



BELIEVING IN THE POWER OF DREAMS.

ANNUAL REPORT

2012



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**H.H. SHEIKH SABAH
AL-AHMED AL-JABER
AL SABAH**

AMIR OF THE STATE
OF KUWAIT



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

CROWN PRINCE



**H.H. SHEIKH JABER
AL-MUBARAK
AL-HAMAD AL-SABAH**

PRIME MINISTER

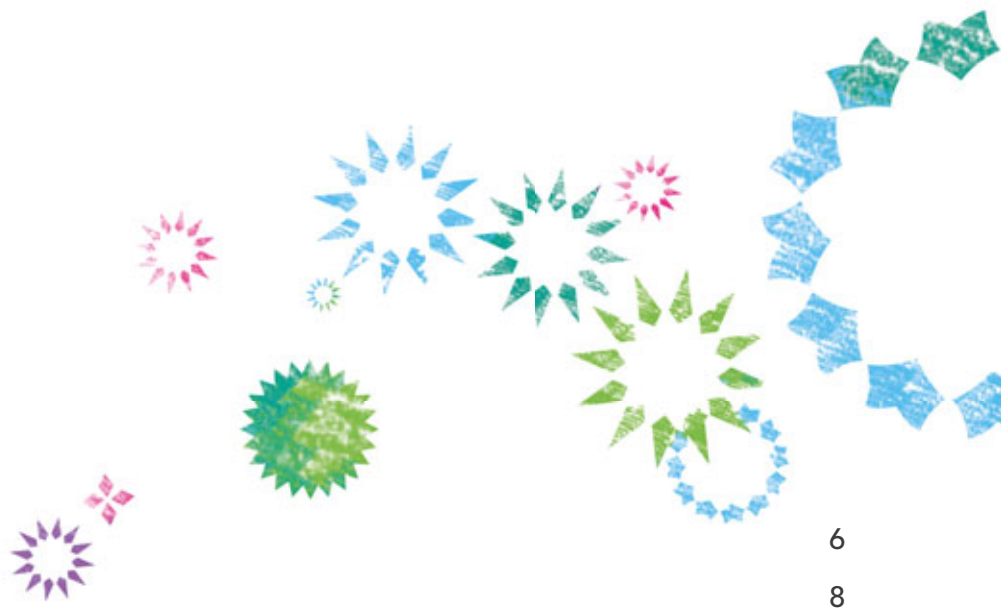


01

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DON'T BE
AFRAID
TO DREAM
BIG. ALL
WONDERFUL
REALITIES
HAD TO
START
SOMEWHERE.





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02

BOARD OF DIRECTORS

**MR. ASAAD
AHMED
AL BANWAN**

CHAIRMAN

**MR. ABDULAZIZ
YAQOUB
AL NAFISI**

**DEPUTY
CHAIRMAN**

**MR. BADER
NASSER
AL KHARAFI**

BOARD MEMBER

**MR. WALEED
ABDULLAH
AL ROUDAN**

BOARD MEMBER





**MS. SHAIKHA
KHALED
AL BAHAR**

BOARD MEMBER

**MR. ABDUL-
MOHSEN
IBRAHIM
AL FARES**

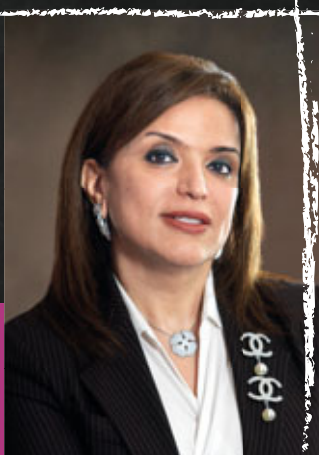
BOARD MEMBER

**MR. JAMAL
AHMED
AL KANDARY**

BOARD MEMBER

**MR. JAMAL
SHAKER
AL KAZEMI**

BOARD MEMBER



03

CHAIRMAN'S MESSAGE



DEAR SHAREHOLDERS,

On behalf of my fellow members of the Board of Directors, it gives me great pleasure to welcome shareholders once again to the Annual General Assembly, in which we review the performance of the Zain Group during 2012.

The twelve months of 2012 were one of the most difficult periods for our operations as the challenging global economic outlook persisted, and industry competition in the markets in which we operate increased. Our financial indicators for the year ended 31 December 2012 reflected those challenges – the evidence of such being the sharp currency translation impact that cost the Group's bottom line around USD 109 million. However, the Group's overall operational performance remained within expectations thanks to our flexible business plans that helped maintain a high level of operational optimization despite the challenges.

In 2012, the IT and telecommunications industry witnessed major changes that led to the widespread convergence of the smartphone, tablet computer and telecommunications. The number of smartphones and tablet computers are forecast to double within the coming couple of years according to industry statistics.

On the face of the aforementioned challenges and drivers, our operations continue to evolve and encompass new areas of growth in the field of IT and telecommunication services, having already undergone a wide series of development projects that aim to introduce improved quality and efficiency levels to the Group's portfolio of services in its main markets, including Kuwait, Saudi Arabia and Iraq.

In parallel with the development projects it implemented in its networks in 2012, the Group continued to adhere to its policy of reducing its administrative, operational and finance costs, having implemented innovative plans that have managed to cut considerably the finance expenses in 2012.

Our journey of success and leadership was further demonstrated by our operational results for 2012 with Zain Group generating net income of USD 902 million, earnings per share of USD 0.23, and consolidated revenues of USD 4.58 billion.



EBITDA for 2012 amounted to USD 2.04 billion. Shareholders equity stood at USD 6.09 billion, while the Group's consolidated customer base grew by 6% to stand at 42.7 million active customers at the end of 2012, up from 40.2 million at the end of 2011.

These results reflect relative stability in the Group's key financial indicators for the year.

As mentioned above, without the effects of the sharp currency translation impact, consolidated revenues would have amounted to USD 4.88 billion, while EBITDA would have been USD 2.15 billion, and net profits USD 1 billion.

Zain Group entered a number of strategic partnerships with global companies during the course of 2012 with the dual aim of reinforcing its operational position on the one hand and maximizing its value proposition to customers on the other.

During 2012, Zain Group inaugurated its first LTE network in Saudi Arabia, followed by a commercial launch in Kuwait. This represented a significant milestone in Zain's strides to maintain its technology leadership.

The launch of our LTE network in Kuwait was another certificate of leadership as Zain Kuwait became the first local operator to offer cutting-edge LTE technology on a nationwide basis. Not only does this step represent a qualitative leap, but it is set to further bolster Zain Group's competitive capabilities in two of its key markets of operation.

In Saudi Arabia, Zain KSA successfully completed its USD 1.6 billion rights issue with a full subscription during the summer; a development that formed part of a wider plan to restructure the company's capital. Zain Group continued to back its Saudi Arabia operation both administratively and financially, having taken the strategic decision to increase its ownership in Zain KSA to 37% in the wake of the company's rights issue.

The administrative and financial support from Zain Group ensured that Zain KSA improved its financial performance and results in 2012, which subsequently led to a reduction in the Saudi operator's net loss by 9% year-on-year in 2012.

We expect that the economic situation in Sudan and South Sudan to improve, which will subsequently allow Zain to again benefit from the substantial growth of our operations in those countries, despite the further challenges presented by the heightened taxation, which has doubled from 15% to 30%, in addition to a hike in fuel costs in 2012.

In 2012, our operation in Iraq continued to be the market leader with respect to customer numbers and we expect further tangible growth opportunities there, especially on the back of the widespread expansion of our network into the northern regions of the country. Zain Group is also intensifying its efforts towards listing its Iraq operation on the Iraq Stock Exchange by 2013 as stipulated by the company's license.

Intent to honor and renew its corporate social responsibilities and duties, the Group has launched a series of initiatives and programs to enhance its partnership with the communities in which it operates. One such initiative was the successful launch of Zain Group's inaugural Sustainability Report in which it offers an account of the socio-economic and environmental impact of its business operations. This report represented a strong verification of Zain's serious efforts in becoming a corporate entity that truly considers the wellbeing of the people of the region.

Thanks to our wealth of highly qualified professional employees, we are confident that Zain Group will continue to provide highly sophisticated telecommunications services to meet the aspirations of our customers.

I would like to take this opportunity to express my deep appreciation for the trust placed in all our strategic decisions by Zain's shareholders. This trust has been a major factor in encouraging the management of the Group to drive the company to its strong position. I would also like to extend my deep thanks to my fellow Board Members and executive management for their outstanding efforts during 2012.

In conclusion, on behalf of all my fellow members of the Board of Directors and the executive management, as well as all employees of the Group, I would like to offer our deepest gratitude and appreciation to His Highness the Amir of Kuwait, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah; His Highness the Crown Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah; His Highness the Prime Minister Sheikh Jaber Al-Mubarak Al-Sabah; and to the esteemed members of our government for their continued support of Kuwait's companies and organizations.

May God the Almighty keep our country safe and prosperous.

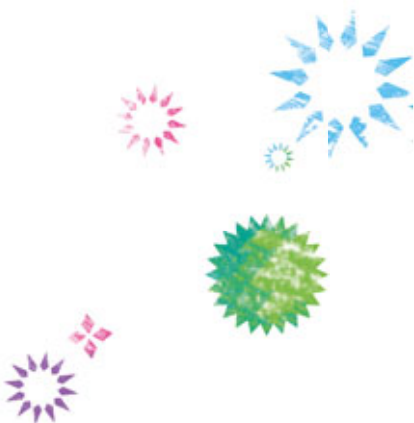
Asaad Ahmed Al-Banwan
Chairman, Board of Directors

04

CEO STATEMENT



"The Telecommunications Industry is undergoing a structural and paradigm shift and operators must evolve to meet the new challenges posed by significant data explosion, the high capital expenditure and investment required for frequency spectrum acquisition and the construction of high-speed networks as well as the medium and long-term impact of over-the-top players on service offerings. Furthermore, the role being played by service providers, particularly those operating in emerging markets, has become critical to the continued growth and development of economies and societies. Zain Group aims to continue to profitably deploy the necessary infrastructure and services to foster enhanced customer experience across our markets and to meet the return objectives of our shareholders."





DEAR SHAREHOLDERS,

Over the last 29 years, Zain Group has established itself as a formidable multinational telecommunications operator with an international benchmark and track-record of deploying best-in-class and advanced telecommunications networks. As the recently appointed Group CEO, I am pleased to have joined yet another organization of experienced executives, and skilled personnel with a singular vision and a passion to create an enriching and inspiring experience and service for our customers; to transform the way we do business and to maximize returns to shareholders. I would like to thank the Board of Directors, the executive management and over 6200 talented employees who make up the rank-and-file of Zain Group for the company's achievements in 2012.

The telecommunications industry is going through a structural and paradigm shift and telecommunications operators are evolving their strategies, business processes and product offerings to meet the ensuing developments. Worldwide, the accelerated deployment and rollout of post-3G Long term Evolution (LTE) networks; the move towards an all IP-architecture and the high penetration of smartphones and tablets are expected to reflect a significant growth in mobile broadband data usage, with industry experts predicting of up to 92% cumulative annual growth rates for mobile data in the run-up to 2015. However, telecommunications operators also have to contend with the impact and dominance of over-the-top ("OTT") players who, with the move towards all-IP infrastructure, are able to propose and launch IP-based services such as IP messaging, voice-over-IP or video-on-demand services which clearly compete with offers from incumbent licensed mobile telecommunications players. Whilst OTT players are not subject to telecommunications regulations and do not have to pay telecommunications licence fees or invest in building broadband super-highways and infrastructure required to deliver services, they are able to act as direct competitors and have unfettered access to reach customers.

Traditional mobile operators are evolving their business models to embrace strategic partnerships with OTT players to ensure that the two groups of industry participants (traditional and OTT players) can provide complementary and rich product offerings to meet customer demands, develop appropriate approaches to the monetization of data services and still provide returns to their respective shareholders.

Tough political and macroeconomic conditions, including currency volatility, have also had a marked impact on our industry and have made revenue growth challenging.

Zain Group is and will continue to adapt its systems, processes, and infrastructure and business models in a changing world and, as good corporate citizens, to continue to contribute towards the macro and micro-economic developments in the countries where we operate. Furthermore, the organization is focusing on business transformation and optimization to realize operational efficiencies and group-wide synergies. We enjoy the advantages of our extensive regional footprint with a commercial point of presence in 8 countries, leading market share position in 5 markets, state-of-the-art networks including high-speed HPSA+ and LTE deployments, innovative services, and talented workforce.

REVIEW OF 2012

2012 witnessed significant changes in market dynamics, in the competitive landscape and consequential slower growth. Throughout the year, Zain Group focused on maintaining sustainable financial health and market leadership as well as enriching its product portfolio and enhancing customer experience. These have been underpinned by entering into value-added strategic partnerships and by modernizing its network infrastructure, information technology systems and billing and customer relationship management platforms.

Our 2012 consolidated revenues reached USD 4.58 billion, down 4.4% from USD 4.79 billion recorded in 2011. Earnings before interest, tax, depreciation and amortization (EBITDA) for the year amounted to USD 2.04 billion compared to USD 2.18 billion in 2011, representing an attrition of 6.4%. Net income amounted to USD 902 million, with an earnings per share (EPS) of USD 0.23 compared with a net income of USD 1.033 billion, and an EPS of USD 0.27 in 2011. These financial metrics were recorded against the backdrop of adverse currency translation effects, largely in the Republic of Sudan, which negatively impacted the group's net income position by USD 109 million.

On the market leadership front, as of 31st December 2012, our customer base reached 42.7 million reflecting a 6% growth in customers year-on-year. This growth has been driven by an increase in the customer base in four of our operations: Jordan (26.8% growth), Bahrain (21.3% growth), Iraq (10.2% growth) and Lebanon (6.2% growth). We have also continued to sustain leadership in five markets: Kuwait, Jordan, Iraq, Republic of Sudan and South Sudan.

In 2012, the strategic collaborations and corporate alliances, which Zain Group entered into, provided very essential complementary customer products and services as well as technical know-how and best practices.

04

CEO STATEMENT

In March 2012, Zain Group partnered with Microsoft to bring Windows Phones to MENA markets; Zain Group also entered into a strategic agreement with iPass™ Open Exchange to support global roaming on Wi-Fi. The iPass partnership has enabled Zain Group operators to offer high-quality and affordable data connectivity to its roaming customers in 117 countries around the world.

In September 2012, Zain Group signed a non-equity, Multi-Country Partner Market Agreement with Vodafone, providing complementary benefits to both organizations and enhancing their respective abilities and reach to meet growing demand among multinational businesses for sophisticated voice and data communications solutions as well as advanced roaming services within the Middle East. Through the partnership agreement, Zain Group is able to secure greater access to Vodafone's global footprint and to leverage Vodafone's commercial insights, technical expertise and procurement synergies to improve operational efficiencies for the company in the short to medium term. Zain will continue to leverage Vodafone's Global Enterprise solutions for multinational corporations and will work closely with Vodafone on achieving harmonized roaming rates across multiple countries.

In December 2012, as part of its strategy to enhance wholesale international connectivity amongst its operations, Zain Saudi signed an international carrier interconnect partner agreement with the Ministry of Communications in the state of Kuwait, providing Zain KSA with an opportunity to secure a greater share of the international carrier business to and from Kuwait.

On the advanced network deployment front, Zain Kuwait continued the trend of innovation by deploying the first commercially available, nationwide, 4G long term evolution (LTE) network in the state of Kuwait in the fourth quarter of 2012. We also strengthened and enhanced the network coverage - targeting 98% - 100% population coverage - in each of our markets by increasing the number of sites deployed.

In April 2012, Zain Group acquired an 802.16e WiMAX data services operator, Mada Jordan, with coverage in the major cities of Jordan. This has enabled us to complement our 3G and HSPA+ offerings to the Jordanian market and, similar to the approach we are taking with our business in Bahrain, launch integrated fixed wireless access and mobile offerings to customers.

We continue to demonstrate very strong commitment and resolve towards our operation in the Kingdom of Saudi Arabia. In July 2012, Zain KSA successfully completed its capital restructuring plan involving a 65.7% capital reduction (from SAR 14 billion or USD 3.733 billion to SAR 4.801 billion or USD 1.28 billion) followed by a SAR 6 billion (USD 1.6 billion) rights issue which saw the conversion of shareholder loans amounting to approximately SAR 2.5 billion (USD 679 million) into equity and the injection of approximately SAR 3.5 billion (USD 921 million) in fresh capital into the company.

Zain Group participated in the rights through debt conversion, equivalent to SAR 1.5 billion (USD 400 million), and through over-subscription in cash amounting to SAR 1.301 billion (USD 347 million), thereby increasing equity ownership from 25% to 37.045%. Furthermore, we continue to support the

refinancing efforts for the approximately SAR 9 billion (USD 2.4 billion) Murabaha facility.

We firmly believe in the potential for growth in the Saudi telecommunications market, particularly in the area of mobile broadband, managed enterprise offerings and enhanced customer services and Zain Group is committed to continue to bolster efforts to capture market share and to move towards profitability.

Lastly, in line with its telecommunications licence requirements, Zain Group's Iraqi subsidiary is preparing for a listing on the Iraq Stock Exchange (ISX). Zain Iraq has witnessed growth on all metrics – revenues (7% growth), EBITDA (3% growth), net income (6% growth) and customers (10% growth). We expect 2013 to be an exceptional year for Zain Iraq, with the operator expecting tangible growth opportunities driven primarily by its investments in the northern regions of the country.

LOOKING FORWARD

The telecommunications industry is experiencing one of the most prolific periods of change, disruption and innovation. Change is good but must be effectively managed and Zain Group is poised to capitalize on the opportunities for innovation, business transformation and financial discipline.

I am confident that in the years ahead the company will continue to deliver exceptional value to its stakeholders.

I extend my appreciation to the Zain team for making Zain the admirable telecom company it is today. I am grateful also to the Board of Directors, shareholders and our valued customers for their unwavering support.



M. Scott Gegenheimer
Zain Group CEO



05

ZAIN AT A GLANCE

AT ZAIN, WE WORK HARD EVERYDAY TO IMPROVE THE LIVES OF OUR CUSTOMERS BY INTRODUCING THEM TO A WONDERFUL WORLD. SINCE OUR REALITY AT ZAIN WOULDN'T HAVE BEEN POSSIBLE IF WE DIDN'T ENVISION IT, WE ARE COMMITTED TO INSPIRING OUR CUSTOMERS TO FOLLOW THEIR DREAMS AND LIVE THEIR FULL POTENTIAL. IN OUR WORLD, TOMORROW IS ZAIN.





42.7

MILLION
ACTIVE
CUSTOMERS

108

MILLION
PEOPLE
UNDER
LICENSE

44.6

MILLION +
DAILY
TOTAL SMS

348.7

MILLION +
DAILY
TOTAL CALLS



13.7

MILLION
CUSTOMERS
IN IRAQ

12.5

MILLION
CUSTOMERS
IN SUDAN

222

TB OF DAILY
DATA USAGE

\$4.58

BILLION IN
REVENUES

\$2.04

BILLION IN
EBITDA

5.2

MILLION
KM² UNDER
LICENSE

\$902

MILLION IN
NET INCOME

6,200

EMPLOYEES

4G

LONG
TERM
EVOLUTION
(LTE) NETWORK
IN SAUDI
ARABIA AND
KUWAIT

**MARKET
LEADER**

IN KUWAIT,
IRAQ, REPUBLIC
OF SUDAN,
SOUTH SUDAN,
AND JORDAN



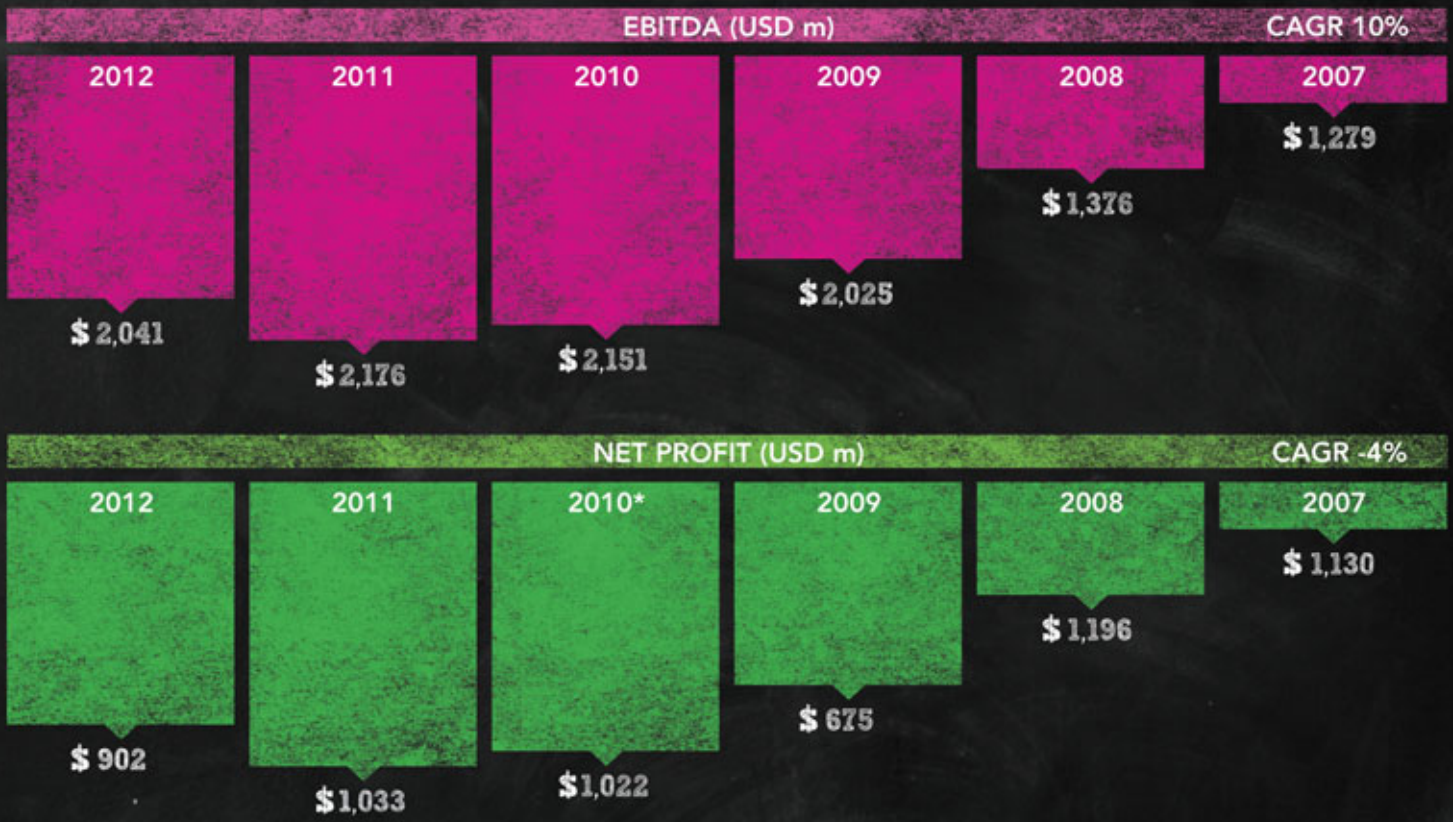
06

KEY PERFORMANCE INDICATORS



Zain Saudi Arabia is an associate company (not consolidated)





*Excluding capital gain of USD million 2,653 from the sale of Zain Africa in 2010.



