Review of Batelco's operational performance, at least once every financial quarter and direct management to develop and implement various initiatives to achieve the Annual Operating Plan
- Obtain reports at least once every financial quarter about the operating performance of joint ventures and associated companies and review the achievement of key financial targets and objectives
- Review of Batelco's 'Available For Sale' investment portfolio at least once every financial quarter
- Approve or recommend to the Board, all requests for the 'write-off' of an investment
- Approve or recommend to the Board any budgeted and unbudgeted capital expenditure
- Monitor the implementation of an effective corporate governance framework, with particular reference to the Corporate Governance Code of Bahrain (the "Code") and the requirements of the Central Bank of Bahrain ("CBB") Rulebook Volume 6
- Assist the Board in the effective discharge of its responsibilities for business, financial, operational, and reputational risk management and for the management of Batelco's compliance obligations

Executive Committee Meetings

As per the Charter of the Executive Committee, the Directors are required to meet at least 4 times in a given financial year to discharge its responsibilities effectively.

During the year, the Executive Committee met on 12 occasions on the following dates and discussed the below mentioned significant items. The summary of final decisions taken on significant items discussed during the meetings is also stated below:

- Discussion and approval of monthly, Quarterly and YTD financial performance
- Discussion of Budget and business plan 2017-2021
- Discussion and approval of Key Projects

Executive Committee Meeting Attendance in 2016:

Members	19 Jan	14 Feb	28 Feb	24 Mar	20 Apr	4 May	31 May	3 Aug	28 Sep	1 Nov	28 Nov	25 Dec
1. Mr. Abdul Razak Al Qassim (Chairman)	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
2. Mr. Abdulrahman Fakhro (Member)	☐	☐	☒	☐	☐	☐	☐	☐	☐	☐	☐	☐
3. Mr. Raed Fakhri (Member)	☐	☐	☐	☐	☐	☒	☐	☐	☐	☐	☐	☐
4. Mr. Arif Rahimi (Member)						☐	☒	☒	☐	☒	☐	☐
5. Mr. Oliver McFall (Previous Member)	☐											

☐	Attended	☒	Did not attend
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Committee Directorship changes were executed 28th April 2016

Audit Committee

The Company's internal audit function reports to the Audit Committee. The Audit Committee's primary duties and responsibilities are:

- The integrity of the Company's financial statements and financial reporting process and the Company's systems of internal accounting and financial controls;
- The annual independent audit of the Company's financial statements, the engagement of the external auditors and the evaluation of the external auditors' qualifications, remuneration, independence and performance;
- The appointment of Head of Internal Audit and the regular review of the activities and performance of internal audit function; and
- Compliance by the Company with legal and regulatory requirements, including the Company's disclosure of controls and procedures.

CORPORATE GOVERNANCE (Continued)

Audit Committee Meetings

As per the Charter of the Audit Committee, the Directors are required to meet at least 4 times in a given financial year to discharge its responsibilities effectively. During the year, the Audit Committee met on 6 occasions on the following dates and discussed the below mentioned significant items. The summary of final decisions taken on significant items discussed during the meetings is also stated below:

- Discussion and approval of Quarterly and YTD financial performance
- Discussion and approval of External Auditors assessment of Financial performance
- Discussion and approval of annual audit plan and quarterly updated internal audit reports.

Audit Committee Meetings in 2016:

Members	10 Feb	2 May	19 Jun	2 Aug	30 Oct	4 Dec
1. Dr. Ahmed AlBalooshi (Chairman)	☐	☐	☐	☐	☐	☐
2. Mr. Ahmed Al Hujairy (Member)	☐	☐	☐	☐	☐	☐
3. Mrs. Khulood Al Qattan (Member)	☐	☐	☐	☐	☐	☐
4. Mr. Arif Rahimi (Previous Member)	☐					

☐	Attended	☒	Did not attend
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Committee Directorship changes were executed 28th April 2016

Nomination and Remuneration Committee (NRC)

- The Nomination and Remuneration Committee (NRC) primary duties and responsibilities are to:
- Identify persons qualified to become members of the Board and executive management of the Company;
- Make recommendations to the Board regarding candidates for Board membership to be included by the Board of Directors on the agenda for the next AGM;
- Review the Company's remuneration policies for the Board and executive management, and submit for approval to shareholders;
- Remunerate Board members based on their attendance and performance.
- Administer the performance evaluation process for the Board and Board Committees and executive management.

Nomination and Remuneration Committee Meetings

As per the Charter of the NRC, the Directors are required to meet at least 2 times in a given financial year to discharge its responsibilities effectively.