07

KEY MILESTONES

- LEADING MOBILE OPERATOR IN KUWAIT
- ACQUIRED FASTLINK IN JORDAN
- AWARDED 2ND GSM LICENSE IN BAHRAIN
- AWARDED GSM LICENSE IN IRAQ
- AWARDED MANAGEMENT AGREEMENT IN LEBANON
- ACQUIRED CELTEL IN 13 AFRICAN NATIONS
- ACQUIRED MADACOM IN MADAGASCAR
- ACQUIRED THE REMAINING 61% OF MOBITEL IN SUDAN
- ACQUIRED 65% OF V-MOBILE IN NIGERIA

1983-2002

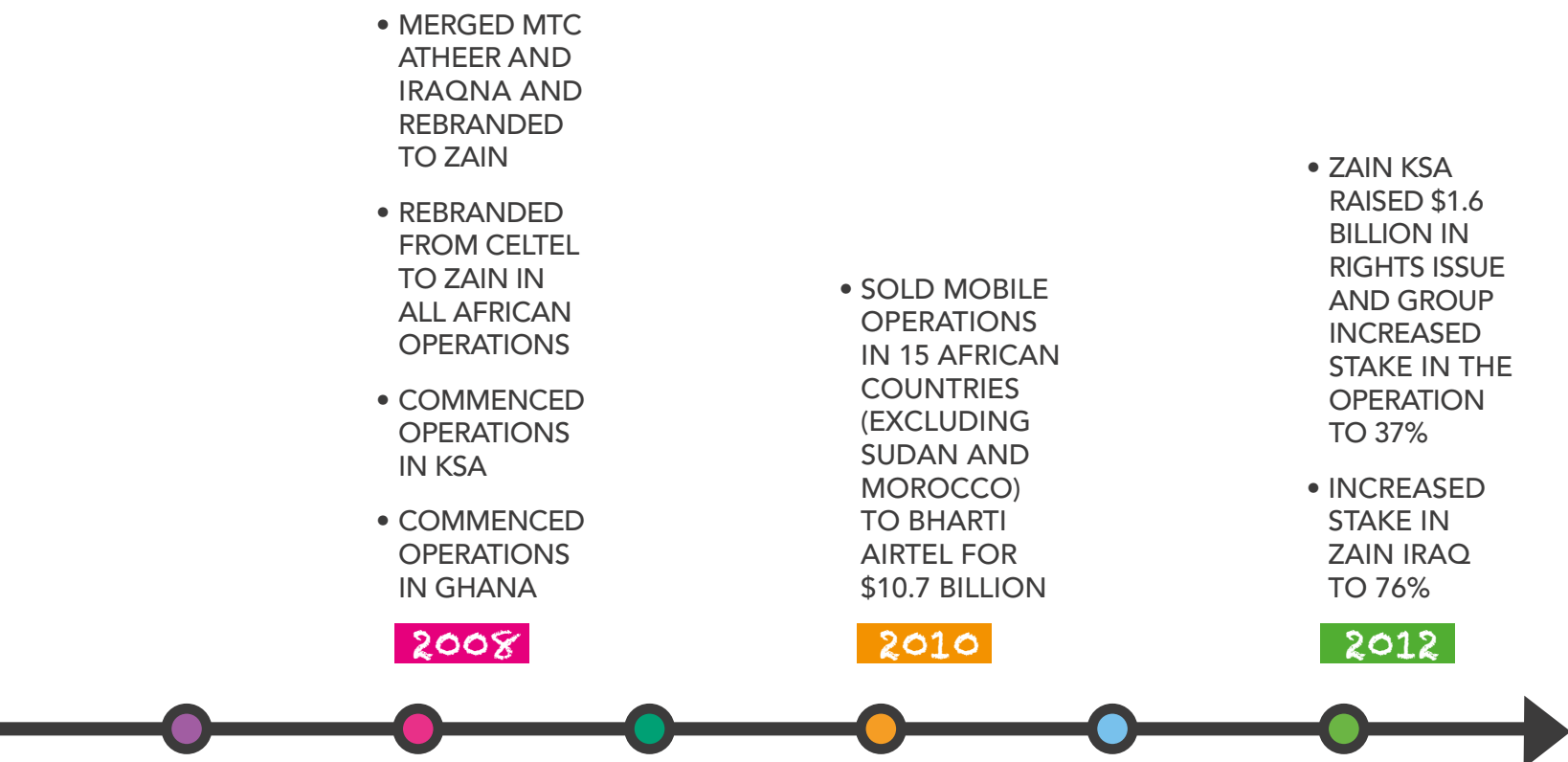
2003

2004

2005

2006





- MERGED MTC ATHEER AND IRAQNA AND REBRANDED TO ZAIN
- REBRANDED FROM CELTEL TO ZAIN IN ALL AFRICAN OPERATIONS
- COMMENCED OPERATIONS IN KSA
- COMMENCED OPERATIONS IN GHANA

2008

- SOLD MOBILE OPERATIONS IN 15 AFRICAN COUNTRIES (EXCLUDING SUDAN AND MOROCCO) TO BHARTI AIRTEL FOR \$10.7 BILLION

2010

- ZAIN KSA RAISED \$1.6 BILLION IN RIGHTS ISSUE AND GROUP INCREASED STAKE IN THE OPERATION TO 37%
- INCREASED STAKE IN ZAIN IRAQ TO 76%

2012

2007

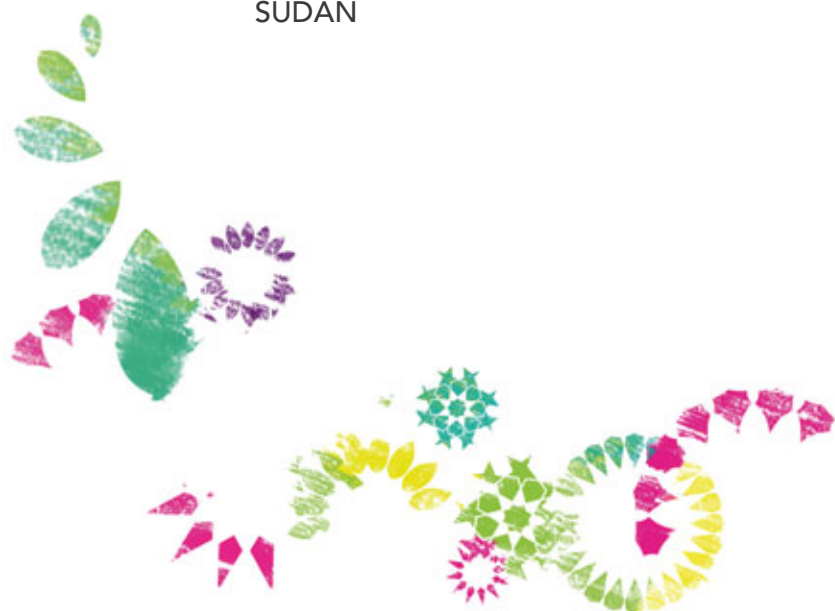
- WON BID FOR 3RD GSM LICENSE IN KSA
- REBRANDED TO ZAIN IN 4 MARKETS
- ACQUIRED 15-YEAR NATIONWIDE LICENSE IN IRAQ
- ACQUIRED 75% OF WESTEL GHANA
- ACQUIRED IRAQNA IN IRAQ

2009

- INVESTED IN 31% OF MOROCCAN OPERATOR INWI IN A JOINT VENTURE WITH AL AJIAL

2011

- SEPARATED OPERATIONS BETWEEN SUDAN AND SOUTH SUDAN



08

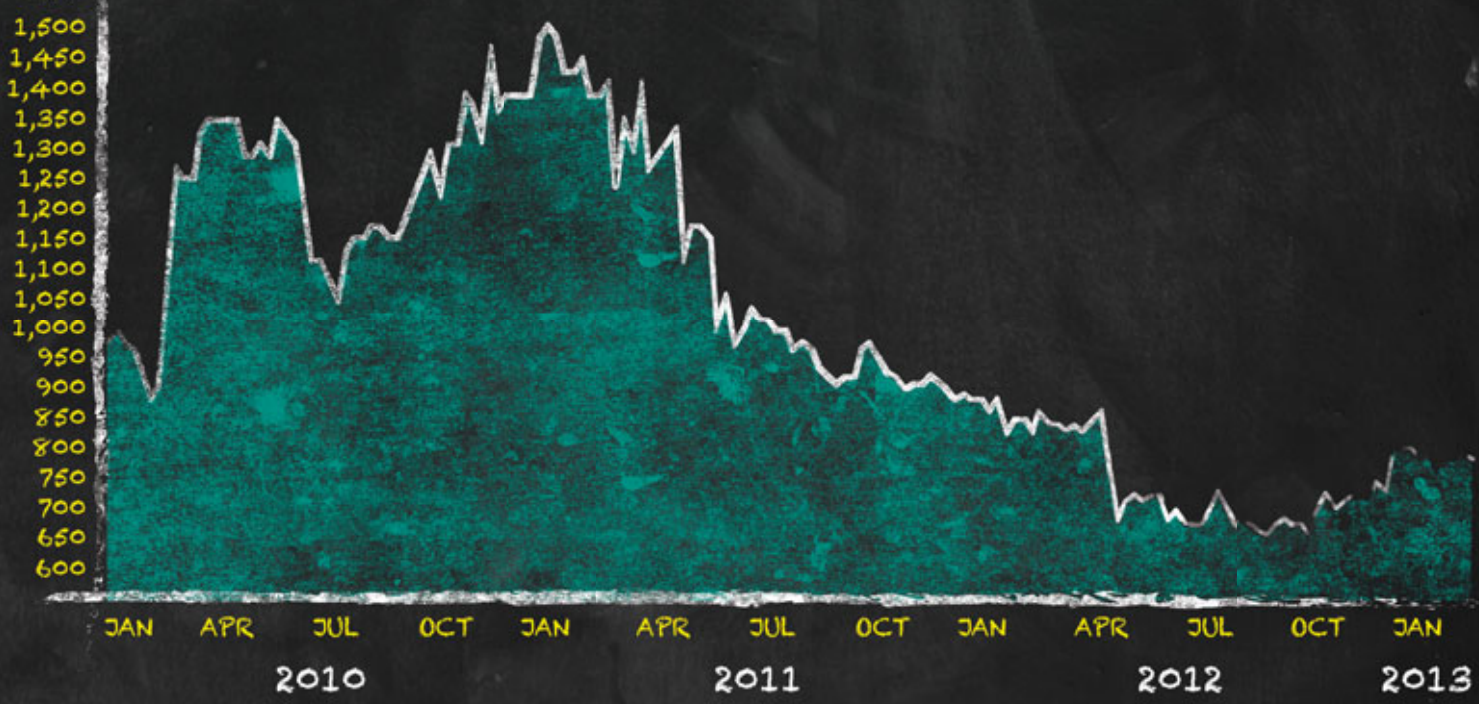
SHARE PRICE EVOLUTION

THE THOUGHTS YOU CREATE BUILD YOUR FUTURE.
HOW CAN YOU EXPECT TO REACH YOUR GOALS
IF YOU DON'T THINK THEY'RE POSSIBLE?





PRICE
KD(fils)



1/1/2010 - 1/1/2013 (RIY)
Source: Thomson Reuters

09

GROUP HIGHLIGHTS

OPERATIONAL EVENTS FOR THE FULL YEAR OF 2012

DREAM AS IF THE WORLD IS IN THE PALM OF YOUR HANDS. YOUR DREAMS ARE ABLE TO CHANGE THE WORLD AROUND YOU.



1 JANUARY

Zain Group increases its stake in Zain Iraq to 76%.

19 JANUARY

Zain Sudan connects the 1,000th city - Albeala - to its modern network, which happens to be the largest in the country, enjoying population coverage of over 90%.



27 FEBRUARY

Zain Group records a significant presence at the Mobile World Congress 2012 in Barcelona.

4 MARCH

Zain Group enters into an agreement with Microsoft Middle East and Africa to bring Windows Phone devices to the Middle East and North Africa.

7 MARCH

Zain Group selects Neustring's OptiPrizer software for predictive analytics across seven Middle East markets to improve the cost and quality of roaming services.

14 MARCH

Zain Group signs an agreement with iPass Inc. by which Zain will provide its mobile customers with global Wi-Fi data roaming services.

24 APRIL

Zain Saudi Arabia is awarded the Customer 360 ME Award at the "Customer Experience and Service Excellence Summit and Awards 2012" held in Dubai. Zain KSA was the winner of the Best Technology category for its proven customer experience improvements and the successful implementation of its CRM program, dynamic systems and new measurement tools.

30 APRIL

Zain South Sudan pioneers the launch of high speed Internet services and ranks as the best mobile operator in the Republic of South Sudan. The company's Internet service also contributes significantly to the social and economic development of the country.



19 June



4 March



16 May



11 May

11 MAY

Zain Sudan celebrates its anniversary marking 15 years of operation with a first of its kind show in the country. The event incorporated the largest 3D projection screen, best surround sound and the biggest display of the Sudan flag, in the presence of around 5,000 invitees.

16 MAY

Zain Iraq, in cooperation with the Kurdistan Regional Government, sponsors the "Imagine Cup: Kurdistan," which is a student technology competition initiated by Microsoft to solve one of the main problems listed within the eight UN Millennium Development Goals.

MAY 27

Zain South Sudan announces the expansion of voice and Internet services into rural areas and becomes the first operator with the widest network coverage both in rural and urban settings in the Republic of South Sudan.

5 JUNE

Touch Lebanon launches a road safety campaign titled, "Avoid Distracted Driving" in collaboration with YASA (Youth Association for Safety Awareness).

7 JUNE

Zain Bahrain introduces the "better than free" campaign, making the very latest smartphones, such as the Apple iPhone5, the Samsung Galaxy S III and the Huawei Media Pad 10FHB, accessible and affordable.

13 JUNE

Zain highlights a series of projects during the inaugural JP Morgan investment conference.

19 JUNE

Touch Lebanon unveils its new identity.

www.zain.com

09

GROUP HIGHLIGHTS

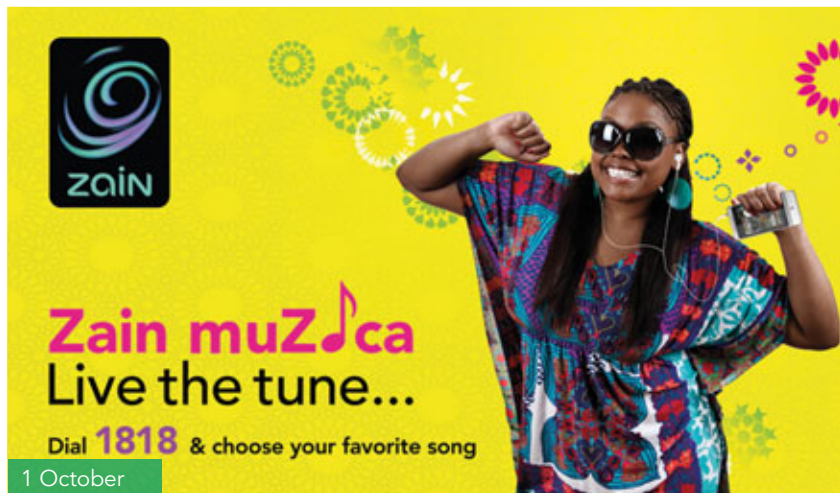
OPERATIONAL EVENTS FOR THE FULL YEAR OF 2012



3 September



12 August



1 October



10 July

10 JULY

Zain Sudan applies unprecedented per second billing to all customers and offers a 15% discount on voice calls as a "thank you" to its 13 million+ loyal customers.

25 JULY

Zain Group increases its shareholding in Zain Saudi Arabia to 37.045% through participation and oversubscription in Zain KSA's rights issue, which was completed on 17 July 2012. Zain Group, which previously owned 25% of the Saudi Arabian mobile operator, subscribed to its full entitlement in the Zain KSA rights issue through the conversion of USD 400 million of shareholder debt and oversubscribed by USD 346.93 million, at the issue price of SAR 10 per share.

31 JULY

Zain Group enters a strategic partnership with PCCW Global, the Hong Kong-based provider of voice and data solutions, to cooperate in the development and offering of international telecommunications services.

3 AUGUST

Zain South Sudan introduces Me2u service as an answer to money transfer problems in the Republic of South Sudan. The service attracts a wide range of customers.

12 AUGUST

Tasaweek, the specialized online marketing magazine, ranks Zain Group's "Fikra" television commercial first in Kuwait in competition with 23 other television advertisements.

3 SEPTEMBER

Zain Group and Vodafone announce a multi-country Partner Market agreement that provides Zain with greater access to Vodafone's global footprint and significantly expands Vodafone's presence in the Middle East. The agreement also advances both Zain and Vodafone's ability to deliver communications services to multinational businesses both in and out of the region.



7 SEPTEMBER

In cooperation with the South Korean government and the Iraqi Ministry of Higher Education and Scientific Research, Zain Iraq sponsors the visit of a South Korean medical delegation from the University of Wonkwang to discuss cooperation opportunities in the fields of education and training. The delegation also discusses ways in which to provide medical treatment to several Iraqi children in South Korea.

17 SEPTEMBER

Zain Saudi Arabia announces the readiness of its network to support 4G services utilizing spectrum at GSM 1800. The company also announces the availability of Nano SIMs.

22 SEPTEMBER

Zain Bahrain announces a major investment of \$100 million over two years (2012/2013) to its network infrastructure, ensuring that it stays at the cutting-edge of technological innovation.

24 SEPTEMBER

Zain Iraq sponsors the first Information and Communications Technology fair in Iraq.

30 SEPTEMBER

Eleven female executives from across Zain Group rank in the inaugural CommsMEA list of Top 50 female telecommunications professionals across the region.

1 OCTOBER

Zain South Sudan becomes the first mobile operator in the Republic of South Sudan to commercially launch a ring-back tone service (Zain MuZica).

2 OCTOBER

Zain Jordan recognized as Best Network Operator, Best Operator with respect to a VAS (value-added services), and Best E-wallet Service during the Telecoms World Middle East Awards in Dubai.

22 OCTOBER

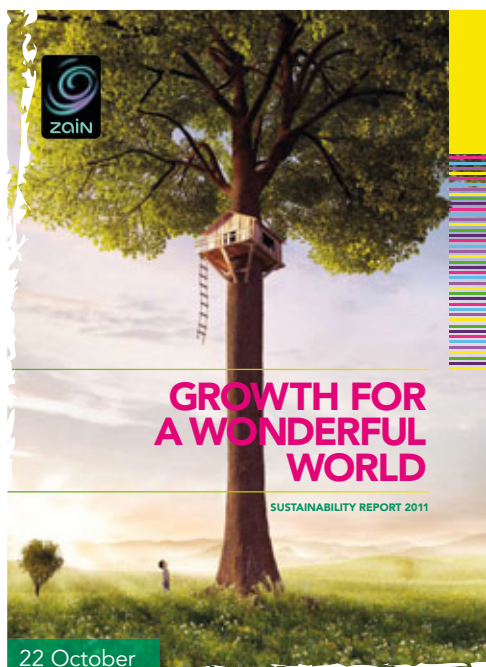
Zain Group launches its inaugural sustainability report, entitled "Growth for a Wonderful World." Zain is one of the first operators in the region to offer an account of the socio-economic and environmental impact of its business operations.

4 NOVEMBER

In cooperation with the United Sports Company (GOAL), Zain Kuwait launches a three-month long national football tournament.

5 NOVEMBER

Zain Group holds its 2nd annual Zain Technology Conference in Dubai.



09

GROUP HIGHLIGHTS

OPERATIONAL EVENTS FOR THE FULL YEAR OF 2012

11 NOVEMBER

Zain Jordan and Airport International Group (AIG) sign an agreement by which Zain is to assume the management of the information and communications network in the new terminal at Queen Alia International Airport. Zain will provide advanced infrastructure to accommodate the large numbers of travelers in the airport terminal.

20 NOVEMBER

Zain Kuwait launches its 4G LTE network, becoming the first operator to provide the latest mobile Internet technology nationwide.

26 NOVEMBER

For the first time in Lebanon, Touch launches MyPlan bundles with a discount up to 45%, giving post-paid customers the choice to customize their lines.

30 NOVEMBER

To meet the increasing demands of customers and to keep up with the vast growth in voice and data consumption rates, Zain Jordan expands its 2G and 3G network across the Kingdom by another 482 sites.

Wiyana Connect 4GLTE
Harnessing the essence of speed

Experience the first 4G Internet service, nationwide. Sign up to **Wiyana Connect 4GLTE** and enjoy the fastest speed ever, exclusively from Zain. Visit your nearest branch today.

Internet	Monthly Price	Free Device*
35 GB	KD 24	e-GO or Router
80 GB	KD 33	

* With 1 year commitment.

20 November A Wonderful World



CUSTOMIZE YOUR POSTPAID LINE

SAVE UP TO **45%**

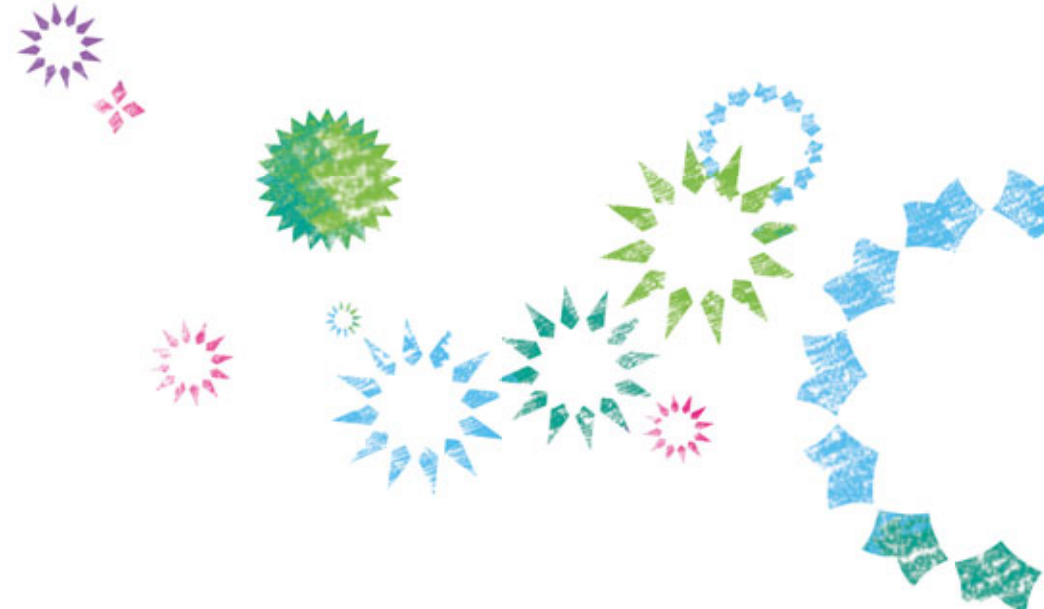
my plan

MINUTES SMS INTERNET

touch a new world

LIMITED OFFER Powered by ZAIN

26 November



2 DECEMBER

Zain Group appoints Scott Gegenheimer as CEO.

5 DECEMBER

Zain Group's corporate website ranks first amongst listed companies in Kuwait for a third consecutive year, while Zain KSA's website ranks third amongst all listed companies in Saudi Arabia.

16 DECEMBER

Zain is chosen as Kuwait's best CSR organization by The Arab Organization for Social Responsibility, based on its rich CSR program, which includes many activities and initiatives such as the Taaleb E-Learning Project, the Microsoft Imagine Cup 2012, Shoof Zain and the Zain Hospital.

20 DECEMBER

Zain Saudi Arabia signs an interconnect agreement with Kuwait's Ministry of Communications.



16 December



5 December



2 December



20 December

10

GROUP OVERVIEW 2012



TO DREAM IS
A BLESSING.
EVERY
GREAT
ACHIEVEMENT
STARTED
WITH IT.

42,714

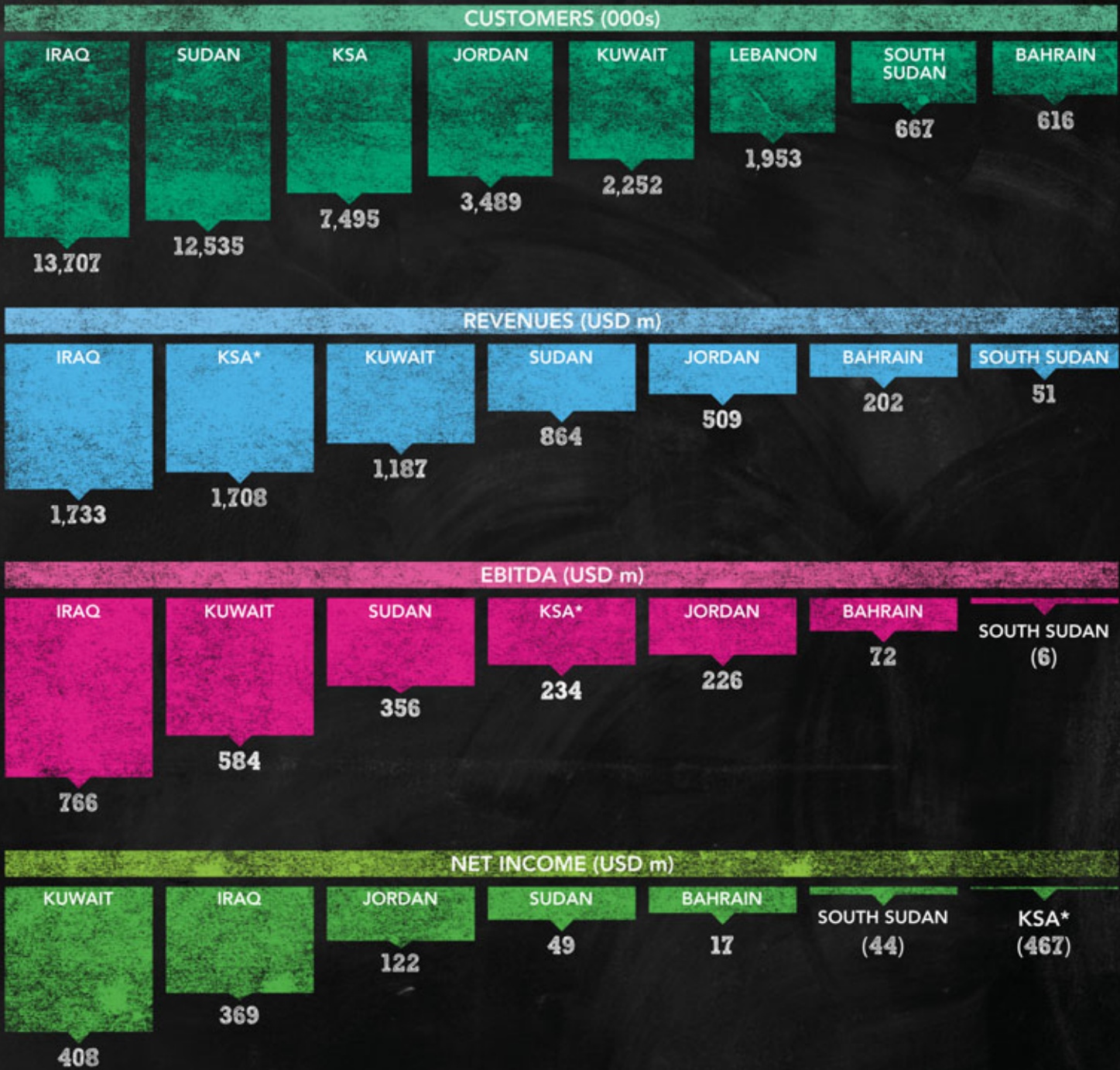
TOTAL ACTIVE
CUSTOMERS
2012 (000s)

40,263

TOTAL ACTIVE
CUSTOMERS
2011 (000s)

6%

YOY



*Zain Saudi Arabia is an associate company (not consolidated)

11

THE WORLD OF ZAIN



MOROCCO
Ownership: 15.5%

JORDAN

Ownership: 96.52%
Revenues: \$509 m
Customers: 3.5 m
Prepaid: 86%
Market Share: 38%

REPUBLIC OF SUDAN

Ownership: 100%
Revenues: \$864 m
Customers: 12.5 m
Prepaid: 99%
Market Share: 52%

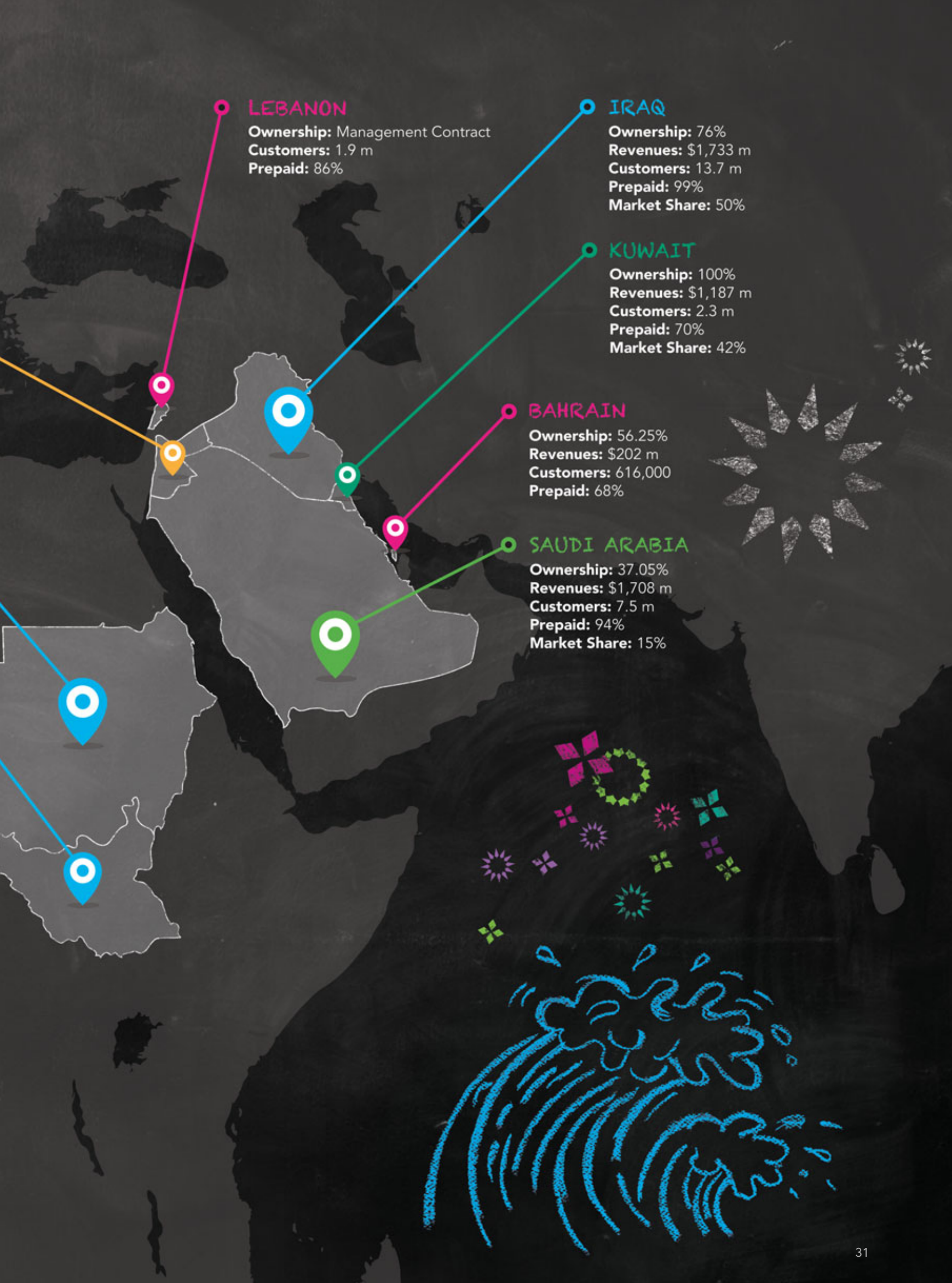
SOUTH SUDAN

Ownership: 100%
Revenues: \$51 m
Customers: 667,000
Prepaid: 99%
Market Share: 38%

OVER **42.7**
MILLION ACTIVE
CUSTOMERS IN 8
COUNTRIES*

THE NUMBERS SHOW ACTIVE CUSTOMERS YEAR END 2012

*Excluding Morocco, where Zain has a 15.5% ownership in the mobile operator "Inwi"



LEBANON

Ownership: Management Contract
Customers: 1.9 m
Prepaid: 86%

IRAQ

Ownership: 76%
Revenues: \$1,733 m
Customers: 13.7 m
Prepaid: 99%
Market Share: 50%

KUWAIT

Ownership: 100%
Revenues: \$1,187 m
Customers: 2.3 m
Prepaid: 70%
Market Share: 42%

BAHRAIN

Ownership: 56.25%
Revenues: \$202 m
Customers: 616,000
Prepaid: 68%

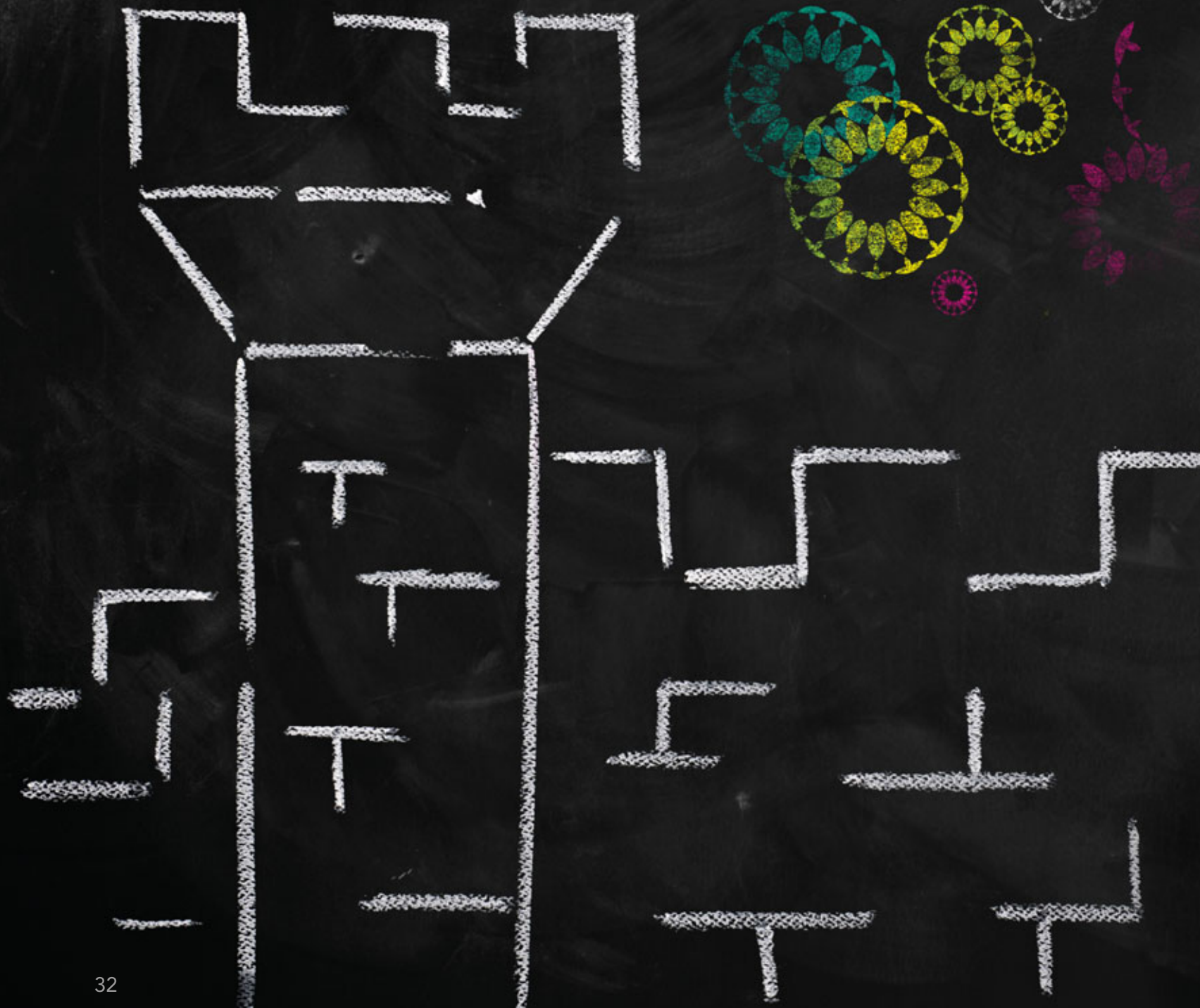
SAUDI ARABIA

Ownership: 37.05%
Revenues: \$1,708 m
Customers: 7.5 m
Prepaid: 94%
Market Share: 15%

12

OPERATIONS SNAPSHOTS

NEVER STOP BELIEVING IN YOURSELF.
HAVING CONFIDENCE CAN LEAD YOU
TO ACHIEVE THE IMPOSSIBLE.





12

OPERATIONS SNAPSHOTS

KUWAIT



Founded in 1983, Mobile Telecommunications Company (MTC) was Kuwait's first mobile operator. In 1994, it made history by becoming the first telecom operator to launch a commercial GSM service in the region. The mother ship of all Zain's mobile operations across the Middle East, Zain is listed on the Kuwait Stock Exchange with a market capitalization of over USD 12 billion, as of December 2012.

Despite the competition from rivals, Zain continues to be the market leader, commanding 42% market share.

Zain Kuwait was able to improve its market position and boost its customer growth, expanding its base by 7% in 2012 to reach 2.3 million and contributing 5% to the Group's total customer base. The growth in customers came after the introduction of new offers, including the launch of smartphones such as the iPhone 5 and the Samsung Galaxy family.

The official launch of LTE, together with the sale of 4G devices and other promotions, such as the Wiyana portal, Zain Teen, Premier League and BlackBerry in the box, Hybrid VPN, 8GB for KD 8 (USD 28), all also contributed to growth in the number of customers added during 2012.

The postpaid segment accounted for 30% of Zain Kuwait's customers at the end of 2012, with prepaid users accounting for the remainder.

The operator continues to have one of the highest ARPU levels in the Group's portfolio, standing at USD 42, which in turn generated total revenue of USD 1.2 billion and EBITDA USD 584.1 million in 2012. Net profit for the year reached USD 408.3 million, a YoY decrease of 12%, mainly due to the increase in capex over the period, which was invested in the enhancement of the network and amounted to USD 161 million.

The launch of LTE by Zain Kuwait in the fourth quarter of 2012 was a significant milestone, with the network covering the entire population through 1,765 network sites. The decrease in the number of sites compared to 2011 is due to merging some sites after the LTE launch.

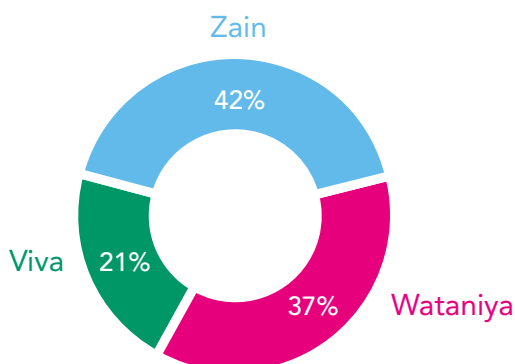
Zain Kuwait customers also continue to enjoy the performance of the best call center in the country with a remarkable response time of just 3-4 seconds and resolution to their inquiries in around two minutes.

Looking forward, Zain Kuwait is following two main strategic objectives: First, to consistently exceed customer expectations at all touch points; and second, to enhance its data network having launched LTE nationwide with the view to improving the user experience.

CUSTOMERS (000s)



MARKET SHARE





Operational & Financial Performance	2012	2011	2010	YOY Growth (12 vs 11)
Customers (000s)	2,252	2,104	1,870	7%
Revenues (USD m)	1,186.7	1,247.3	1,204.3	(5%)
EBITDA (USD m)	584.1	607.9	569.5	(4%)
EBITDA %	49%	49%	47%	–
Net Profit (USD m)	408.3	465.6	446.9	(12%)
ARPU	\$42	\$49	\$52	–
Capex (USD m)	161.2	105.7	70.7	53%

Financials: P&L (USD m)	2012	2011	2010	CAGR
Gross Revenues	1,186.7	1,247.3	1,204.3	(1%)
Cost of Sales	326.8	351.1	333.0	(1%)
Gross Margin	859.9	896.2	871.3	(1%)
Opex	275.8	288.3	301.8	(4%)
EBITDA	584.1	607.9	569.5	1%
Net Profit/(Loss)	408.3	465.6	446.9	(4%)

Capex Breakdown (USD m)	2012	2011
Capex	161.2	105.7
Network	123.7	86.7
IT	32.5	17.5
Others	5.0	1.5

NETWORK PERFORMANCE

Network Quality KPIs	
2G Network availability	99.9%
3G Network availability	99.9%
LTE Network availability	100%
2G Call setup success rate	99.7%
3G Call setup success rate	99.1%
LTE ERAB setup success rate	100%
2G Drop call rate	0.27%
3G Drop call rate	0.25%
LTE Drop call rate	0.8%

2G and 3G drop call rates are less than 1% as per international standards ERAB: Evolved Radio Access Bearer

Broadband KPIs	
Average daily data volume (TB)	62

Service Availability KPIs	
Contact center availability	100%

12

OPERATIONS SNAPSHOTS

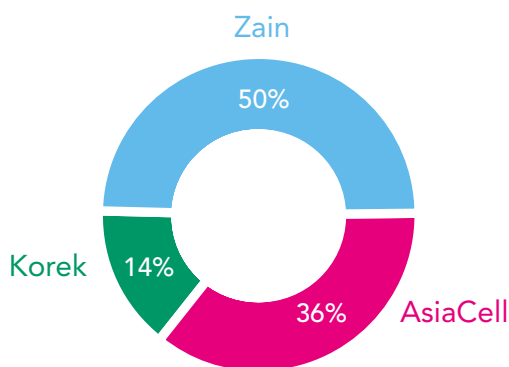
IRAQ

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

CUSTOMERS (000s)



MARKET SHARE



Leading the Iraqi mobile market, with a 50% market share, and counting a customer base of over 13.7 million, Zain Iraq constitutes the Group's largest overall customer base, accounting for 32% of the total base at the end of December 2012.

Zain Iraq's prepaid segment accounted for 99% of its total customer base in 2012, with just 1% accounted for by the postpaid segment.

The operator's revenues for the year amounted to USD 1.7 billion, up by 7% YoY, while EBITDA increased by 3% to USD 766 million. Zain Iraq's revenue represented 38% of Zain Group's total consolidated revenues for 2012. Net profit for the period showed YoY growth of 6%, rising to USD 369.1 million, with the ARPU level standing at USD 11 for the year.

Zain Iraq continues to strengthen its market position by focusing on the northern Iraq region of Kurdistan; by enhancing the voice ARPU generated; and by developing mobile data and value added services. Moreover, specialized offers are being put in place to reduce churn. Zain Iraq is also actively working toward increasing regional presence as well as coverage and capacity.

The operator is currently preparing to launch an initial public offering (IPO), with several regional and international investment banks and other advisors engaged in the process. The IPO is in accordance with Zain Iraq's license agreement, with the view to allowing Iraqi citizens to own shares and benefit from the tremendous growth of the operator. The IPO process is set to occur during the first half of 2013.

The operator invested USD 152 million in capex during the course of the year, mainly on network modernization that also enhanced mobile phone services in the northern Iraq region of Kurdistan. Zain Iraq counted 3,724 sites across Iraq, with population coverage of 98%.



Operational & Financial Performance	2012	2011	2010	YOY Growth (12 vs 11)
Customers (000s)	13,707	12,435	12,074	10%
Revenues (USD m)	1,732.6	1,617.6	1,500.4	7%
EBITDA (USD m)	766.0	744.7	715.4	3%
EBITDA %	44%	46%	48%	–
Net Profit (USD m)	369.1	348.1	320.1	6%
ARPU	\$11	\$11	\$11	–
Capex (USD m)	152	113.6	84.5	34%

Financials: P&L (USD m)	2012	2011	2010	CAGR
Gross Revenues	1,732.6	1,617.6	1,500.5	7%
Cost of Sales	551.6	485.2	443.7	12%
Gross Margin	1,181.0	1,132.4	1,056.8	6%
Opex	415.0	387.7	341.3	10%
EBITDA	766.0	744.7	715.4	3%
Net Profit/(Loss)	369.1	348.1	320.1	7%

Capex Breakdown (USD m)	2012	2011
Capex	152	113.6
Network	147.5	101.1
IT	2.4	9.1
Others	2.1	3.4

NETWORK PERFORMANCE

Network Quality KPIs	
2G Network availability	99.39%
2G Call setup success rate	96.21%
2G Drop call rate	0.66%

2G drop call rate is less than 1% as per international standards

Broadband KPIs	
Average daily data volume (TB)	1

Service Availability KPIs	
Contact center availability	99.3%

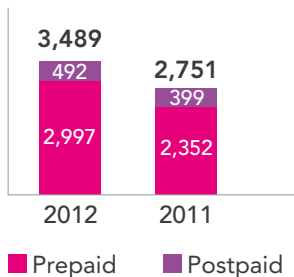
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OPERATIONS SNAPSHOTS

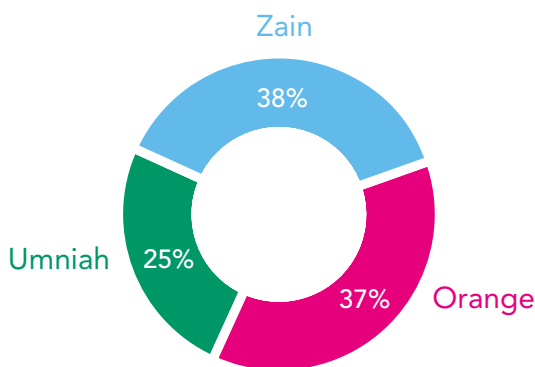
JORDAN

In 1994, Zain Jordan revolutionized the telecom sector in the Kingdom by becoming the first to introduce mobile services (as Fastlink). In 2003, the operator became the first to join Zain Group's Middle East portfolio and, despite intense competition in this liberalized market, Zain Jordan has remained the leading telecom operator in the country.

CUSTOMERS (000s)



MARKET SHARE



Significant price competition and falling voice prices characterize the telecom market in Jordan, though Zain Jordan was still able to increase its market share to 38% at the end of 2012, up from 37% in 2011. The operator counted 3.5 million customers as of year-end 2012, representing a dramatic increase of 27% compared to 2011. This base accounted for 8% of Zain's total customer base at the end of 2012.

Zain Jordan generated total revenue of USD 509.3 million in 2012, up 0.7% YoY. However net income for the year reached USD 121.6 million, a decrease of 8% as compared to 2011, and EBITDA was down by 2% to USD 225.7 million due to the approximately 150% increase in electricity rates especially for the telecommunication sector. Zain Jordan contributed 11% to the Group's consolidated revenues. Capex for the year saw an increase of 34% to reach USD 32 million.

During 2012 Zain Jordan launched a number of promotions including Super Zain Al Kul and Layl & Nahar, targeting the prepaid segment; Al Shahammeh, targeting the army; Mish Tabeei 2, targeting the youth, as well as the Twitty service and Roaming Plus.

Going forward, Zain Jordan plans to focus on maintaining its market leadership across various segments by retaining existing customers as well as increasing its share in segments in which it currently has relatively low shares. The operator intends to achieve this by offering products that are based on the needs of the market, with a particular emphasis on broadband, where penetration remains relatively low.

As of year-end 2012, Zain Jordan had achieved 100% 2G coverage and 97% HSPA+ coverage for the population area, increasing its total number of sites to 1,597.



Operational & Financial Performance	2012	2011	2010	YOY Growth (12 vs 11)
Customers (000s)	3,489	2,751	2,488	27%
Revenues (USD m)	509.3	505.8	514.2	1%
EBITDA (USD m)	225.7	231.5	228.5	(3%)
EBITDA %	44%	46%	44%	–
Net Profit (USD m)	121.6	131.6	143.9	(8%)
ARPU	\$12	\$15	\$16	–
Capex (USD m)	31.8	23.8	70.9	34%

Financials: P&L (USD m)	2012	2011	2010	CAGR
Gross Revenues	509.3	505.8	514.2	(0.5%)
Cost of Sales	140.2	141.7	150.2	(3%)
Gross Margin	369.1	364.1	364.0	1%
Opex	143.3	132.5	135.4	3%
EBITDA	225.7	231.5	228.5	(1%)
Net Profit/(Loss)	121.6	131.6	143.9	(8%)

Capex Breakdown (USD m)	2012	2011
Capex	31.8	23.8
Network	34.6	17.2
IT	–	–
Others	(2.8)	6.6

NETWORK PERFORMANCE

Network Quality KPIs	
2G Network availability	99.6%
3G Network availability	99.8%
2G Call setup success rate	97.4%
3G Call setup success rate	98.0%
2G Drop call rate	0.37%
3G Drop call rate	0.60%

2G and 3G drop call rates are less than 1% as per international standards

Broadband KPIs	
Average daily data volume (TB)	38

Service Availability KPIs	
Contact center availability	100%

12

OPERATIONS SNAPSHOTS

REPUBLIC OF SUDAN

In February 2006, Zain acquired the remaining 61% stake of Mobitel in a deal valued at USD 1.332 billion. Mobitel is Sudan's first mobile operator, which became wholly owned by Zain Group. The company was rebranded to Zain in September 2007 and subsequently renewed its license for a period of 20 years.