During the year, the NRC met on 7 occasions on the following dates and discussed the below mentioned significant items. The summary of final decisions taken on significant items discussed during the meetings is also stated below:

- Approval and recruitment of key Executives to the Bahrain and Group operation
- Review and discussion of the Succession planning plan for the organization
- Review and approval of company performance and bonus plan
- Approval of change of Directorship roles for Batelco Group operations & Committees.

Nomination and Remuneration Committee Meeting Attendance in 2016:

Members	9 Feb	25 Feb	19 Apr	2 Jun	27 Jul	19 Sep	14 Dec
1. Shaikh Hamad Bin Abdulla al Khalifa (Chairman)	☐	☐	☐	☐	☐	☐	☒
2. Mr. Abdul Razak Al Qassim (Member)	☐	☐	☐	☐	☐	☐	☐
3. Mr. Raed Fakhri (Member)	☐	☐	☐	☐	☐	☐	☐
4. Mr. Oliver McFall (Member)				☐	☐	☐	☐
5. Brig. Khalid Al Manna'ei (Previous Member)	☐	☒	☒				

☐	Attended	☒	Did not attend
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Committee Directorship changes were executed 28th April 2016

Donations Committee

The Donations Committee's primary duties and responsibilities covers, examining donation requests made to Batelco from time to time; determining whether to approve the donation requests; assess the quantum of the approved donation requests and overseeing the administration of the funding allocated by the Board for such donations;

Donations Committee Meetings

As per the Charter of the Donations Committee, the Directors are required to meet at least 2 times in a given financial year to discharge its responsibilities effectively.

During the year, the Donations Committee met on 2 occasions on the following dates and discussed the below mentioned significant items. The summary of final decisions taken on significant items discussed during the meetings is also stated below:

- Discussion and approval on annual committed donations
- Discussion and approval of budget and donation requests.

Donation Committee Meetings in 2016:

Members	9 Feb	14 Aug
1. Sh. Hamad Bin Abdulla Al Khalifa (Chairman)	☐	☐
2. Brig. Khalid Al Mannaai (Member)	☐	☐
3. Mrs. Khulood Al Qattan (Member)		☐
4. Mr. Abdulrahman Fakhro (Previous Member)	☐	

☐ Attended	☒ Did not attend
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Committee Directorship changes were executed 28th April 2016

National Broadband Network (NBN) Founding Committee

Oversee, support and direct the Batelco Group Executive Management Team to continue Batelco Group's discussion with the Bahrain Government regarding all key matters relating to a potential national broadband network.

National Broadband Network (NBN) Founding committee meetings

During the year, the NBN Committee met on 10 occasions on the following dates and discussed the below mentioned significant items:

- Discussion and review of the requirements regarding the Bahrain Government's fourth National Telecommunications Plan
- Discussion and review of the timeline and tasks required to meet the Bahrain Government's fourth National Telecommunications Plan's objectives

National Broadband Network (NBN) founding committee meeting attendance:

Members	6 Mar	20 Mar	28 Apr	11 May	5 Jun	5 Oct	7 Nov	14 Nov	28 Nov	14 Dec
1. Mr. Raed Fakhri (Chairman)	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐
2. Mr. Arif Rahimi (Member)	☐	☐	☐	☐	☐	☐	☒	☐	☐	☐
3. Mr. Ahmed AL Hujairy (Member)	☐	☐	☐	☐	☐	☒	☐	☐	☒	☐

☐ Attended	☒ Did not attend
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Code of Conduct and Whistle Blowing Policy

The Board has adopted a formal code of conduct and whistle blowing policies that apply to the Directors and all employees of the Company to guide them in their conduct and promote ethical behavior, honesty and integrity in their normal daily activities in order to safeguard and uphold the reputation of the Company at all times. The code of conduct and whistle blowing policies developed and implemented are in accordance with the applicable regulations and leading industry practice.

CORPORATE GOVERNANCE (Continued)

Conflict of Interest

At all times, the Directors have a duty to avoid circumstances which may result in interests that conflict with those of the Company, unless that conflict is duly approved by the Board.

It is the obligation of the Board to assess, determine and authorize any such potential conflicts, taking into account all the circumstances.

This includes potential conflicts that may arise when a Director takes up a position with another company or when the Company enters into transactions or agreements in respect of which a Director or executive officer has a material interest.

Where the existing Director wishes to take up an external appointment, they are under an obligation to inform and obtain prior approval from the Board before doing so.

Each external appointment of the Director is considered by the Board individually, taking into account the expected time commitment and any relationships.