Although aggressive competitive campaigns and price cuts are a factor within the Sudanese mobile market, Zain has continued to be the dominant mobile operator in the country, garnering 52% market share. The operator's customer base is the second largest among the Group, accounting for more than 12.5 million at the end of 2012. This represented 29% of Zain Group's total customer base, while Zain Sudan contributed 19% of the Group's overall revenues in 2012.

Along with the political unrest in the region during 2012, Sudan has also experienced economic turmoil, where the currency has devalued by up to 65% during the period that led to a new exchange rate for USD/SDG, which increased from 2.7 to 5.9 and was adopted by the Central Bank of Sudan.

Most of Zain Sudan's customer growth is driven by the robust prepaid segment, which contributed 99% to the operator's overall customer base. The postpaid base remains flat, representing just 1% of the overall base.

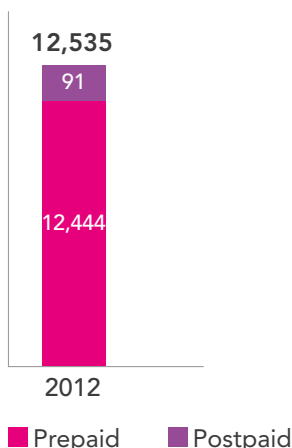
Increasing competition in the Sudanese telecom market and the separation into two different countries, which occurred by the end of 2011, have contributed to a falling ARPU, which stood at USD 6 at the end of 2012.

On the regulatory front, the National Telecommunications Corporation issued several regulatory updates during the course of the year, including raising the income tax to 30% as of the beginning of 2012, and setting the sales tax (VAT) at 30%.

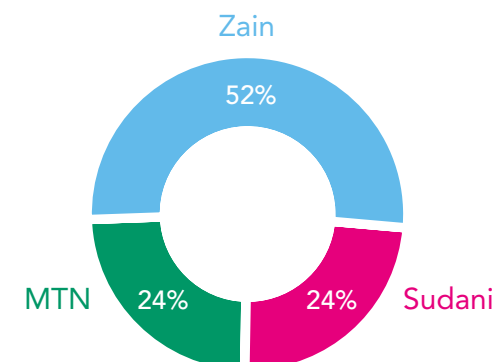
During 2012, Zain Sudan revamped pricing in the prepaid and postpaid segments, launched new products and offers and incorporated per second billing. Omra and pay-as-you-go tariffs were introduced together with a range of handsets and the "Zain Aalin" mobile advertising campaign that allows companies to advertise their products, services and promotions through a system of notification footers.

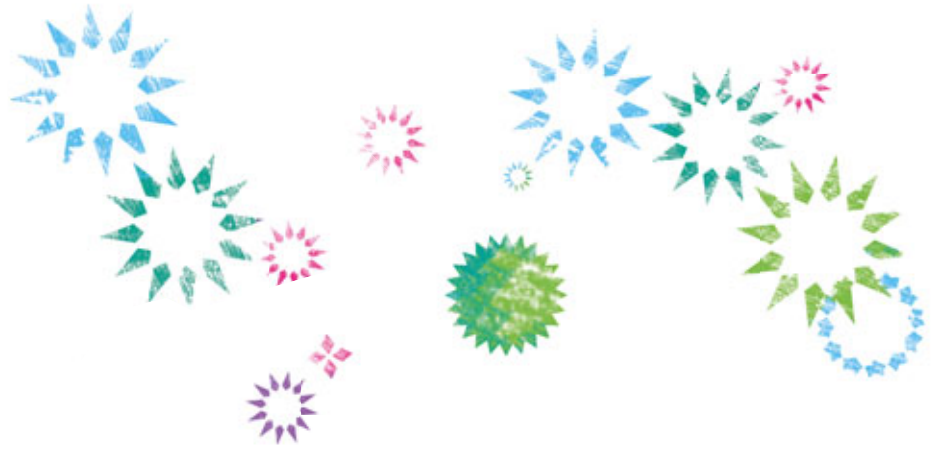
Zain Sudan added 146 new sites during 2012, bringing the total number to 2,179 at the end of the year with 87% population coverage and 35% geographical coverage.

CUSTOMERS (000s)



MARKET SHARE





Operational & Financial Performance	2012	*2011	YOY Growth (12 vs 11)
Customers (000s)	12,535	13,060	(4%)
Revenues (USD m)	864.2	1,091.1	(21%)
EBITDA (USD m)	355.6	532.5	(33%)
EBITDA %	41%	49%	–
Net Profit (USD m)	48.8	275.0	(82%)
ARPU	\$6	\$8	–
Capex (USD m)	200.7	295.0	(32%)

*2011 figures include both Republic of Sudan and South Sudan

Financials: P&L (USD m)	2012	2011	CAGR
Gross Revenues	864.2	1,091.1	(21%)
Cost of Sales	204.1	218.4	(7%)
Gross Margin	660.1	872.8	(24%)
Opex	304.5	340.3	(11%)
EBITDA	355.6	532.5	(33%)
Net Profit/(Loss)	48.8	275.0	(82%)

Capex Breakdown (USD m)	2012	2011
Capex	200.7	295.0
Network	190.6	266.9
IT	4.9	12.4
Others	5.2	15.7

NETWORK PERFORMANCE

Network Quality KPIs	
2G Network availability	97.8%
3G Network availability	97.1%
2G Call setup success rate	96.7%
3G Call setup success rate	97.3%
2G Drop call rate	0.97%
3G Drop call rate	0.45%

2G and 3G drop call rates are less than 1% as per international standards

Broadband KPIs	
Average daily data volume (TB)	20.5

Service Availability KPIs	
Contact center availability	100%

12

OPERATIONS SNAPSHOTS

BAHRAIN

Zain Bahrain began commercial operations in the Kingdom in December 2003 as MTC-Vodafone and became the first operator to offer 2G and 3G services from the outset. With its historic introduction of 3.5G, and WiMAX, Zain has tapped into a rich seam of telecommunication records, placing it and Bahrain on the global telecom map.

With competition on the rise in this dynamic mobile sector, coupled with value-destroying price promotions, Zain Bahrain is working hard to preserve its ARPU level, which reached USD 27 for the year-end 2012, down from USD 28 in the previous year.

As of 31 December 2012, Zain Bahrain had a total of 616,000 customers, representing an impressive 21% rise from the 508,000 customers at the end of 2011. Zain Bahrain's customer base at the end of 2012 accounted for some 1% of the Group's total customer base.

Zain Bahrain successfully upgraded its network to the latest version of nationwide WiMAX, which offers state-of-the-art technology to an increasingly technologically-savvy customer base. Capex decreased by 37% compared to 2011. The operator's network currently covers 100% of the population, with a total of 334 sites.

To stave-off increased competition, Zain Bahrain has introduced a range of tailored services that include free laptops (for the broadband segment); the introduction of new smart plan offers (iPhone 5, the Galaxy family and Nokia Lumia); 50% bonus on recharge for nine days (9th anniversary occasion); and the Samsung Smart TV (for the broadband segment).

CUSTOMERS (000s)





NETWORK PERFORMANCE

Network Quality KPIs	2012
2G Network availability	99.9%
3G Network availability	99.9%
2G Call setup success rate	98.9%
3G Call setup success rate	99.6%
2G Drop call rate	0.55%
3G Drop call rate	0.24%

2G and 3G drop call rates are less than 1% as per international standards

Broadband KPIs	
Average Daily Total Data Volume (TB)	39.7

Service Availability KPIs	
Contact center availability	99.7%

12

OPERATIONS SNAPSHOTS

SOUTH SUDAN

In June 2011, the Republic of Sudan and South Sudan successfully completed their separation process. Accordingly, Zain Group commenced separating its operations into two entities by having different financial statements and organizational structures.

Prepaid customers dominate the market in South Sudan with Zain's prepaid customers accounting for 99% of its overall base at the end of 2012.

In the fourth quarter of 2012, Zain South Sudan launched a ring back tone service, which had a positive reaction in the local market.

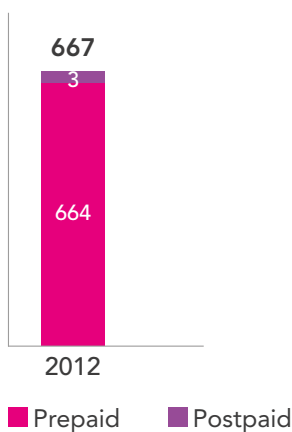
Despite aggressive competition in South Sudan among four major operators, Zain has managed to secure 38% market share, counting over 667,000 active customers. The increase in customers in 2012 was aided by the fact that sites along the border that had been shut down by the government for more than six months were re-activated, and this also contributed positively to the operator's financial performance in 2012.

Zain is able to operate in South Sudan as per the Memorandum of Understanding (MOU) signed between the Republic of Sudan and South Sudan until South Sudan issues its own license requirements.

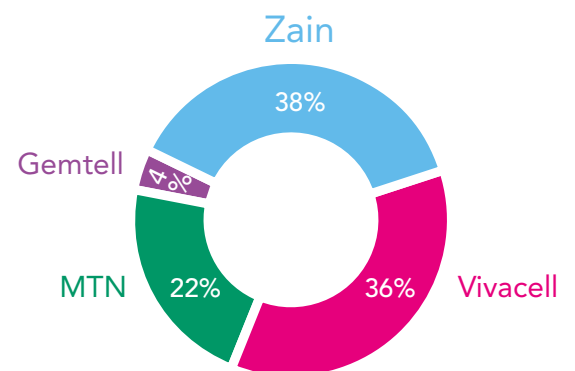
Political unrest between South Sudan and the Republic of Sudan continues to affect the country's economy, and the unavailability of proper infrastructure has impacted the operating cost of Zain South Sudan.

To date, the operation in South Sudan is supported by 220 sites.

CUSTOMERS (000s)



MARKET SHARE





NETWORK PERFORMANCE

Network Quality KPIs		2012
2G Network availability		92.9%
3G Network availability		97.6%
2G Call setup success rate		95.8%
3G Call setup success rate		99.7%
2G Drop call rate		1.1%
3G Drop call rate		0.3%
Broadband KPIs		
Average daily data volume (TB)		0.38
Service Availability KPIs		
Contact center availability		100%

12

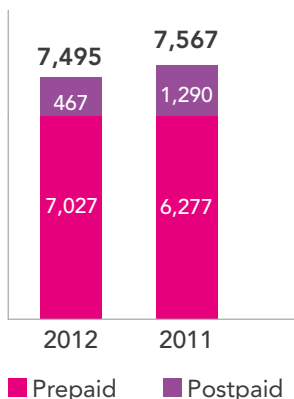
OPERATIONS SNAPSHOTS

KINGDOM OF SAUDI ARABIA

Zain launched commercial operations in the Kingdom of Saudi Arabia on August 26, 2008, a year after it was awarded its mobile license. The Group holds a 37% ownership stake in the operation, while the remaining equity is distributed between a Saudi consortium, which owns 12%, and 51% that is floated on the stock exchange.

Zain KSA counted 7.5 million customers at the end of 2012, a 1% decrease compared to the previous year. The decrease in customer numbers is a result of a management policy to eliminate inactive customers in order to align its reporting with industry standards and avoid distortions resulting from transitory mobile phones users.

CUSTOMERS (000s)



The operator's customer base represents 18% of the Group's overall base. Prepaid customers accounted for 94% of Zain KSA's overall base at the end of 2012, while ARPU stood at USD 18.

Zain KSA successfully completed its capital restructuring in July 2012, through reducing its capital by 65% and subsequently increasing it through a USD 1.6 billion rights issue. As a result of these transactions, Zain Group increased its stake in the Saudi operator to 37%.

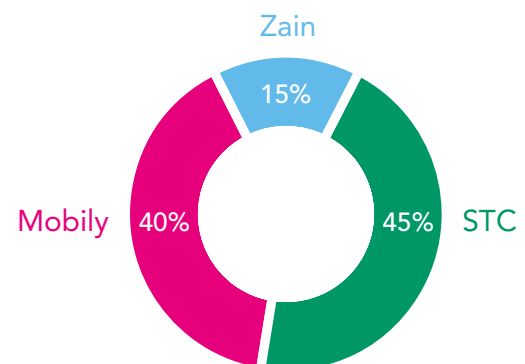
For the year ending 31 December, 2012, Zain KSA managed to reduce its net losses by 9% YoY, with a 2% decrease in EBITDA. The operator's EBITDA margin stood at 14%, up from 13% in 2011.

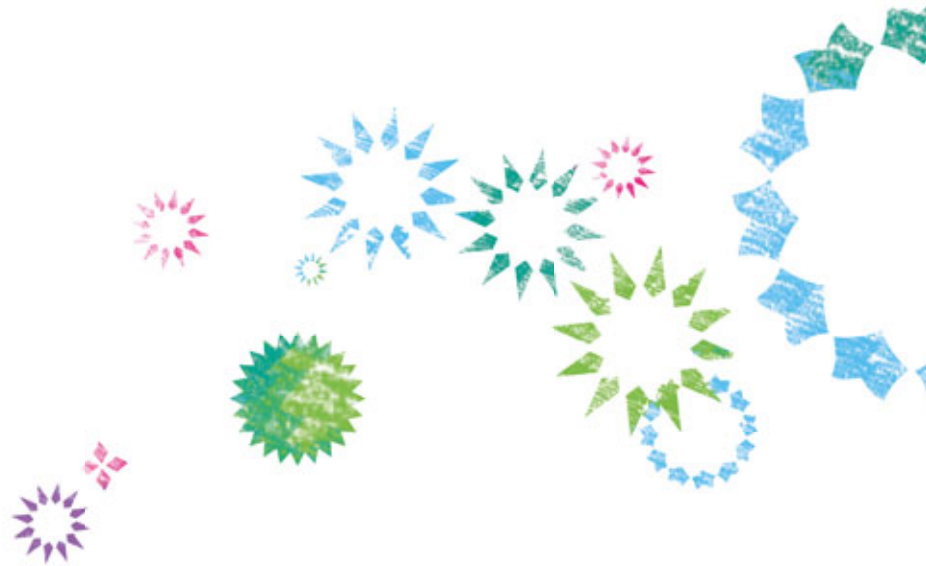
Saudi Arabia continues to be a growth market driven by the large youth population, expats and data products. The market is becoming increasingly competitive, and Zain KSA will continue to focus on VAS, a superior network and optimized financial and operational structures.

In June 2012, Zain contracted Nokia Siemens Networks (NSN) to be its 4G LTE mobile broadband infrastructure and services vendor for Jeddah. The operator catered to the rising demand for mobile broadband and smartphone data services by reframing its 1,800MHz GSM frequency band to provide 4G services.

To date, the operation in Saudi Arabia has 91% population coverage supported by 4,652 sites.

MARKET SHARE





Operational & Financial Performance	2012	2011	2010	YOY Growth (12 vs 11)
Customers (000s)	7,495	7,567	8,393	(1%)
Revenues (USD m)	1,707.8	1,786.6	1,582.3	(4%)
EBITDA (USD m)	234.3	239.8	88.4	(2%)
EBITDA %	14%	13%	6%	–
Net Profit (USD m)	(466.5)	(513.4)	(628.9)	9%
ARPU	\$18	\$18	\$19	–
Capex (USD m)	314.5	293.0	255.3	7%

Capex Breakdown (USD m)	2012	2011
Capex	314.5	293
Network	288.6	257.4
IT	14.9	21.7
Others	11.0	13.9

NETWORK PERFORMANCE

Network Quality KPIs	
2G Network availability	99.5%
3G Network availability	99.6%
LTE Network availability	99.7%
2G Call setup success rate	98.7%
3G Call setup success rate	99.2%
LTE ERAB setup success rate	99.5%
2G Drop call rate	0.45%
3G Drop call rate	0.29%
LTE Drop rate	0.70%

2G and 3G drop call rates are less than 1% as per international standards

Broadband KPIs	
Average Daily Total Data Volume (TB)	30.4

Service Availability KPIs	
Contact center availability	100%

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OPERATIONS SNAPSHOTS

LEBANON

In June 2004, Zain Group won a four-year management contract to operate one of Lebanon's two GSM networks. This agreement has been renewed several times since, most recently on 1 February 2012 for a 12-month period ending 31 January, 2013. The operation is branded "touch", and Zain has developed the Lebanese operation to its full potential by providing unprecedented world-class services.

At the end of 2012, touch counted 1.9 million customers – an increase of 6% YoY and accounting for 5% of the Group's total customer base.

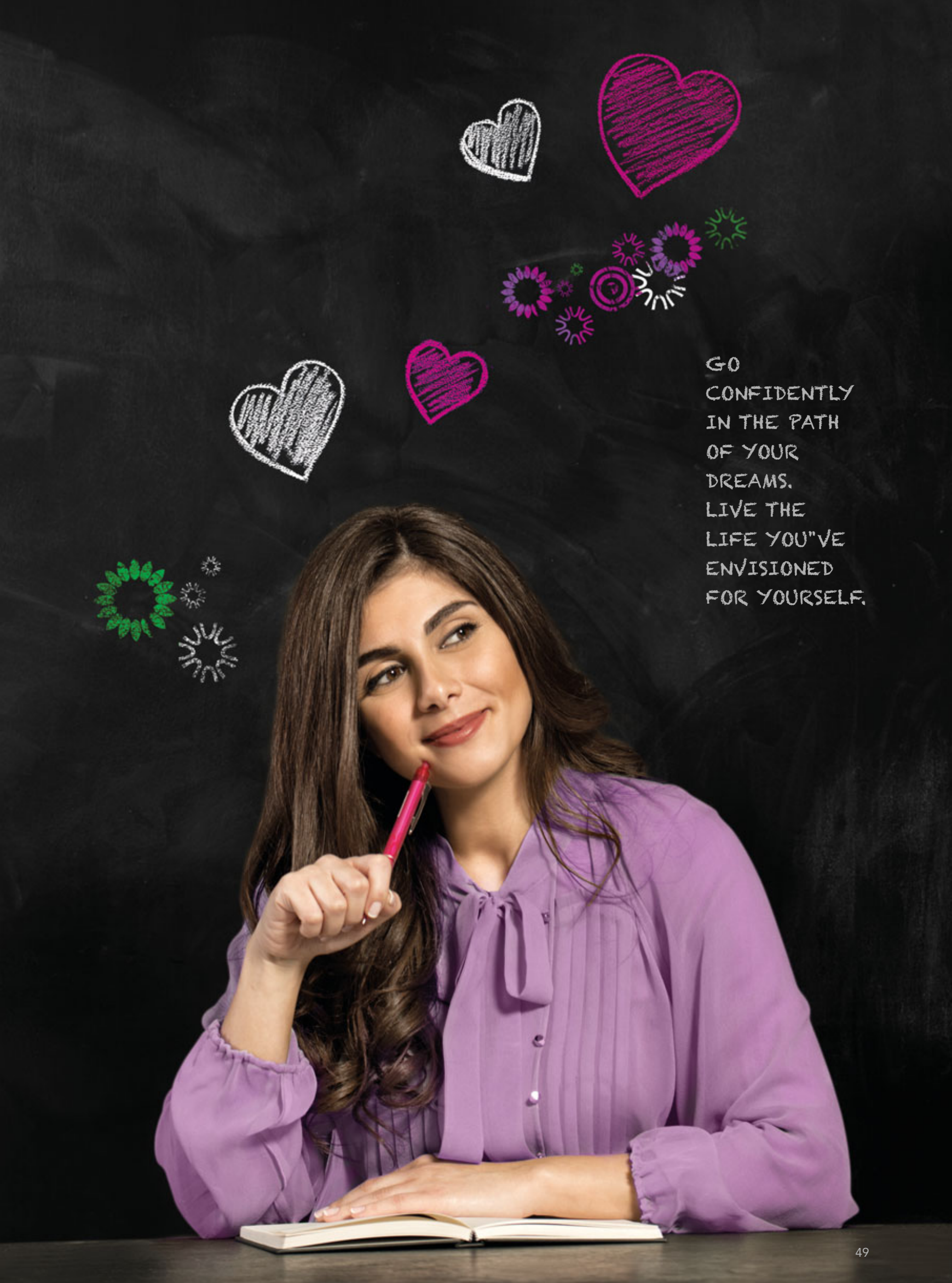
Important strategic objectives were undertaken and completed in 2012, including the development of national roaming and the rebranding of the operation from "mtc touch" to "touch".

The operation's strategy is to consistently exceed customers' expectations by delivering attractive products, capitalizing on mobile broadband, as well as offering attractive bundles and mobile phones packages.

To date, the operation in Lebanon has 97% geographical coverage, representing 99% population coverage with 739 sites. touch is in the process of implementing LTE sites and will continue to do so during the course of 2013.

CUSTOMERS (000s)





GO
CONFIDENTLY
IN THE PATH
OF YOUR
DREAMS.
LIVE THE
LIFE YOU'VE
ENVISIONED
FOR YOURSELF.

13

THE BRAND

DREAMS DO COME TRUE.
ONLY IF YOU BELIEVE.





Zain previously operated under six different iconic brand names in several countries until the decision was taken to merge all these identities under a unique brand name and new philosophy. Thus the Zain brand was born in 2007.

Zain is simple, memorable and easy to pronounce across the global marketplace.

The brand name has the added benefit of being rich in positive connotations in several languages. For example, in Arabic, Zain means "beautiful, good and wonderful," in Latin it means "dark horse" (of good breed; meaning cheval de race).

Zain's brand values are detailed below and make the operator stand apart from other telecommunications brands in the region:

- **Heart:** Live your life with courage and resolve, engage your spirit, touch your emotions and connect to your soul.
- **Radiance:** Leading the way with imagination and vision, bringing joy, color and richness to your life.
- **Belonging:** Bringing fellowship and community to all, transcending cultural and geographical boundaries.

The Zain brand idea revolves around "Live Your Dreams," which is a true expression of our brand personality in being larger than life, adventurous and personal. It represents a keenness to connect to people's aspirations and goals. The brand essence can be described as follows:

We are our dreams as they separate us from the crowd. They are ours, and no one can take them away from us. They comfort us in hard times. They open our mind to life's possibilities, and they are the best expression of our creativity. They are the single thing most likely to drive us to succeed. In our dreams, we are our own heroes.... Believe in your potential. Be who you want to be.

Besides its unique values and brand idea, the Zain logo with its distinctive shape and colors has gained wide recognition and awareness.

These company values and brand ideas are communicated through many targeted campaigns and advertisements both at Zain Group and country operational levels. Here you will find a review of the major campaigns undertaken that were extensively promoted across the region during 2012.

ZAIN GROUP

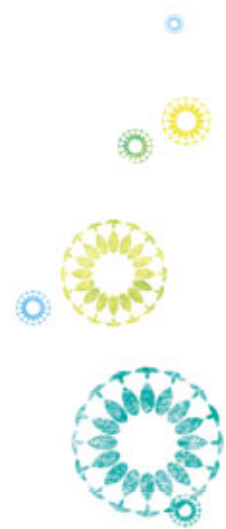
MOTHER'S DAY

No matter how old we get, we are children in the eyes of our mothers. Zain Group touched upon this view in the Mother's Day TV commercial with Kuwaiti star Shooji. Telling her story through song, Shooji seems to be recalling special moments with her mother where we see her as a child. It is only at the end that we realize these memories are actually taking place in the present and that her mother still views her as a little girl, regardless of her being an adult woman in her own right. After all, a mother's role is never done.



13

THE BRAND



LONELY SPORTS

This campaign was produced in tandem with the Euro Cup 2012 and the frenzy that takes place around the most popular sport on the planet. The TV commercial takes a comical look at what happens if you let the football fun pass you by.

The campaign was promoted purely online, and included takeovers and banners on sports websites as well as Yahoo, ads on Facebook, a special "sports ball" personality test application, and resulted in considerable engagement across all our social media channels.



Lonely Sports

Screen Shot FromTVC

RAMADAN

Zain audiences have become accustomed to the company's creative energy during the Holy Month of Ramadan, and Zain Group's activities in 2012 generated a great deal of excitement, enjoyment and family fun as the company bid to build further inroads into the community during this special time of year.

The 2012 Ramadan campaign included three TV commercials, a TV show, a theatrical play and online activities.

TV COMMERCIALS

• **Fikra:** Zain's Fikra commercial described how happiness is an ideal that can be achieved should one put their mind to it. In a survey conducted by Tasaweek, the specialized online marketing magazine, Zain Group's Fikra TV commercial ranked first in competition with 23 other TV advertisements produced by companies and institutions in Kuwait, by an overwhelming majority of 65% of the people surveyed.

- **Dream On:** Hold on to your dreams... This is what Zain called for in this TV commercial, which told the story of a boy who drew his strength and motivation from his passion for tap dancing. With Kuwaiti star Shooji's help, he realizes that obstacles are nothing in the face of perseverance... Perseverance in the pursuit of dreams.
- **Eid:** Zain told the story of Eid in a book that summarizes it in a powerful sentence: "Eid is all about you." Shot entirely on Chroma, the TV commercial required the illustrations of talented artists who transformed landmarks and images into paintings. It took over 35 dancers and cast members flown in from various countries and five weeks of animation for the commercial to come to life. Almost every background element was drawn as a separate layer and used by the animators to integrate as pop outs, which were all developed in post-production 3D.



Eid

Screen Shot FromTVC



Fikra



Dream On

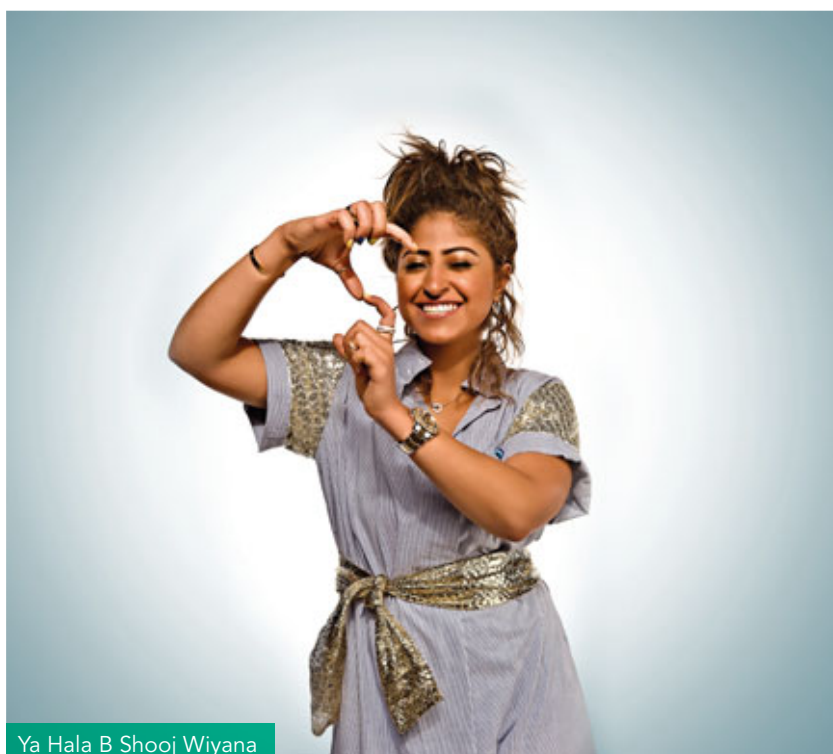


TV SHOW: ZAIN BRINGS "YA HALA B SHOOJ WIYANA" TO MBC

Zain was heavily featured on the MBC 1 TV channel during the Holy Month of Ramadan through the "Ya Hala B Shooj Wiyana" family entertainment show, which was produced by Zain Group.

Inspiring community spirit has always been one of Zain's core values and "Ya Hala B Shooj Wiyana" offered a perfect opportunity for the company to interact with customers and audiences across the region. The TV show featured the popular star "Shooji," who is a familiar face in Zain's well-received advertising and promotional campaigns.

"Ya Hala B Shooj Wiyana" aired for the 30 days of Ramadan and followed the format of a light-hearted quiz show favored by many viewers during this period. The show included 30 songs presented as riddles, and viewers in the Arab region were able to send answers to the riddles via text message. Viewers were also able to interact with daily episodes of the show through Zain's social networking platforms, including Instagram, Facebook and Twitter.



Ya Hala B Shooj Wiyana

THEATRICAL PLAY: ZAIN LAMP

Zain celebrated the Holy Eid al-Fitr with a theatrical play for children. Entitled "Zain's Lamp", the piece was produced by Zain Group for the second year in a row, following the phenomenal success of the company's first theatrical endeavor, which was entitled "Zain to a Wonderful World", and was performed during Eid al-Fitr in 2011.

"Zain's Lamp," which was performed in Kuwait, was a continuation of the successful experience Zain Group has enjoyed in the production of theatrical pieces for the youth, which have proved extremely popular with children and their parents. Such productions represent another opportunity for Zain to interact and build bridges within the communities in which it operates.

The premise of the play was simple, that each of us has a magical lamp within us, and we can choose to ignite it and go on to achieve great things.

The performance starred popular actors including Shooji, Fatima Al-Saffi, Abdullah Bahman, Hamad Ashkanani and Talal Bassim; the music was composed by Jad Rahbani; and the play also featured many Lebanese Rahbanist theatrical techniques that added further artistic dimensions.



Zain Lamp



Zain Lamp

13

THE BRAND

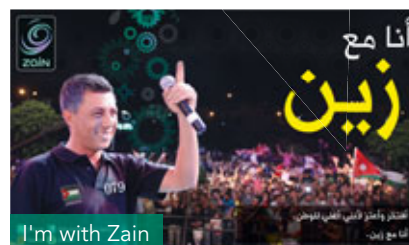
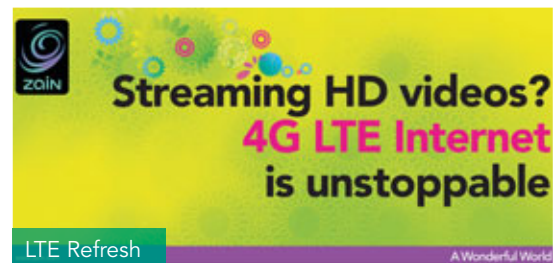
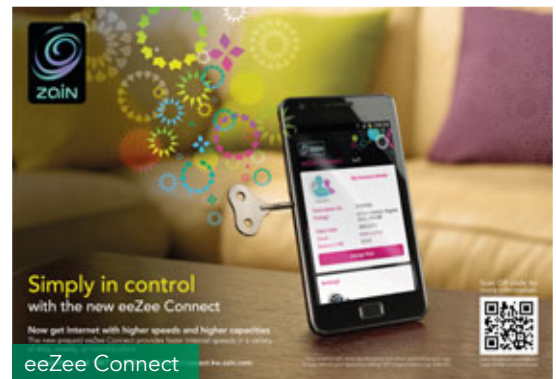
ZAIN KUWAIT

eeZee CONNECT

This campaign was designed to communicate the revamped prepaid Internet plans. The main objectives were to communicate: the devices' plans, the launch of the data management portal and the different Internet bundles.

LTE REFRESH CAMPAIGN

After the successful launch of 4G LTE, Zain Kuwait followed up with this campaign, which highlighted different usages to clearly communicate the impressive speed of the LTE network.



ZAIN JORDAN

MY LINE

"My Line" is a postpaid offer that Zain Jordan launched allowing customers to personalize their benefits according to their behavior and usage. This campaign was aimed at communicating the promotion of the doubling of all "My Line" capacity and minutes from the initial product launch campaign.

The revamped "My Line" campaign aimed to capture the younger market and change their attitude about postpaid plans.

I'M WITH ZAIN

Zain Jordan sought to create a campaign that assured customers that we appreciate their loyalty, we share their beliefs and that our purposes are aligned with theirs. The campaign was not about selling a product or a service. It was about reaching out to our customer base to show our appreciation to them for making us the market leader and reminding them of why they are with us. Hence we had a number of third-party individuals declare, "I'm with Zain."



ZAIN IRAQ

MUMEIZ PLUS

Zain Iraq heavily promoted "Mumeiz Plus," a postpaid product targeting individuals as well as small and medium enterprises with competitive tariffs plans for calls and SMS. "Mumeiz Plus" also offered customers the convenience of settling their bills through recharge cards.

WEEK END OFFER

Zain Iraq also introduced an exclusive offer to all its prepaid customers where they were able to enjoy discounts on an hour of calls every Friday. To benefit from this offer, customers had to send "5" by SMS to 2020.



ZAIN BAHRAIN

I AM CAMPAIGN

Before launching this campaign, Zain Bahrain introduced an online teaser promotion asking Facebook followers several questions. This campaign lasted for two weeks after which 11 candidates were shortlisted as Brand Ambassadors. The ambassadors generated a lot of interest and made our followers interact and vote for them. They also appeared at several activations, with the whole campaign reinforcing that Zain Bahrain is a social brand that interacts with its customers.

IPHONE 5 CAMPAIGN

The aim of the campaign was to communicate that Zain Bahrain had the iPhone 5 ready for sale, offering the best deals and driving up demand for the device. We also merged the iPhone 5 campaign with the "I am" brand campaign, which centered on expressing oneself through one's device. We took features of the iPhone 5 and developed them into identity statements such as I am lighter, I am brighter, I am faster and I am thinner.

Unbeatable iPhone plans!
UNLIMITED Calls to Zain, UNLIMITED Data & FREE minutes to other networks

Package	iPhone Plan 2	iPhone Plan 2+	iPhone Plan 3
Monthly Rental	BD 22	BD 25	BD 30
Local Minutes to other networks	100	300	500
Local Minutes (Zain to Zain)	UNLIMITED	UNLIMITED	UNLIMITED
Data	UNLIMITED*	UNLIMITED*	UNLIMITED*
Call Rate to other networks	30 B/min	25 B/min	20 B/min
SMS Rate	25 B/c	25 B/c	25 B/c

*Fair Usage Policy applies upon exceeding 8 GB.

iPhone 5 16GB	BD 45	BD 25	FREE
12 Months		FREE	
18 Months		FREE	
24 Months	-BD 45*	-BD 45*	-BD 65*

*BD 45 is given back as credit to the bill over the duration of the commitment period. For example, in iPhone Plan 2 the monthly rental is reduced from BD 22 to BD 19.300.

iPhone 5 32GB & 64GB are also available with iPhone plans.
Promotional offers, valid for limited period.

Get your iPhone 5 for better than FREE from the kingdom's authorized reseller.

I Phone 5



13

THE BRAND

ZAIN SUDAN

THANK YOU

2012 marked the 15-year anniversary of Zain Sudan, and to mark this milestone the operator launched a huge "Thank You" campaign in appreciation of its 13 million customers who helped maintain Zain's leading position in the market.

LIFE IS A JOURNEY OF CONNECTIONS

This campaign portrayed Zain Sudan's close connections to the Sudanese society and showed people from all walks of life connecting through different ways in a very touching TV commercial and print campaign.

ZAIN SAUDI ARABIA

SPEED4G

After the launch of the 4G (LTE) service in 2011, Zain KSA introduced its new broadband platform under the name of "Speed4G" in early 2012. This platform included both mobile connectivity with the latest devices that support 4G, together with home connections through modems and USB dongles, raising Internet experience in Saudi Arabia to new heights. The campaign focused on the heightened experience 4G will give the customer.

HALA QUSAI II

For the launch of the new youth platform in 2012, Zain KSA worked with the ever-inspirational Saudi rapper Qusai on a campaign directly targeting the youth. The platform consists of the latest prepaid packages, which offer customers the best value for money, where they can enjoy free calls, SMS and Internet browsing on the Zain network around the clock.



14

GROUP TECHNOLOGY



DREAM WITH
OPEN EYES...
TO SEE THAT
YOUR DREAMS
ARE BECOMING
REALITY ...
TO WITNESS
THAT THEY ARE
COMING TRUE.



With respect to technology, Zain focuses on optimizing the cost of service delivery through different enablers and initiatives. This includes providing the right group-opco governance and maximizing value from partnerships through optimized framework (FWAs) and service layer agreements (SLAs). Zain also looks to capitalize on better resource utilization of different technology layers such as access and backhaul.

To achieve the above Zain has defined key areas of focus such as harmonized delivery infrastructure by introducing masterplans and blueprints for different network/IT functions. These masterplans represent Zain's standard guidelines, optimal design and best practices that are fully compliant with 3GPP and eTOM standards, while also defining the technology roadmap for each of its operations going forward. The guidelines cover all areas of technology from access, core and backhaul, to OSS and BSS areas of the network. This approach enables a more informed decision making process for new investment, ensuring full alignment with business plans and operations.

Another key area of focus is partner harmonization through defining innovative and flexible FWAs and SLAs thereby enabling better CAPEX and OPEX optimization. Zain Group also looks to align its technology roadmap with those of its partners through an annual technology conference. At this annual event, Zain details its strategic direction from a technology perspective; opcos share their experiences and best practices and technology partners present their plans as they apply to Zain's strategy.

3G COVERAGE (POP%)

Kuwait	95% (3G), 95% (LTE)
Jordan	98%
Bahrain	100%
Sudan	45.15%
South Sudan	11.07%
Iraq	NA
Saudi Arabia	80% (3G), 36.5% (LTE)

LTE: DEPLOYMENT IN KUWAIT AND PROGRESS IN SAUDI ARABIA

As part of Zain's ongoing innovation journey, in 2012 the company managed to launch LTE in two of its key operations, Kuwait and KSA. LTE or 4G is the latest innovation in mobile wireless data services. It is a technology that opens endless possibilities for service providers and customers to benefit from high-speed services reaching theoretical peaks of up to 100 Mbps.

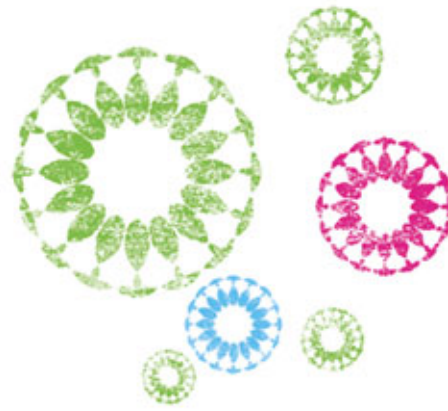
Zain KSA was aggressive in deploying its 4G LTE network using FDD technology to capture market share given the existing strong competition and rollout challenges. In a very short period of time Zain KSA managed to deploy approximately 650 LTE Evolved Node Bs (eNB), leading to the offer of the service in all major cities including Riyadh, Jeddah and Dammam. Zain KSA also deployed its 4G LTE service in remote areas such as Sharorah, Fifa and Bisha as part of its strategy to reach all corners of the Kingdom. This aggressive deployment plan was instrumental in Zain KSA achieving 124 TB of data download for the month of November 2012. The operator now counts 50,000 LTE customers.

In 2013 Zain KSA has an ambitious plan to deploy a further 750 4G LTE eNB in order to expand its LTE coverage and reach new customers in remote areas that are unaccustomed to high speed mobile Internet service such as Haql, Safwa, Qrayyat and Dawadmy.



14

GROUP TECHNOLOGY



Zain Kuwait is proud to be characterized as the distinctive operator to achieve the fastest nationwide 4G coverage in the region using 4G LTE FDD technology. This impressive achievement came about through Zain Kuwait's continuous network upgrades that were aimed at improving the customer experience.

In early 2012, Zain Kuwait decided to swap and upgrade its 2G network and simultaneously started to deploy a blanket of LTE sites. This was done to ensure that LTE network coverage was extended across the whole of Kuwait. Zain Kuwait took a bold move to deploy its LTE network at 1800 MHz despite being uncertain towards LTE regulatory guidelines and spectrum allocation.

By the end of 2012, Zain Kuwait had deployed 1,464 eNB in Kuwait making it the fastest nationwide LTE network deployment in the region. There is a plan to add 90 more eNB in 2013 and this rapid deployment has positioned Zain Kuwait as a market leader, with a six-month head start on its competitors. The network is carrying approximately 4 TB daily of downlink data on its LTE network.

ZAIN TECHNOLOGY CONFERENCE

Zain Group held its second annual Zain Technology Conference in Dubai from 5 to 7 November 2012.

The conference brought Zain Group and its operating companies together with the Group's 39-plus leading technology providers and partners for three days of interactive discussions, presentations, technical solution demos and information exchange, in a bid to align technological outlooks.

Wiyana Connect 4GLTE
Harnessing the essence of speed

Experience the first 4G Internet service, nationwide. Sign up to **Wiyana Connect 4GLTE** and enjoy the fastest speed ever, exclusively from Zain. Visit your nearest branch today.

Internet	Monthly Price	Free Device*
35 GB	KD 24	e-GO or Router
80 GB	KD 33	

* With 1 year commitment.

Zain Kuwait



Zain Technology Conference Group Photo

The conference presented a fantastic opportunity for Zain and its partners to brainstorm, look ahead and focus on what needs to be done in order to achieve even greater results in the future. Mobile broadband and the huge rise in broadband traffic over telecom networks was a central theme of discussion at the conference.

Other pressing topics included the role of OTT (over the top) players in the telecom ecosystem, the need to further optimize radio and core networks for the dramatic increase in data traffic that is forecast, the monetization of data applications, as well as ways in which to attract the customers and improve the customer experience further.

Zain has established well-defined partnerships with leading telecom vendors; the aim of which is for them to support Zain in the implementation of its compelling strategic initiatives. At the center of all of Zain's efforts is continually improving its customer service and exceeding the expectations of its customer base at every contact point.

The Zain Technology Conference 2012 also hosted an exhibition for Zain partners in which they were able to showcase their latest services and solutions. Among the most prominent partners present at the exhibition were Ericsson, Huawei and Nokia Siemens Networks.

	Year	Bahrain*	Iraq	Jordan	Kuwait	Saudi Arabia	Sudan	South Sudan
Daily Total Data Volume (TB)	2010	7.5	0.32	0.27	24.3	3.05	6.1	0
	2011	26.1	0.8	17.9	36.2	9.28	10.1	0
	2012	55	1	32.4	60	30.39	20.5	0.38

*Bahrain: Data volume includes Fixed Wireless i.e. WiMax

CONVERGENCE IN ZAIN

Telecommunication convergence is a broad term used to describe emerging technology and network architecture used to migrate communication services into a single integrated network. Previously separate technologies such as voice, video, data and Internet are now sharing a common pool of resources and seamlessly interacting with each other.

Convergent solutions covering charging, billing and CRM enable common management of the entire user base and services provided by operators.

The focus of convergent solutions is not just on customer service but also on business process improvements and the strategic use of technology that supports business model transformation. Every interaction must be managed across each part of the business where the customer evaluates, orders, uses and pays for the product/service. Convergent solutions provide the tools, methodology and processes to ensure a dynamic, personalized customer experience where all interaction channels work seamlessly together to seize every revenue opportunity while delivering consistent service anywhere, anytime.

Zain is at the forefront of this new revolution and has always been quick to adopt and embrace new enhanced technology and communication trends. To help support our new multi-connected, multimedia world, Zain has embarked on a full-scale overhaul of its charging, billing and CRM systems across all its operations, incorporating a state-of-the-art charging, billing and CRM platform that offers innovative, attractive and customized services to all profiles of customers. For example, Zain is now in the position to be able to launch customer-segment-based, targeted campaigns or promotions in an acceptable time-frame, which deliver an improved customer experience, utilizing existing resources. Such an implementation enhances revenue, and all these activities can be executed within the unified convergent solution platform by actual business users, with minimum support from technical teams in operations.

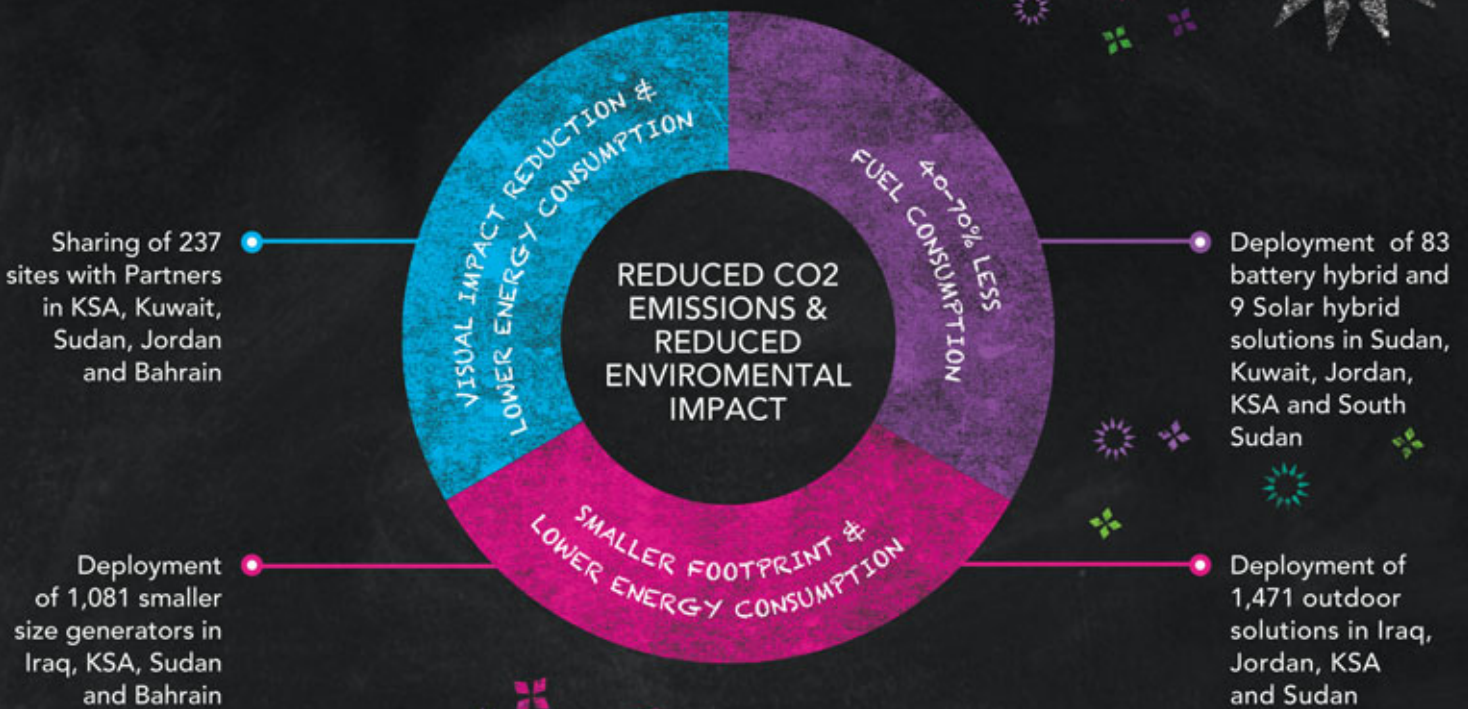
Today convergent solutions partially exist within Zain opcos, with the aim of achieving full convergence across all operations in due course. Jordan and Sudan, for example, are pioneering Zain markets in which full convergent charging, billing and CRM solutions are ready and should be available by early 2013. All other Zain operations are in the process of finalizing their rollout plans.