During the year, no issues of conflict of interest were experienced or authorized by the Board and no Director of the Board abstained from voting due to this reason.

Related Party Transactions and Directors Trading of Company Shares

It is the policy and practice of the Company that all related party and intra-group transactions are done on an arm's length basis in the ordinary course of business and are approved by the Executive Management of the Company.

By reason of being a listed Company, the Directors, executive management and the employees are eligible to trade in the shares of the Company and are monitored by relevant authority in the Company to ensure that no trade is made with the material information still not made public.

Please refer the note 29 (Transactions with Related Parties) of the financial statements for the details of related party transactions Directors trading of the Company shares during the year.

Internal Controls

The Board has overall responsibility for ensuring that management maintains an effective system of internal control and for reviewing its effectiveness. A sound system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

There are clear processes for monitoring the system of internal control and reporting any significant control failings or weaknesses together with details of corrective action.

Management is required to apply judgment in evaluating the risks in achieving the objectives, in determining the risks that are considered acceptable to bear, in assessing the likelihood of the risks materializing, in identifying the ability to reduce the incidence and impact on the business of risks that do materialize and in ensuring that the costs of operating particular controls are proportionate to the benefit.

Throughout the year ended 31 December 2016, and to date, the Company has operated a system of internal control which provides reasonable assurance of effective and efficient operations covering all controls, including financial and operational controls and compliance with laws and regulations.

Processes are in place for identifying, evaluating and managing the significant risks facing the Company.

The Board regularly reviews these processes through its principal Board Committees. The effectiveness of controls is periodically reviewed within the business areas and regular reports are made to the Audit Committee by the Internal Audit Department.

Remuneration Policy for Directors

The Company follows a transparent process with regards to the remuneration policy pertaining to the Directors in the Board.

The remuneration for the services rendered in the capacity of Director of the Company is based on the amount approved in last AGM recommended by the Board.

Any subsequent revisions to the remuneration will be based on the approval obtained from the shareholders in the next AGM.

The remuneration for Directors is principally based on the attendance in Board meetings, and are reduced on a pro-rata basis depending on actual attendance of Board meetings in the previous calendar year.

In addition to the above, the Company reimburses the Directors for all direct and indirect expenses, accommodation and travelling expenses, reasonably incurred during the term of their appointment.

Please refer the note 29 (Directors' Remunerations) of the financial statements for the details of Directors' Remuneration and Committees setting fees.

Remuneration Policy for Management

The remuneration principles of the Company are based on the following principles:

- Attract and retain human resources with ability, talent, skill and knowledge to deliver quality
- Aligning the reward of employees with the returns of the shareholders
- Implement incentive framework which challenges employees to deliver sustained, high quality consistent performance at all times

The NRC is responsible for devising the remuneration policy for the executive management of the Company with an objective to achieve a balance between offering market competitive remuneration to retain talent, and optimizing current and future shareholder returns.

The NRC utilizes the analytical tools, qualitative and quantitative measures and comparative studies by experts to formulate remuneration and compensation packages for the management of the Company.

In addition to this, the Company has also a framework in place to monitor and evaluate the performance of the executive management and employees of the Company.

An equitable and transparent system of limits and performance metrics is in place which is used to reward the employees of the Company for their accomplishments during the year.

The executive management is responsible for administering the employee performance process.

Please refer the note 29 (Key Management Personnel Compensation) of the financial statements for the details of Executives Remunerations.

Stock Options and Performance linked incentives for executives

(Not Applicable to Batelco)

Auditors

The Audit Committee reviews the appointment of the external auditors, as well as their relationship with the Company, including monitoring the Company's use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors.

Details with regards to the audit and non-audit fees for the Parent Company Bahrain Telecommunications Company BSC as a legal entity are stated here below:

Audit Fees for 2016	BHD 72,250
Non-Audit Services Fees for 2016	BHD 104,050

KPMG Fakhro has been the Company's auditors since 1993. Having reviewed the independence and effectiveness of the external auditors, the Audit Committee has not considered it necessary to change the external auditors.

The Audit Committee has recommended to the Board that the existing auditors, KPMG Fakhro, be reappointed.

KPMG Fakhro have signified their willingness to continue in office and ordinary resolutions reappointing them as auditors and authorizing the Directors to set their remuneration will be proposed in next AGM.