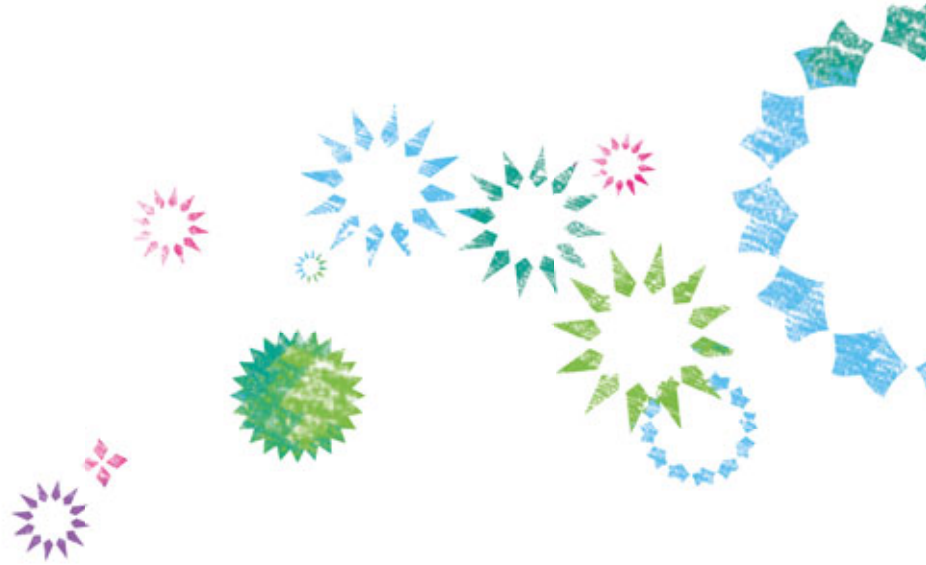
GROUP TECHNOLOGY

ENERGY EFFICIENCY AND ENVIRONMENTAL IMPACT REDUCTION

At Zain we understand that our move toward energy efficiency is directly correlated to the reduction of our networks' impact on the environment. The below diagram represents Zain's efforts in 2012 to achieve energy efficiency and to become more environmentally friendly.

There will be more detailed information including CO2 emissions and savings values for all our operations in the Zain 2012 sustainability report.





ZAIN IRAQ OUTSOURCING PERFORMANCE

In less than a year, Zain Iraq has achieved an outstanding improvement in its operational efficiency following the implementation of its network/IT outsource model. Zain Iraq, along with its partners (the outsource manager and the other operating vendors), managed successfully the paradigm shift of moving from operational management to vendor management. The achievements were clearly reflected in the OPEX savings and control, network performance KPIs and aggressive rollout of 2012 planned projects.

Despite the challenges in Iraq, in less than eight months the operator successfully managed to modernize 3,050 RAN sites in the network including its supplying power systems and the transmission network. Zain Iraq was also able to undertake this modernization program while maintaining the quality of service throughout.

In most cases the deployed modernization program improved the network availability, which exceeded 99%, and improved the call success rate to more than 97%. In addition, as part of the outsource process, Zain Iraq developed and advanced the qualifications of its Iraqi team who worked within the operation as well as those who worked as part of the outsource manager. This was achieved through well-defined training programs by which staff gained additional experience by working along with the outsource manager in field.

Acronyms	
FWA	Frame Work Agreement
SLA	Service Level Agreement
LTE	Long Term Evolution
FDD	Frequency Division Duplex
TB	Terabyte
eNB	Evolved Node B
CRM	Customer Relationship Management
3GPP	3rd Generation Partnership Project
eTOM	enhanced Telecom Operations Map
RAN	Radio Access Network
BSS	Business Support Systems
OSS	Operational Support Systems

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PRODUCTS AND SERVICES

An operator's effectiveness can often be judged by the range of products and services it offers, and the relationship it is able to establish with its customers. From its very inception, Zain Group has placed technology leadership and product and service innovation at the top of its operational priority list, and each year reinforces this position with product developments and launches.



MOBILE DATA AND MOBILE BROADBAND

Zain has come a long way in the evolution of digital services, specifically in the growth of mobile data and the increased push of smartphones and non-voice plans. 2012 witnessed higher than average growth in the area of digital services and mobile broadband, and the expectation is that growth shall continue for years to come.

As the leader and innovator in the market, Zain Kuwait was the first operator to roll out 4G LTE, the latest mobile Internet technology nationwide.

The 4G LTE service in Kuwait was supported by a bold campaign, which provided a clear message about service delivery speed in a colorful and humorous manner. The campaign promised the fastest mobile access speeds in the market, and invited customers to try it for themselves at the numerous Zain branches and promotional booths.

4G services will also be provided to Kuwait's prepaid customers for the first time in the near future, making "eeZee" easier than ever. Zain continues to optimize and evolve its Internet services to ensure that it remains an innovator well into the future.

Zain Bahrain launched several bundled propositions in home broadband, including Smart TV, laptops, unlimited calls, and Internet access. The mobile broadband and home broadband family bundle, offers home broadband customers multiple discounted tablets and mobile data connections. With this bundle, home broadband customers receive up to four mobile data SIM cards and subsidized devices (tablets, dongles, Mi-Fi) for their family at an effective bundled discount of up to 20%.

zain

One Family Different Tastes Four Choices One Deal

Dad Mom Sis Bro

Introducing an exclusive Zain Home Broadband offer just for you and your family.

Choose up to 4 mobile data connections plus a range of devices (Tablets, Mifi, e-GO) and enjoy Internet connectivity everywhere starting from BD 4 per month.

This offer is valid for new and existing Home Broadband subscribers.

For more information, call 107 or visit any Zain Experience Shop or our website. Terms and conditions apply.

10/10 Only with Home Broadband

Zain Bahrain Family Offer

zain

Streaming HD videos? 4G LTE Internet is unstoppable

Zain Kuwait 4G LTE

A Wonderful World

Better than FREE
—BD65
yes, it's MINUS!

Samsung GALAXY S III

	SMARTPlan 2	SMARTPlan "NO LIMITS"
Monthly Rental	BD22	BD33
Local Minutes	270	570
SMS	30	30
Data	4GB	Unlimited
Device Price		
12 month	BD35	FREE
18 month	FREE	FREE
24 month	-BD65	-BD130

Zain Bahrain "Better Than Free" Campaign

It's time to get creative
with Samsung Galaxy Note II from Zain

Be the first to get the new Samsung Galaxy Note II from Zain to enjoy a superior writing experience on-the-go and incentive features like Enhanced S Pen for fast and easy note-taking capabilities, a 5.3" Super AMOLED screen, Android 4.1 Jelly Bean and 8 MP camera.

Internet	Monthly Local Minutes	Monthly Premium Roaming Minutes
4.5G	100	40.00
4.5G	1000	40.00
3.5G	Unlimited	40.00

Zain Kuwait Galaxy Note II offer



DEVICES

Zain continues to offer the latest smartphones and tablets for customers across all of its operations. These include devices from Apple, Samsung, Nokia, BlackBerry, HTC, and Huawei.

Through valuable and trusted OEM relationships, Zain Kuwait continues to be the best place to buy and experience the latest smartphones. Recent devices launched in Kuwait include, but are not limited to the following:

- Sony Xperia Ion
- Samsung Galaxy Note 2 / SIII LTE
- Nokia Lumia 920
- BlackBerry Z10
- Apple iPhone 5

Zain Bahrain introduced the 'Better than Free' campaign, making the very latest smartphones, including the Apple iPhone 5, the Samsung Galaxy S III, and the Huawei Media Pad 10FHB, accessible at affordable prices. 'Better than Free' was launched with the aim of incentivizing customers to longer-term contracts by giving bill discounts to customers opting for two-year contracts, thus making high-end smartphones more appealing. The campaign also manages to reduce the costs associated to the multi-screen requirements of certain customers.

WI-FI ROAMING AND ENTERPRISE SOLUTIONS

Internet roaming has become crucial, with smartphones essentially functioning as handheld computers.

Zain Kuwait launched the Zain Pass service and app during 2012, and for a low fixed monthly fee, Zain Pass gives the customer unlimited Internet access in over one million locations worldwide. Post-paid customers using iOS and Android devices can stay connected to their loved ones while roaming, accessing Wi-Fi hotspots all over the world, making Internet roaming charges transparent and predictable.

Zain's enterprise solutions focus on corporate products and solutions across all operations through the provision of cloud computing and managed telecommunication services.

Zain Bahrain introduced a complete portfolio of enterprise products and solutions, including PABX, DIAs, point-to-point, leased lines, and hosting solutions during the year.

In 2012, Zain Jordan and Airport International Group (AIG) signed an agreement by which Zain is to assume the management of the information and communications network in the new terminal at Queen Alia International Airport. Zain Jordan is to provide advanced infrastructure to accommodate the large number of travelers in the airport terminal. The arrangement falls under the smart cities/buildings portfolio, where Zain Jordan has been appointed as the exclusive telecommunications infrastructure and facilities operator.

Through this arrangement, Zain Jordan will commercialize the entire information and telecommunications network at the new airport, and will later become the incumbent operator responsible for the operational (day-to-day) issues spanning support, maintenance, and expansion of the infrastructure.

PRODUCTS AND SERVICES

PARTNER RELATIONS

Zain is committed to providing customers with market-leading and innovative products and services.

In this regard, Zain Group has entered into strategic arrangements with several key partners in order to cooperate in the marketing of regional products and services.

This strategy enables Zain to implement value-added products and provide customers with high-quality communications services.

ZAIN AND VODAFONE

In September 2012, Zain Group entered into a Partner Market agreement with Vodafone Group that will provide Zain customers access to Vodafone services while significantly expanding Vodafone's Partner Market presence in the Middle East.

Under the non-equity partnership agreement, Vodafone will work with Zain companies in Saudi Arabia, Bahrain, Kuwait, Jordan and Iraq to provide customers with high quality communications services. The move will enhance both Zain and Vodafone's ability to meet growing demand among multinational businesses for sophisticated voice and data communications solutions as well as advanced roaming services within the Middle East. This will complement Vodafone's own regional operations in Egypt and Qatar and increase the number of countries in which Vodafone has Partner Market agreements to more than 50.

Zain will have access to Vodafone's devices and services in its home markets and become the preferred partner of Vodafone in respect of the agreed areas of cooperation. Vodafone and Zain will work together to provide customers with enhanced network coverage, and harmonized roaming rates across multiple countries with greater cost efficiencies. Zain will also be able to use the Vodafone brand.

Vodafone's multinational customers served by Vodafone Global Enterprise will benefit by being able to add Zain countries to their existing contracts for international managed services, while continuing to be serviced via a single point of contact. Zain will similarly benefit from Vodafone's footprint.

In addition, Vodafone plans to support multinational corporations by providing communications expenditure tracking and procurement services while introducing innovative mobile price plans across the two organizations' shared areas of operations.



vodafone



ZAIN AND IPASS

In March 2012, Zain Group signed an agreement with iPass Inc., a leading provider of mobility services for enterprises and telecom service providers, enabling Zain to provide its mobile customers with global Wi-Fi data roaming services.

The Zain Group offering will leverage the iPass Open Mobile Exchange (iPass OMX) to provide customers with a global Wi-Fi roaming offering and access to the iPass Mobile Network, the world's largest commercial Wi-Fi network at local rates.

The iPass Open Mobile Exchange enables mobile network operators to maximize the impact of their roaming offer with minimum effort. The service provides the largest Wi-Fi roaming footprint in the world: customers can seamlessly connect to over one million premium Wi-Fi hotspots worldwide for smartphone and tablet connectivity in 117 countries, in key locations such as airports, hotels, convention centers, coffee shops and other locations.

Following this agreement the Zain Pass service was launched in Kuwait in September 2012 offering mobile customers that have Android or iOS devices an attractive, reduced-cost, data roaming solution when travelling abroad. By leveraging lower-cost Wi-Fi networks, Zain is able to extend data roaming services beyond 3G and 4G networks to provide affordable data connectivity along with bolstering indoor coverage capabilities.

The launch of the Zain Pass Wi-Fi data roaming service was a first for Kuwait and the Middle East. Zain Kuwait was the first Zain Group operation to launch Zain Pass in the region, with other operational companies set to follow suit in due course.





16

CORPORATE SOCIAL RESPONSIBILITY



EVERY PERSON HAS THE POWER OF CREATIVITY AND THE ABILITY TO DESIGN THEIR OWN DREAMS. IF YOU BELIEVE IN YOUR CREATIVITY, HOW CAN YOU NOT REACH YOUR GOALS?



In 2012, Zain Group launched its first consolidated Sustainability Report, entitled "Growth for a Wonderful World", highlighting the various socio-economic and environmental impacts across our group of companies.

The report represents a major step in the company's evolution and a significant milestone in our sustainability journey.

Like everything we do, we continue to be passionate about our communities, our customers, and our environment. Throughout all our operations, great effort and dedication is given to capacity building, as it is one of the most significant challenges that we face in our region.

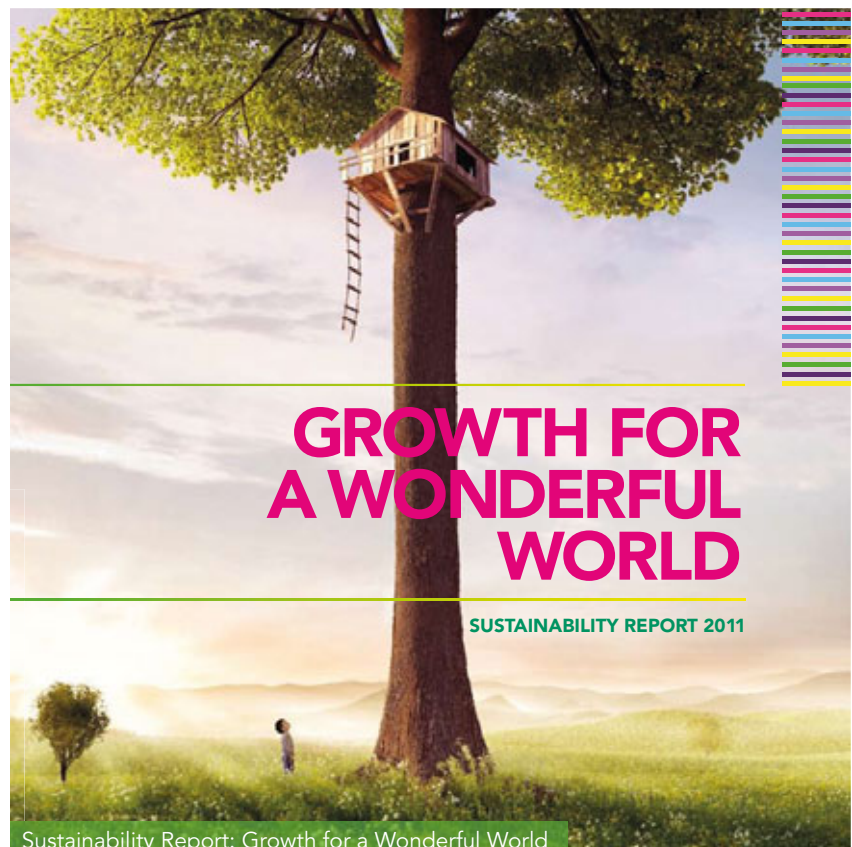
Programs such as the Mobile Application Competition in Saudi Arabia, the Zain Excellence initiative for Iraq, and the PIN2 (Promote, Inspire and Innovate) business plan competition for selected high school students in partnership with PricewaterhouseCoopers (PwC) in Kuwait, and the Imagine Cup in Iraq, are perfect examples of the company's commitment towards facilitating young people with life-transforming skills.

Realizing that it is fundamental to provide our communities with the necessary tools for development, we embarked on various initiatives such as the Youth Peacemakers Network (YPN) project led by the Peace Earth Foundation in partnership with UNESCO, and Ericsson in South Sudan.

The initiative will help members of the network to become leaders in peacemaking, conflict resolution and reconciliation. They will also receive basic ICT and social media training.

In line with the 2nd goal of the Millennium Development Goals, which aims "to ensure that by 2015, children everywhere will be able to complete a full course of primary education", all of Zain's operating companies continue to focus on educational initiatives ranging from back-to-school programs in Bahrain, e-learning projects in Kuwait, scholarship funds in Jordan, to Daily Meals programs for children in Sudan.

In 2013 we will continue to forge ahead with meaningful community outreach programs; thus continuing with our commitment to socio-economic development.



16

CORPORATE SOCIAL RESPONSIBILITY



BAHRAIN

Zain Bahrain has remained a committed corporate citizen, displaying innovation and vision in planning and executing its CSR programs. While the core focus of empowering youth through sport and education, and working with the community on environmental and special projects remain the same, every aspect of Zain Bahrain's CSR program has been re-engineered to illuminate the present and the future.

One of Zain Bahrain's longest-running CSR activities, the Back-To-School initiative, ensures that deserving school children throughout Bahrain receive sturdy schoolbags and stationery to help them tackle the challenges of a new academic year with confidence.

To date, over 270,000 children have received Zain school supplies. The project is so effective that Sheikh Nasser bin Hamad Al Khalifa, son of His Majesty King Hamad, who heads the Royal Charity organization, has extended his patronage to it.

Zain Bahrain has also assumed the leadership role with respect to its Future University Network (FUN) Program, which is aimed at offering young people hands-on work experience in the company. The FUN project envisages preparing young Bahraini university students for the job market of the future, either with Zain or externally. The selection of the first intake of FUN team members has already taken place, with participants inducted into the Zain Bahrain team and mentored by experienced staff; thus allowing the students to "live the work experience" in a real corporate environment.

The Zain e-learning Center in Bahrain is an ongoing commitment. The highly advanced technological facility was originally developed in coordination with the University of Bahrain in 2004 at a cost of more than BD 310,000 (USD 822,000) donated by Zain Bahrain. The center caters to nearly 17,000 students and faculty on an annual basis. Zain Bahrain continues to maintain the center, paying BD 26,000 (USD 66,000) on an annual basis to maintain facilities.

Since 2008, Zain Bahrain has been a keen supporter of basketball in Bahrain, driving the sport forward through focused sponsorship and innovative strategies to develop the game among young Bahrainis.

The company has spent over BD 80,000 (USD 212,000) in establishing the proper



To support young talents in Basketball



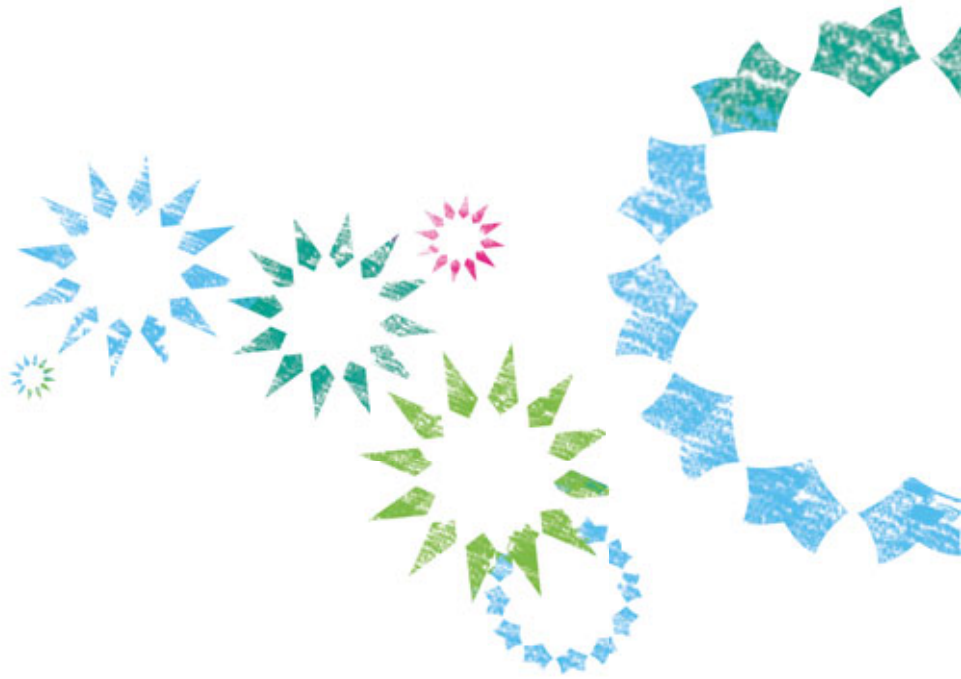
E-learning center



Go Green, nurturing environmental mindset in schools



E-waste initiative extends to schools and universities



infrastructure for the Bahrain Basketball Association's training efforts, creating new champions with an inspiring "best player" award each week of the tournament and winning new fans with interactive ticket sales via mobile phones.

Zain Bahrain has expanded the scope of its environmental CSR initiatives to promote greater awareness amongst school students and youth. The company launched e-waste in 2011 and extended it to schools and universities in 2012.

Another eco-friendly move was the offering of e-invoice services where invoices are sent to customers in electronic format. Zain's e-invoice project promises to contribute towards saving energy resources and is part of a wider set of green initiatives such as Zain's electronic billing service, which helps save energy and customer time. Zain also offers paper top-up vouchers that reduce the production and circulation of plastic cards, as well as the "Go Green" initiative, which focuses on the need to reduce, re-use, and recycle in school zones.

IRAQ

Zain Iraq has been involved in a wide scale program of engagement to cover educational and health programs. This aligns with Zain Group's strategic vision to undertake corporate activities that focus on education and health.

The Imagine Cup is a cooperation project between Zain Iraq and Microsoft, and was held in the Kurdistan region of Iraq in 2012. The Imagine Cup is the world's premier student technology competition that brings young technologists and students together to use their imagination and passion to create a technology solution that helps solve the toughest problems through the power of IT.

On the health front, a far-reaching medical cooperation between Zain Iraq, South Korean doctors, and the Higher Education Ministry resulted in a successful visit of doctors to the country, ending a 20-year boycott. The Korean delegation represented Wong Wang Medical University and Zain supported the Korean delegation as it gave lectures in neurology and brain surgery to medical students. Zain Iraq also financed and facilitated a bilateral agreement to send some difficult medical cases to be treated in Korea.



Imagine Cup, imagination to create technology solutions



South Korean doctors visit Iraq

16

CORPORATE SOCIAL RESPONSIBILITY

JORDAN

At Zain Jordan, we take our expertise in building networks, partnerships and successful businesses seriously and use it to positively impact society across Jordan. Corporate Social Responsibility is built on the foundation of having an active participation and contribution to the communities.

Our sustainable CSR Programs aim at integrating Zain values and local community needs and have generally been a pragmatic response to consumer and civil society pressures. Zain Jordan pioneered in further consolidating the concept of CSR.

CSR in Zain Jordan goes beyond philanthropy as it addresses how the company manages the economic, social and environmental impacts as well as our relationships in all key spheres of influence.

Zain Jordan's CSR focus areas include: education, health, sports, philanthropy and the environment.

In 2012, as a sudden rise in fuel prices, Zain Jordan launched a philanthropic initiative to provide underprivileged families with fuel coupons, aimed at supporting them during the cold winter season.

Zain Mobile clinic has treated 120,000 children since its inception in 2002. In contrast, aiming at promoting innovation and supporting youth, the "Shabab Zain" initiative resulted in the development of six projects in Zarqaa and Balqaa governorates. Furthermore, Zain Jordan established its second Mobile Maintenance Training Center in Al Tafeilah governorate, aiming at qualifying youth and creating more job opportunities for them.

The company is also involved with Jordan's Children's Museum, providing a bus in order to bring children from across the Kingdom to different learning locations.

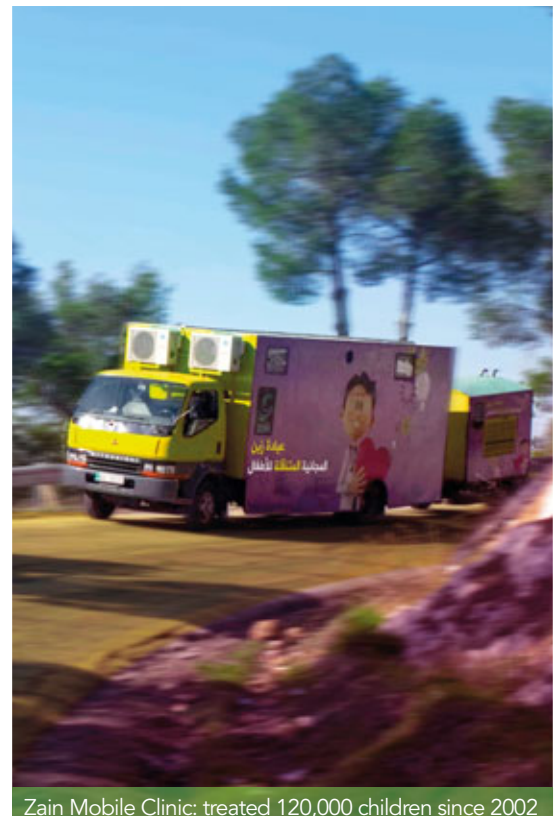
Zain Jordan also supported the blind athlete Suhail Al Nashash who has achieved great things at the local, regional and international levels and the company has further employed Al Nashash as a member of its staff.



Zain Jordan supports the champ Suhail Al Nashash



Mobile Maintenance Training Center



Zain Mobile Clinic: treated 120,000 children since 2002



KUWAIT

The Taaleb e-learning project is an award winning student electronic portal, which links teachers, parents, and students in Kuwait together to improve overall communication between schools and homes. All parties are able to log on to the portal and review progress on issues relating to the classroom and any updates on school agendas. Zain Kuwait supports more than 290 schools and has managed to successfully implement Taaleb as part of the school curriculum.

There are currently over 25,000 teachers registered on the Taaleb portal, and over 40,000 parents registered to review their children's progress online. Zain aims to pioneer in e-learning and develop a foundation for the educational system in Kuwait.

Investing in technology and educating the youth are two of Zain's primary goals. As such, in 2012 Zain partnered with Microsoft in its annual Imagine Cup technology competition, taking charge of the mobile development segment.

Microsoft's Imagine Cup is the world's premier student technology competition where eligible students utilize their imagination and passion to create a technology solution that addresses the Imagine Cup 2012 theme: "Imagine a world where technology helps solve the toughest problems".

Zain supported Microsoft in holding the first Imagine Cup country finals in Kuwait. The top-five teams had ideas including shipment tracking and monitoring, educational innovations, and health applications. The winning team went on to represent Kuwait in the worldwide finals in Sydney, Australia.

Zain Kuwait's FUN (Future University Network) is helping in the development of young people's personal skills, both on a professional and leadership level; with students receiving hands-on experience by working across Zain's functions and departments.

Sports and well-being are another part of Zain's focus areas and as such the company has developed the Zain League, a football tournament for amateurs, in collaboration with "Mala3ibna". More than 1,000 amateurs and professional players participated in a championship that comprised a total of 96 different teams. The composition of the teams ranged from different age groups, with the oldest player being 45 and the youngest being 16.

Zain Kuwait is also committed to supporting the youth in different initiatives, ranging from entrepreneurship, education, health, as well as sports, in order to further develop the community in which it operates.

عيش الدور
شارك في دوري زين عبر
mala3ibna.com

الدور هو بطولة بالكرة قدم بالشباب فريق
الرجال المؤلف من 10 لاعبين * للرجال
بفرصة التنافس على لقب الدوري و
جوائز قيمة.

* الدوري مقسم إلى فئات عمرية مختلفة
بدأ من 15 سنة وما فوق.

Zain Kuwait and "mala3ibna" introduces "Zain League"

طالب Taaleb
المركز الإلكتروني للتعليم المتكامل
E-square for integrated education

Taaleb, connects teachers, parents and students

imagine **X** cup™ | **KUWAIT 2012**
by Microsoft

Zain Kuwait - Imagine Cup

CORPORATE SOCIAL RESPONSIBILITY



Touch Lebanon Ramadan activities



Christmas activities by Touch Lebanon

LEBANON

Touch always aims to support the Lebanese community, with a particular interest in active associations. In this regard, year after year, Touch continues to launch various CSR initiatives targeting most sectors in the hopes of uplifting the living conditions of people in the community.

In 2012, touch developed various long-term projects that can be further advanced and refined throughout the coming years, concentrating on the following areas:

- Encouraging education for less fortunate children
- Supporting and assisting orphanages
- Promoting responsible use of mobile phones while driving

Various projects were launched along these three areas throughout 2012.

Touch launched its first education initiative during the Holy month of Ramadan (August), providing civic associations that take care of children with rooms equipped with computers, printers and furniture. The first targeted associations were: Dr. Mohamad Khaled Social Foundations, the Al Mabarrat Association, and SOS villages in Sfaray and Kfarhay. This initiative reflects Touch's aim to contribute to providing modern means of education and knowledge to the less fortunate children in the country.

Touch launched the "Avoid Distracted Driving" road safety campaign in collaboration with Yasa in September. The campaign complemented the "Drive Zain" safety campaign, launched by Zain Group, which was one of the largest social responsibility campaigns to be held across the Middle East promoting responsible use of mobile phones while driving and road safety. Touch aimed to shed light on the dangers of distracted driving and specifically on texting while driving, which has become one of the three most common causes of car accidents.

In a bid to sustain the recently launched e-touch educational initiative, which was introduced during Ramadan, touch provided a number of civic associations that take care of less fortunate children with rooms equipped with computers, printers, and furniture during Christmas. Touch supplied these rooms to the Sisters of Charity at the St. Vincent Monastery in Brummana, the Children's Nursery in Zahle, the Social Guidance Association in Mrouj, Metn area, and the SOS village in the Beqaa region.



"Avoid Distracted Driving" safety campaign



Touch Lebanon's Summer Camp for children



A supported summer camp hosted more than 100 children between the ages of five and 12 years, who were experiencing difficult social circumstances. The cost of the activities, held over two-weeks, were covered by Touch and comprised of educational and cultural programs as well as gaming activities.

SAUDI ARABIA

Zain KSA follows global benchmarks in the design of its CSR initiatives under four main pillars, namely: workplace, marketplace, community, and the environment. This structured approach ensures a holistic stakeholder engagement. The CSR and Sustainability department is inspired by the company's values and is a critical channel for community engagement.

In 2012, the main CSR objectives were to focus on youth, with an action plan comprising of: involvement of Shabab Tamouh in on-ground CSR projects (Youth Program), by enhancing the program from theory to practice based work, and involving and engaging the Zain brand with education and youth meetings.

Zain KSA participated in TEDxAlmanahij as a technical partner, providing 4G LTE high-speed Internet coverage and Wi-Fi to the audience. The event's topic focused on academic practitioners and bodies sharing new concepts in education. Mobile applications are a future growth area in the telecommunications industry; Zain KSA aims to become the technical partner in order to support the developers' community.

In addition to the constant evaluation and engagement with key NGO's in the Kingdom, Zain KSA continues to look to CSR activities that leverage its core business whenever possible. For example: SMS campaigns, providing connectivity and utilizing social media to communicate about charitable activities such as the distribution of thousands of meals throughout the Holy month of Ramadan in high-density locations such as the Holy Mosque and the pilgrims in Makkah, Madinah and Jeddah.



Shabab Tamouh workshop group photo



Providing the best services to Hajj Visitors



Distributing meals in the Holy month of Ramadan

16

CORPORATE SOCIAL RESPONSIBILITY

SUDAN

Zain Sudan adopts the scope of social responsibility well beyond merely sponsoring and supporting education and health care services. Several of the country's capacity building and environment preservation projects have been initiated; developed and financed by Zain throughout its 15 years of operation.

As part of its ongoing pursuit to connect with the Sudanese community in important fields, Zain Sudan developed and launched a year-long fully paid internship training program for fresh graduates in its customer care centers, aiming to equip new graduates with skills needed for the job market.

The ongoing initiative was launched in October 2009, to successfully contribute and support work force development in Sudan, and was also designed to accommodate people with special needs. To date, more than 2,000 have benefitted from the program.

Water is one of the most important elements in the settlement and stability of rural communities. Zain Sudan carried out several water projects in diverse areas of the country. These projects aim to reduce water borne diseases (tuberculosis, night blindness, and vitamin A deficiency) by providing a potable water supply, increase stability, and consequently eradicate poverty. The targeted areas are classified as having the highest rate of infant mortality.

Zain Sudan has also been involved in initiatives that look to preserve the environment, and has been involved in the use of solar and alternative power in 10 villages in the Red Sea state so far. These efforts will be expanded to the states of Southern Darfur, Kassala and Kordofan before the end of 2013.

Zain Sudan recognizes education as one of the foundation blocks of a nation's development and considers it a priority. Many regions in Sudan are affected by conflicts and wars and this is reflected in the illiteracy rate of 42% as well as the high percentage of school dropouts. Zain Sudan aims to nurture young minds and educate them, so they can contribute towards national development.

In 2012, more than five schools were constructed and some were rehabilitated to provide better education facilities in various regions of Sudan, while targeting low-income communities.

Zain Sudan also has a significant annual initiative (Back to School), whose beneficiaries numbered 200,000 students in seven states in 2012. This program involves the distribution of school seats, school uniforms, exercise books, and pencils.

Another initiative developed by Zain Sudan is the Zain's Daily Meals program, which targets 3,000 students and aims at reducing school dropouts.

The separation from the south had a severe impact on Sudan, as most of the forests are located in the south. In order to address this deficit, in 2012, Zain Sudan engaged in a program to plant 220,000 trees and conducted several awareness activities.

Our commitment to the environment is clearly reflected in our business activities; in 2012 we switched 232 network sites to alternative energy (hybrid systems that resulted in a 25-40% reduction in fuel consumption, and solar systems, which resulted in a 100% reduction in fuel consumption).

We also introduced the E-voucher project, using paper cards instead of plastic cards, which now accounts for more than 56% of all credit top-up transactions nationwide.



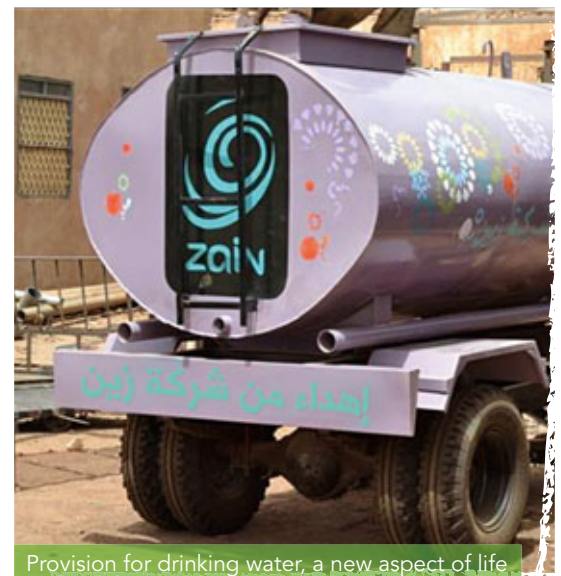
Customer Care Trainee Program



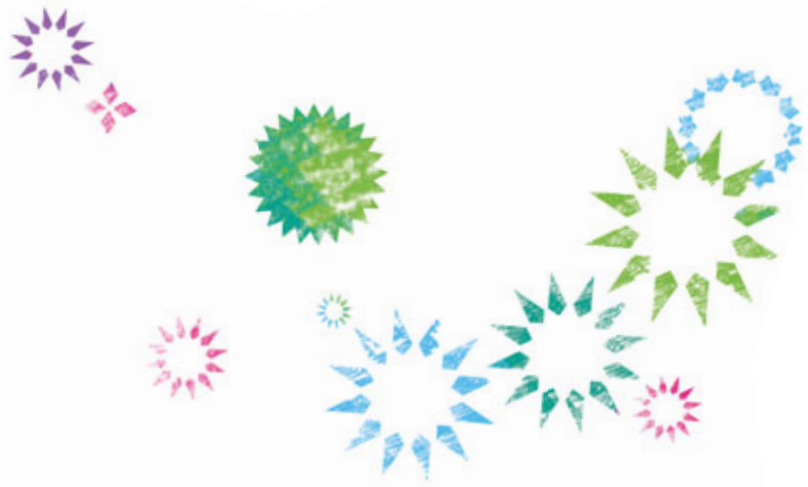
The water project for a better life



Back to school initiative



Provision for drinking water, a new aspect of life



SOUTH SUDAN

In September 2012 Zain South Sudan contributed to the support of orphans in Juba's orphanage home by supplying scholastic materials. In so doing, the company contributed to social development in the country, which constitutes the basis of its CSR efforts. The package of school materials was delivered by the reigning Miss Malaika, the winner of the 2012 beauty pageant.

In July 2012, the operator lent its support to the Chukudum Primary School, supplying sports equipment and computers to the school. Zain South Sudan also supported health efforts at the primary school by providing mosquito nets and bed sheets.

Marakonye Primary School in Yei city was another scholastic institution granted assistance in the form of school supplies from Zain South Sudan, on account of it winning an inter-primary sporting event in the city.

Zain South Sudan also supported a football league comprising 19 local teams in the city of Yei during the course of 2012.



Providing support to the Chukudum Primary School



Providing support to Marakonye Primary School



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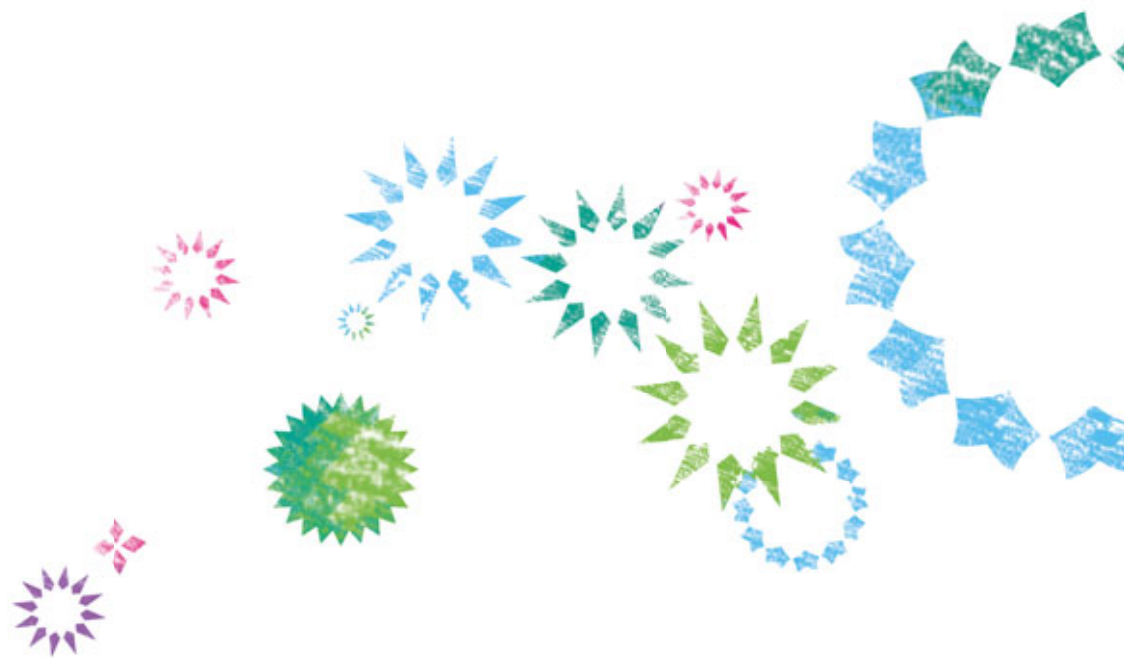


GATHER YOUR DREAMS AND MAKE THEM THE FOUNDATION FOR YOUR REALITY. BEFORE YOU WERE GIVEN DREAMS, YOU WERE GRANTED THE POWER TO FULFILL THEM.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT | 31 DECEMBER 2012

MOBILE TELECOMMUNICATIONS COMPANY K.S.C. KUWAIT

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

MOBILE TELECOMMUNICATIONS COMPANY K.S.C. KUWAIT

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Mobile Telecommunications Company K.S.C. ("the Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Parent Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012 and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Furthermore, in our opinion proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by Commercial Companies Law of 1960, as amended, and by the Parent Company's Articles of Association; that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No. 25 of 2012 or of the Articles of Association have occurred during the year ended 31 December 2012 that might have had a material effect on the business of the Group or on its consolidated financial position.

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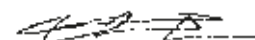
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Kuwait
14 February 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

(in thousands KD)	Note	2012	2011
Assets			
Current assets			
Cash and bank balances	4	302,609	404,764
Trade and other receivables	5	319,109	332,843
Inventories	6	11,906	21,182
Investment securities at fair value through profit or loss	7	2,693	5,879
		636,317	764,668
Non-current assets			
Investment securities available for sale	7	48,659	62,470
Investments in associates	8	246,023	81,131
Interest in a jointly controlled entity	9	54,819	44,871
Loans to associates	10	145,832	190,166
Property and equipment	11	699,030	795,644
Intangible assets	12	998,082	1,256,094
Other assets	13	102,229	92,190
		2,294,674	2,522,566
Total Assets		2,930,991	3,287,234
Liabilities and Equity			
Current liabilities			
Trade and other payables	14	535,114	506,541
Due to banks	15	270,656	313,823
		805,770	820,364
Non-current liabilities			
Due to banks	15	381,136	226,159
Other non-current liabilities	16	33,331	35,173
		414,467	261,332
Equity			
Attributable to Parent Company's shareholders			
Share capital	17	431,527	430,754
Share premium	17	1,705,387	1,703,351
Treasury shares	17	(567,834)	(567,834)
Legal reserve	17	215,764	215,377
Foreign currency translation reserve	17	(694,184)	(214,064)
Treasury shares reserve		1,967	1,967
Equity issue transaction cost of associate		–	(1,760)
Investment fair valuation reserve		(987)	(10,046)
Share based compensation reserve		8,808	7,141
Hedge reserve		–	(849)
Retained earnings		490,189	516,453
		1,590,637	2,080,490
Non-controlling interests		120,117	125,048
Total equity		1,710,754	2,205,538
Total Liabilities and Equity		2,930,991	3,287,234

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



Asaad Ahmed Al Banwan
Chairman



M. Scott Gegenheimer
Chief Executive Officer

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CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

(in thousands KD)	Note	2012	2011
Continuing Operations			
Revenue	18	1,281,903	1,321,921
Cost of sales		(360,975)	(353,914)
Gross profit		920,928	968,007
Distribution, marketing and operating expenses		(254,820)	(283,125)
General and administrative expenses		(87,179)	(74,868)
Depreciation and amortization	11,12	(193,047)	(170,700)
Provision for impairment – trade and other receivables	5	(8,187)	(9,654)
Operating Profit		377,695	429,660
Interest income		16,994	19,822
Investment income	19	(8,811)	740
Share of loss of associates	8	(41,053)	(35,507)
Share of profit of a jointly controlled entity	9	9,479	5,872
Other income		14,588	1,766
Finance costs		(26,384)	(27,429)
Loss from currency revaluation		(8,517)	(34,277)
Board of Directors' remuneration		(430)	(430)
Contribution to Kuwait Foundation for Advancement of Sciences		(2,611)	(2,930)
National Labour Support Tax and Zakat	20	(10,151)	(8,870)
Profit for the year before income tax		320,799	348,417
Income tax expenses	21	(40,607)	(47,209)
Profit from continuing operations		280,192	301,208
Discontinued operations			
Release of provisions		–	16,320
		280,192	317,528
Attributable to:			
Shareholders of the Parent Company		252,145	284,866
Non-controlling interests		28,047	32,662
		280,192	317,528
Earnings per share (EPS)			
	22		
Basic - Fils			
From continuing operations		65	69
From discontinued operations		–	4
		65	73
Diluted - Fils			
From continuing operations		65	69
From discontinued operations		–	4
		65	73

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

(in thousands KD)	2012	2011
Profit for the year	280,192	317,528
Other comprehensive income		
Exchange differences on translating foreign operations	(479,057)	(71,128)
Share of other comprehensive income of an associate	(3,834)	19
Net unrealised loss on available-for-sale investments	(2,076)	(14,449)
Net loss/(gain) transferred to consolidated statement of income on sale of available-for-sale investments (net of impairment losses)	11,135	(129)
Share based compensation	4,852	1,606
Cash flow hedges	849	1,675
	(468,131)	(82,406)
Total comprehensive income for the year	(187,939)	235,122
Total comprehensive income attributable to:		
Shareholders of the Parent Company		
From continuing operations	(217,049)	186,971
From discontinued operations	–	16,320
	(217,049)	203,291
Non-controlling interests		
From continuing operations	29,110	31,831
From discontinued operations	–	–
	29,110	31,831

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



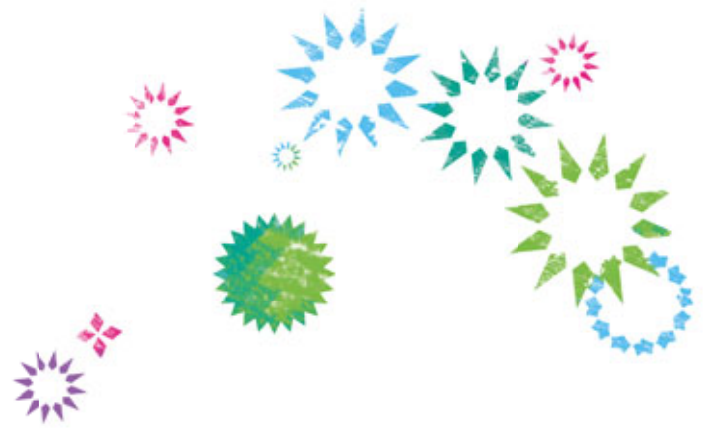
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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

(in thousands KD)	Equity attributable to Parent Company's Shareholders					
	Share capital	Share premium	Treasury shares	Legal reserve	Foreign currency translation reserve	Treasury shares reserve
Balance at 1 January 2012	430,754	1,703,351	(567,834)	215,377	(214,064)	1,967
Transfer to reserves	-	-	-	387	-	-
Purchase of non-controlling interest (note 3)	-	-	-	-	-	-
Exercise of share options	773	2,036	-	-	-	-
Cash dividends (2011)	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(480,120)	-
Balance at 31 December 2012	431,527	1,705,387	(567,834)	215,764	(694,184)	1,967
Balance at 1 January 2011	429,743	1,697,788	(567,834)	214,871	(143,767)	1,967
Transfer to reserves	-	-	-	506	-	-
Exercise of share options	1,011	5,563	-	-	-	-
Cash dividends (2010)	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(70,297)	-
Balance at 31 December 2011	430,754	1,703,351	(567,834)	215,377	(214,064)	1,967

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



Equity issue transaction cost of associate	Investment fair valuation reserve	Share based compensation reserve	Hedge reserve	Retained earnings	Non-controlling interests	Total
(1,760)	(10,046)	7,141	(849)	516,453	125,048	2,205,538
-	-	-	-	(387)	-	-
-	-	-	-	(22,903)	(13,275)	(36,178)
-	-	-	-	-	-	2,809
-	-	-	-	(252,710)	(20,766)	(273,476)
5,594	-	(3,185)	-	(2,409)	-	-
(3,834)	9,059	4,852	849	252,145	29,110	(187,939)
-	(987)	8,808	-	490,189	120,117	1,710,754
(1,779)	4,532	7,386	(2,524)	1,006,607	100,927	2,747,917
-	-	-	-	(506)	-	-
-	-	-	-	-	-	6,574
-	-	-	-	(776,365)	(7,710)	(784,075)
-	-	(1,851)	-	1,851	-	-
19	(14,578)	1,606	1,675	284,866	31,831	235,122
(1,760)	(10,046)	7,141	(849)	516,453	125,048	2,205,538

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CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

(in thousands KD)	2012	2011
Cash flows from operating activities		
Profit for the year before income tax	320,799	364,737
Adjustments for:		
Depreciation and amortization	193,047	170,700
Interest income	(16,994)	(19,822)
Investment income	8,811	(740)
Share of loss of associates	41,053	35,507
Share of profit of a jointly controlled entity	(9,479)	(5,872)
Finance costs	26,384	27,429
Loss from currency revaluation	8,517	34,277
Gain on sale of property and equipment	(457)	(288)
Operating profit before working capital changes	571,681	605,928
Increase in trade and other receivables	(69,785)	(191,868)
Decrease/(increase) in inventories	5,181	(8,466)
Provisions used	(7,524)	(113,018)
Increase in trade and other payables	34,895	80,662
Cash generated from operations	534,448	373,238
Payments:		
Income tax	(36,419)	(38,165)
Board of Directors' remuneration	(430)	(32)
Kuwait Foundation for Advancement of Sciences (KFAS)	(5,058)	(1,818)
National Labour Support Tax and Zakat	(4,983)	(6,814)
Net cash from operating activities	487,558	326,409
Cash flows from investing activities		
Deposits maturing after three months and bank balances blocked (note 4)	(95,071)	162,249
Investments in subsidiaries	(28,531)	-
Proceeds from sale of investment securities	21,063	17,049
Investments in securities	(4,753)	(1,152)
Investments in associate/jointly controlled entity	(97,696)	(397)
Proceeds from disposal of a subsidiary	-	209,839
Acquisition of property and equipment (net)	(161,532)	(157,947)
Acquisition of intangible assets	(28,422)	(155,353)
Interest received	16,994	19,248
Dividends received	1,288	1,751
Net cash (used in)/from investing activities	(376,660)	95,287
Cash flows from financing activities		
Proceeds from bank borrowings	484,060	723,120
Repayment of bank borrowings	(380,949)	(404,731)
Loan to an associate	(70,883)	(4,461)
Capital contribution including share premium – employees stock option	2,809	6,574
Dividends paid	(252,884)	(773,857)
Dividends paid to non-controlling interests	(18,838)	(7,643)
Finance costs paid	(20,774)	(27,834)
Net cash used in financing activities	(257,459)	(488,832)
Net decrease in cash and cash equivalents	(146,561)	(67,136)
Effects of exchange rate changes on cash and cash equivalents	(50,665)	(10,066)
Cash and cash equivalents at beginning of year	386,147	463,349
Cash and cash equivalents at end of year (note 4)	188,921	386,147

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

1. INCORPORATION AND ACTIVITIES

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

The Parent Company and its subsidiaries (the Group) along with associates provide mobile telecommunication services in Kuwait and eight other countries (31 December 2011 - Kuwait and eight other countries) under licenses from the governments of the countries in which they operate; purchase, deliver, install, manage and maintain mobile telephone and paging systems; and invest surplus funds in investment securities.