CORPORATE GOVERNANCE (Continued)

Key Management Personnel

Ihab Hinnawi	
Group Chief Executive Officer	Feb 2015
Joined Batelco	2007
Previous roles/Experience	Batelco Bahrain Enterprise Division General Manager Batelco Jordan CEO Umniah Operations Director (2004-2007) Umniah Chief Executive Officer (2009- 2015)
Qualifications/Achievements	BA Business Administration
Faisal Qamhiyah	
Group Chief Financial Officer	2013
Joined Batelco	2012
Previous roles/Experience	Chief Financial Officer Umniah and Batelco Bahrain Chief Operating Officer – Zain Jordan Investments Director – Ern Capital Finance Director / CFO – Zain Jordan Group Internal Auditor – EDGO Group
Qualifications/Achievements	BA in Economics, CPA , EDP from Kellogg School of Management, USA.
Shaikh Ahmed bin Khalifa Al Khalifa	
Group GM HR & Development	2008
Joined Batelco	1997
Previous roles/Experience	Batelco Bahrain General Manager HR Bahrain Batelco Bahrain Senior Manager Employee Retention
Qualifications/Achievements	University of Virginia, US, Darden School of Business – Executive Development Program University of Glamorgan, Wales, UK – Masters of Business Administration information and Business Systems Technology – Diploma
Ahmed Al Janahi	
GM Corporate Affairs & Batelco Group Board Secretary	2004
Joined Batelco	2003
Previous roles/Experience	Gulf Air Public Relations Manager World Travel Service – Asst. General Manager Arab Exchange – General Manager
Qualifications/Achievements	American College, Atlanta, US – BA Business Administration
Bernadette Baynie	
Batelco Group General Counsel	2008
Joined Batelco	2007
Previous roles/Experience	Batelco Bahrain Senior Commercial Legal Counsel National Australia Bank Limited – Head of Legal and Compliance National Australia Bank Limited – Principal Counsel
Qualifications/Achievements	Bachelor of Laws – Sydney University

Ali Sharif	
Group Chief Internal Auditor	2010
Joined Batelco	1989
Previous roles/Experience	Chief Internal Auditor Internal Audit Manager
Qualifications/Achievements	CIA (USA) CISA (USA) St. Edwards University, Austin, Texas, US- BA Finance (Hons)
Ian Kelly	
CEO, Sure South Atlantic & Diego Garcia	April 2014
Joined Batelco	August 2007
Previous roles/Experience	2007-2014: Group Director, Mergers & Acquisitions, Batelco Group 2003-2007: Managing Director, Pink Capital (International Corporate Development Consulting), Australia and Singapore
Qualifications/Achievements	Master of Business Administration (Class of 2000), Melbourne Business School, University of Melbourne, Australia Corporate Finance Program (1998), University of Michigan, USA Bachelor of Arts (Psychology- 1990) , Monash University, Australia
Dr. Ghassan Murad	
Group General Manager, Mergers & Acquisitions	January 2013
Joined Batelco	November 1996
Previous roles/Experience	Chief Financial Officer - Batelco Bahrain Senior Manager, Mergers & Acquisitions – Batelco Group Research Associate, Department of Engineering - University of Leicester (UK)
Qualifications/Achievements	Doctor of Philosophy (PhD.) - Control Systems Theory, University of Leicester (UK) Master of Science (MSc.) - Control Systems, Imperial College of Science, Technology and Medicine (London, UK) BEng. (Hons) – Control Engineering
Haytham Fatayer	
Group General Manager , Strategic Projects	2011
Joined Batelco	February 2011
Previous roles/Experience	Umniah CTO , Technical Director /Partner at Ciscom , Senior Engineer at Philips
Qualifications/Achievements	BSc degree in Electronics / Telecom Engineering 1993 from the Maritime Academy/ Alexandria Egypt
Karan Ponnudurai	
Group Chief Digital Officer	July 2016
Joined Batelco	July 2016
Previous roles/Experience	Chief Innovation Officer at Axiata Digital, Malaysia
Qualifications/Achievements	BSc in Electrical Engineering from Stanford University, USA Master of Engineering with specialisation in Communication Systems from University of Malaya, Kuala Lumpur.
Ahmed Abdel-Latif	
Group Chief Wholesale Officer	October 2016
Joined Batelco	October 2016
Previous roles/Experience	Vice President, Business Development for Middle East & Africa (MEA) for a global provider of wholesale & enterprise Telecoms services
Qualifications/Achievements	Bachelor's degree in Telecommunications & Electronics Engineering from Ain Shams University (Cairo, Egypt) Master of Science degree in Computer Science from the University of Louisville (KY, USA) Master's degree in Business Administration (with Distinction) from The Maastricht School of Management (Maastricht, The Netherlands); with a focus on Globalization.