The principal subsidiaries and associates are listed in note 3.

These consolidated financial statements were authorized and approved for issue by the Board of Directors of the Parent Company on 14 February 2013 and are subject to approval of the shareholders at their forthcoming Annual General Meeting.

On 29 November 2012, Companies Law No. 25 of 2012 (the Law) was published in the official gazette to supersede Law No. 15 of 1960 – the Law of Commercial Companies. Companies in Kuwait have been granted six months to comply with the law's requirements as may be specified in the Executive Regulations. The Parent Company is taking necessary actions to ensure compliance within the specified timeframe.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These consolidated financial statements are prepared under the historical cost basis of measurement as modified by the revaluation at fair value of financial assets held as "at fair value through profit or loss" or "available for sale." These consolidated financial statements have been presented in Kuwaiti Dinars, rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 31.

2.2 NEW AND REVISED ACCOUNTING STANDARDS

EFFECTIVE FOR THE CURRENT YEAR

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

IFRS 7 Financial Instruments: Disclosures — Transfer of financial assets (effective 1 July 2011)

The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the users of the financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognized assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The Group does not have any assets with these characteristics and hence there has been no effect on the presentation of its consolidated financial statements.

IAS 12 INCOME TAXES (AMENDMENT) - DEFERRED TAXES: RECOVERY OF UNDERLYING ASSETS (EFFECTIVE 1 JANUARY 2012)

The amendment clarifies the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and has no effect on the Group's financial position, performance or its disclosures.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

The application of other IASB Standards and IFRIC Interpretations do not have material impact on the consolidated financial statements of the Group.

ISSUED BUT NOT YET EFFECTIVE

The following IASB Standards have been issued/amended but are not yet mandatory and have not been adopted by the Group:

- IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7 (effective 1 January 2013)
- IFRS 9 Financial Instruments: Classification and Measurement (effective 1 January 2015)
- IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
- IFRS 11 Joint Arrangements (effective 1 January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011; effective 1 January 2013)
- IFRS 13 Fair Value Measurement (effective 1 January 2013)
- IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (effective 1 July 2012)
- IAS 19 Employee Benefits (Revised) (effective 1 January 2013)
- IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (effective 1 January 2014)
- Annual improvements to IFRSs 2009-2011 Cycle issued in May 2012 (effective 1 January 2013)

The major changes are as follows:

IFRS 7 DISCLOSURES - OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES - AMENDMENTS TO IFRS 7

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 9 "FINANCIAL INSTRUMENTS:" CLASSIFICATION AND MEASUREMENT

The standard was issued in November 2009 and becomes effective for annual years beginning on or after 1 January 2015. IFRS 9 improves the ability of the users of the financial statement to assess the amount, timing and uncertainty of future cash flows of the entity by replacing many financial instrument classification categories, measurement and associated impairment methods. The application of IFRS 9 will result in amendments and additional disclosures relating to financial instruments and associated risks. The application of IFRS 9 is under local regulatory review for early adoption in the State of Kuwait.

IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS

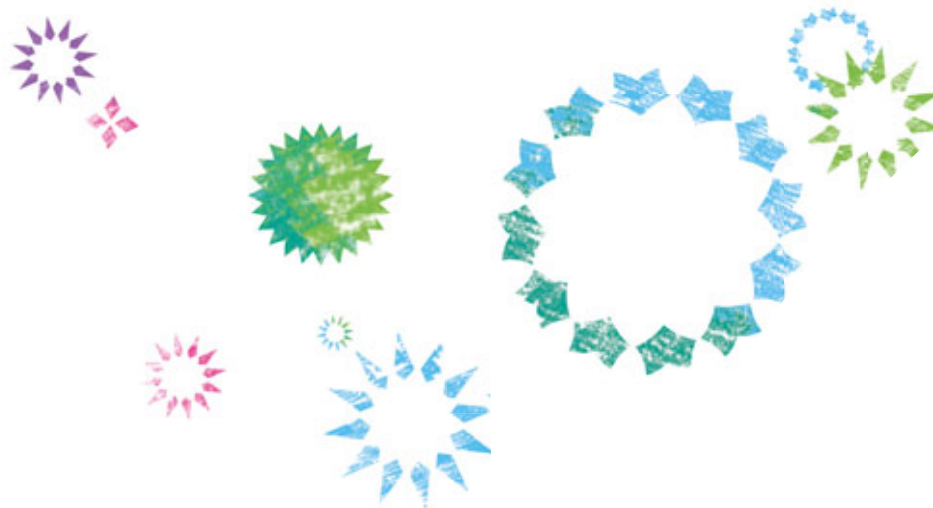
IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure or rights to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns. The Group is currently assessing the impact this standard may have on its consolidated financial statement presentation.

IFRS 11 JOINT ARRANGEMENTS

IFRS 11 introduces new accounting requirements for joint arrangements, replacing IAS 31 Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures.

IFRS 12 DISCLOSURE OF INTERESTS IN OTHER ENTITIES

IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.



IAS 28 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (AS REVISED IN 2011)

As a consequence of the new IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates has been renamed IAS 28 Investments in Associates and Joint Ventures and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 FAIR VALUE MEASUREMENT

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

IAS 1 FINANCIAL STATEMENT PRESENTATION

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 EMPLOYEE BENEFITS (REVISED)

Amended standard is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. These amendments are not expected to impact the Group's financial position or performance.

IAS 32 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES - AMENDMENTS TO IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off." The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

ANNUAL IMPROVEMENTS TO IFRSS 2009-2011 CYCLE ISSUED IN MAY 2012 (EFFECTIVE 1 JANUARY 2013)

These improvements will not have any significant impact on the Group, but include:

IAS 1 PRESENTATION OF FINANCIAL STATEMENTS

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 34 INTERIM FINANCIAL REPORTING

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

Adoptions of other new or amended Standards are not expected to have a material effect on the consolidated financial position or financial performance of the Group. Additional disclosures will be made in the consolidated financial statements when these Standards become effective.

2.3 BUSINESS COMBINATIONS

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

The Group uses provisional values for the initial accounting of a business combination and recognizes any adjustment to these provisional values within the measurement period which is 12 months from the acquisition date.

2.4 CONSOLIDATION

Subsidiaries are those enterprises, including special purpose entities, controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis, from the date on which control is transferred to the Group until the date that control ceases.

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

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on latest audited financial statements of subsidiaries. Intra-group balances, transactions, income, expenses and dividends are eliminated in full. Profits and losses resulting from intra-group transactions that are recognized in assets are eliminated in full. If a parent loses control of a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost as well as related non-controlling interests. Any investment retained is recognized at fair value at the date when control is lost. Any resulting difference along with amounts previously directly recognized in equity is transferred to the consolidated statement of income.

2.5 FINANCIAL INSTRUMENTS

CLASSIFICATION

In the normal course of business the Group uses financial instruments, principally cash, deposits, receivables, investments, payables, due to banks and derivatives.

In accordance with International Accounting Standard (IAS) 39, the Group classifies financial assets as "at fair value through profit or loss," "loans and receivables" or "available for sale." All financial liabilities are classified as "other than at fair value through profit or loss."

RECOGNITION/DERECOGNITION

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



A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability.

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

MEASUREMENT

Financial instruments

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

Financial assets at fair value through profit or loss

Financial assets classified as "at fair value through profit or loss" are divided into two sub categories: financial assets held for trading, and those designated at fair value through statement of income at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented investment strategy. Derivatives are classified as "held for trading" unless they are designated as hedges and are effective hedging instruments.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured and carried at amortised cost using the effective yield method.

Available for sale

These are non-derivative financial assets not included in any of the above classifications and principally acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. These are subsequently measured and carried at fair value and any resultant gains or losses are recognized in the consolidated statement of comprehensive income. When the "available for sale" asset is disposed of or impaired, the related accumulated fair value adjustments are transferred to the consolidated statement of income as gains or losses.

Financial liabilities/equity

Financial liabilities "other than at fair value through profit or loss" are subsequently measured and carried at amortized cost using the effective yield method. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.

Financial guarantees

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

FAIR VALUES

Fair values of quoted instruments are based on quoted closing bid prices. If the market for a financial asset is not active or the financial instrument is unquoted, fair value is derived from recent arm's length transactions, discounted cash flow analysis, other valuation techniques commonly used by market participants or determined with reference to market values of similar instruments.

The fair value of financial instruments carried at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives with positive fair values (unrealised gains) are included in other receivables and derivatives with negative fair values (unrealised losses) are included in other payables in the consolidated statement of financial position. For hedges, which do not qualify for hedge accounting and for "held for trading" derivatives, any gains or losses arising from changes in the fair value of the derivative are taken directly to the consolidated statement of income. For hedge accounting, the Group designates derivatives as either hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge) or hedges of a net investment in a foreign operation (net investment hedge).

Fair value hedge

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

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

Cash flow hedge

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

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

Net investment hedge

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

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

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if less than 12 months.

IMPAIRMENT

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset or a group of similar assets may be impaired. If such evidence exists, the asset is written down to its recoverable amount. The recoverable amount of an interest bearing instrument is determined based on the net present value of future cash flows discounted at original effective interest rates; and of an equity instrument is determined with reference to market rates or appropriate valuation models. Any impairment loss is recognised in the consolidated statement of income. For "available for sale" equity investments, reversals of impairment losses are recorded as increases in fair valuation reserve through equity.

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



2.6 CASH AND CASH EQUIVALENTS

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

2.7 INVENTORIES

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

2.8 INCOME TAXES

Income tax payable on profits is recognized as an expense in the period in which the profits arise based on the applicable tax laws in each jurisdiction.

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

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

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

2.9 INVESTMENTS IN ASSOCIATES

Associates are those entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The excess of the cost of investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recognised as goodwill. Goodwill on acquisition of associates is included in the carrying values of investments in associates. Investments in associates are initially recognised at cost and are subsequently accounted for by the equity method of accounting from the date of significant influence to the date it ceases. Under the equity method, the Group recognises in the consolidated statement of income its share of the associate's post acquisition results of operations and in equity, its share of post acquisition movements in reserves that the associate directly recognises in equity. The cumulative post acquisition adjustments, and any impairment, are directly adjusted against the carrying value of the associate. Appropriate adjustments such as depreciation, amortisation and impairment losses are made to the Group's share of profit or loss after acquisition to account for the effect of fair value adjustments made at the time of acquisition.

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

2.10 INTERESTS IN JOINT VENTURES

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The Group recognises its interests in jointly controlled entities using the equity method.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

2.11 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

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

	Years
Buildings and leasehold improvements	2 - 20
Cellular and other equipment	3 - 15
Aircraft	8 - 10
Furniture and fixtures	1 - 25

These assets are reviewed periodically for impairment. If there is an indication that the carrying value of an asset is greater than its recoverable amount, the asset is written down to its recoverable amount, and the resultant impairment loss is taken to the consolidated statement of income. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.12 INTANGIBLE ASSETS AND GOODWILL

Identifiable non-monetary assets acquired in a business combination and from which future benefits are expected to flow are treated as intangible assets. Intangible assets comprise of telecom license fees, customer contracts and relationships, key money and software rights.

Intangible assets which have a finite life are amortized over their useful lives. For acquired network businesses whose operations are governed by fixed-term licenses, the amortisation period is determined primarily by reference to the unexpired license period and the conditions for license renewal. Telecom license fees are amortised on a straight line basis over the life of the license. Key money and software rights are amortized on a straight line basis over a period of five years for software rights and over the lease period for operating leases. Customer contracts and relationships are amortised over a period of four to five years. To the extent handsets are provided below cost as part of the telecom service connection, it is treated as a subscriber acquisition cost and recognized as an intangible asset and amortised over the period of the contract.

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

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

Goodwill and intangible assets with indefinite useful lives are tested, at least annually, for impairment and carried at cost less accumulated impairment losses.

Assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash generating units for the purpose of assessing impairment of goodwill and intangible assets. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata, on the basis of the carrying amount of each asset in the unit. That relating to goodwill cannot be reversed in a subsequent period. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset for which the estimates of future cash flows have not been adjusted. The Group prepares formal five-year plans for its businesses. These plans are used for the value in use calculation. Long range growth rates are used for cash flows into perpetuity beyond the five year period. Fair value less costs to sell is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.



2.13 PROVISIONS FOR LIABILITIES

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

2.14 SHARE-BASED PAYMENT TRANSACTIONS

The Group operates an equity settled share-based compensation plan. The cost of these share based transactions is measured at fair value at the date of the grant taking into account the terms and conditions upon which the instruments were granted. The fair value of these options excludes non-market vesting conditions, which are included in assumptions about the number of options that are expected to vest. The fair value is expensed over the vesting period with recognition of a corresponding adjustment in the consolidated statement of comprehensive income. It recognizes the impact of the revision to the original estimates, if any in the consolidated statement of income, with a corresponding increase or decrease in the consolidated statement of comprehensive income.

2.15 POST-EMPLOYMENT BENEFITS

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

2.16 TREASURY SHARES

The cost of the Parent Company's own shares purchased, including directly attributable costs, is classified under equity. Gains or losses arising on sale are separately disclosed under shareholders' equity and these amounts are not available for distribution. These shares are not entitled to cash dividends. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares. Reserves equal to the cost of treasury shares held are not available for distribution.

2.17 ACCOUNTING FOR LEASES

WHERE THE GROUP IS THE LESSEE

Operating leases

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

Finance leases

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

2.18 REVENUE

Revenues from operations consist of recurring revenues, such as billings to customers for monthly subscription fees, roaming, leased-line and airtime usage fees, and non-recurring revenues, such as one-time connection fees and telephone equipment and accessory sales. Recurring revenue is recognized when the related service is rendered and comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of activities. Other revenues, which arise from service contracts, sale of telephones and accessories or other services, are recognized during the period in which the services are provided or goods are delivered.

Direct costs associated with prepaid cards, which includes both the cost of purchasing the cards as well as dealer margins, are recognised when incurred, i.e. upfront, while the airtime costs are recognized and when the revenue is being recognised. Prepaid income collected in advance is deferred and recognized based on actual usage or upon expiration of the usage period, whichever comes first.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Specific customer acquisition costs other than those recognised as intangible assets are charged to the consolidated statement of income when the subscriber is activated.

Interest income is recognized on a time proportion basis using the effective yield method and dividend income is recognized when the right to receive payment is established.

2.19 BORROWING COSTS

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

2.20 FOREIGN CURRENCIES

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

Translation differences on non-monetary items, such as equities classified as available for sale financial assets, are included in the investment fair valuation reserve in equity.

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

2.21 DISCONTINUED OPERATIONS

An entity is classified as a discontinued operation when the criteria to be classified as held for sale has been met or it has been disposed of. An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such a component represents a separate major line of business or geographical area of operation.

2.22 CONTINGENCIES

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



3. SUBSIDIARIES AND ASSOCIATES

The principal subsidiaries and associates are:

Subsidiary	Country of incorporation	Percentage of ownership	
		2012	2011
Zain International B.V. (formerly Mobile Telecommunications Company International B.V.) - "ZIBV"	The Netherlands	100%	100%
Pella Investment Company - "Pella"	Jordan	96.516%	96.516%
Zain Bahrain B.S.C (Closed) - "MTCB"	Bahrain	56.25%	56.25%
Mobile Telecommunications Company Lebanon (MTC) S.A.R.L. "MTCL"	Lebanon	100%	100%
Sudanese Mobile Telephone (Zain) Company Limited "Zain Sudan"	Sudan	100%	100%
South Sudanese Mobile Telephone (Zain) Company Limited "Zain South Sudan"	South Sudan	100%	100%
Atheer Telecom Iraq Limited - "Atheer"	Cayman Islands	76%	71.667%
Al Mouakhah Lil Khadamat Al-Logisteih Wa Al-Itisalat	Jordan	99.1%	25.1%
Associate			
Mobile Telecommunications Company ("SMTC")	Saudi Arabia	37.045%	25%
Wana Corporate S.A. (associate of a Jointly Controlled Entity, Zain Al Ajjyal)	Morocco	15.5%	15.5%

Pella owns 100% of Jordan Mobile Telecommunications Services Co. JSC - "JMTC."

JMTC, MTCB, Zain Sudan, Zain South Sudan and Atheer operate the cellular mobile telecommunications network in Jordan, Bahrain, Sudan, South Sudan and Iraq, respectively. MTCL manages the state-owned cellular mobile telecommunications network in Lebanon.

ATHEER

Under the terms of the telecom license agreement with the Iraqi telecom regulator CMC, the Parent Company and the other two telecom operators in Iraq were required to make an initial public offer (IPO) of at least 25% of the aggregate number of its qualifying shares in their Iraqi operations and list on the Iraqi Stock Exchange before 31 August 2011. The process for complying with the listing conditions is now ongoing, but there have been procedural delays.

During the year, the Group acquired an additional 4.333% equity interest in Atheer from a non-controlling interest holder for a consideration of US\$ 130 million (KD 36 million). The difference between the consideration paid and the carrying value of the shares acquired is recorded in equity.

ZAIN SOUTH SUDAN

On 9 July 2011, South Sudan became a newly independent country when it separated from Sudan. The Group continues to operate telecom services in South Sudan with the assets it had in the country prior to its formation through a newly incorporated South Sudanese entity and is awaiting issue of a formal telecom license.

AL MOUAKHAH LIL KHADAMAT AL LOGISTEIH WA AL ITISALAT, JORDAN

During the year, the Group increased its voting equity interest in this associate from 25.1% to 99.1% to obtain control. The purchase consideration of this acquisition was US\$ 32.25 million (KD 9 million) resulting in a goodwill of KD 6,396,000. On the date of acquisition, the Group also recognized a fair value gain of KD 1,662,000 (included in "Other income") on the existing interest in the associate.

FINANCIAL SUPPORT TO GROUP COMPANIES

The Group has committed to provide working capital and other financial support to Atheer, SMTC, Zain South Sudan and Al Mouakhah Lil Khadamat Al Logisteih Wa Al Itisalat whose working capitals are in deficit. Based on business plans, the Group does not expect these conditions will have a material adverse impact on the operations of these Group companies.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

4. CASH AND BANK BALANCES

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

(in thousands KD)	2012	2011
Cash on hand and at banks	182,485	196,846
Short-term deposits with banks	116,102	197,626
Government certificates of deposits held by subsidiaries	4,022	10,292
	302,609	404,764
Less:		
Bank balances blocked (refer to note 26)	(107,319)	–
Government certificates of deposits held by subsidiaries	(4,022)	(10,292)
Deposits with maturities exceeding three months	(2,347)	(8,325)
	188,921	386,147

The effective interest rate on short-term deposits as of 31 December 2012 was 0.3% to 10% (2011 – 0.5% to 8%) per annum.

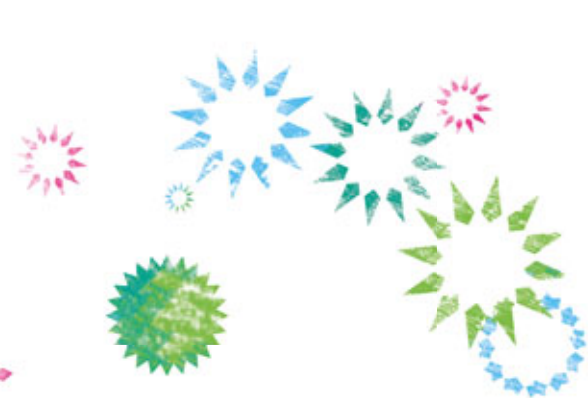
5. TRADE AND OTHER RECEIVABLES

(in thousands KD)	2012	2011
Trade receivables:		
Customers	71,090	67,983
Distributors	10,406	9,648
Other operators (interconnect)	23,106	36,426
Roaming partners	11,464	6,490
Provision for impairment	(34,810)	(31,888)
	81,256	88,659
Other receivables:		
Accrued income	2,680	4,549
Staff	1,853	1,981
Prepayments, advances and other deposits	100,942	106,478
Others (refer to note below)	132,969	131,738
Provision for impairment	(591)	(562)
	237,853	244,184
	319,109	332,843

In 2011, the Group paid US\$ 473 million; KD 132.969 million (2011 - KD 131.738 million) to settle the guarantees provided by the Parent Company to lending banks for loans to a founding shareholder of SMTC. This amount is secured by an agreement to transfer to the Group the founding shareholder's shares in SMTC and the shareholder loan in SMTC owed to the founding shareholder. The Group has initiated the process of legal action for its recovery.

As of 31 December 2012, trade receivables of KD 36,770,000 (2011 - KD 39,191,000) were neither past due nor impaired.

Trade receivables of KD 43,301,000 (2011 - KD 40,924,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.



These trade receivables are uncollateralized and are due as follows:

(in thousands KD)	2012	2011
Up to 3 months	11,051	17,458
3 - 6 months	14,856	6,373
6 - 12 months	3,273	5,115
More than 12 months	14,121	11,978
	43,301	40,924

As of 31 December 2012, trade receivables of KD 35,995,000 (2011 - KD 40,432,000) were impaired against which the Group carries a provision of KD 34,810,000 (2011- KD 31,888,000). The individually impaired receivables mainly relate to postpaid customers. It has been assessed that a portion of the impaired receivables is expected to be recovered.

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

(in thousands KD)	2012	2011
Kuwaiti dinar	50,791	42,271
US dollar	169,636	188,632
Euro	3,157	8,016
Bahraini dinar	22,574	20,120
Sudanese pound	24,648	29,114
Jordanian dinar	13,873	14,778
Others	34,430	29,912
	319,109	332,843

Movement of provision for impairment of trade and other receivables is as follows:

(in thousands KD)	2012	2011
Opening balance - 1 January	32,450	24,984
On acquisition of a subsidiary	177	-
Write off (net)	(5,413)	(2,188)
Charge for the year	8,187	9,654
Closing balance - 31 December	35,401	32,450

6. INVENTORIES

(in thousands KD)	2012	2011
Handsets and accessories	13,130	22,274
Provision for obsolescence	(1,224)	(1,076)
Write off	-	(16)
	11,906	21,182

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

7. INVESTMENT SECURITIES

(in thousands KD)	2012	2011
Current investments at fair value through profit or loss		
Quoted equities	2,693	5,879
Non-current investments		
Available for sale		
Quoted equities	27,285	39,004
Funds	13,640	15,232
Unquoted equities	7,734	8,234
	48,659	62,470

Investment securities are denominated in the following currencies:

(in thousands KD)	2012	2011
Kuwaiti dinar	39,222	55,615
US dollar	4,365	4,826
Other currencies	7,765	7,908
	51,352	68,349

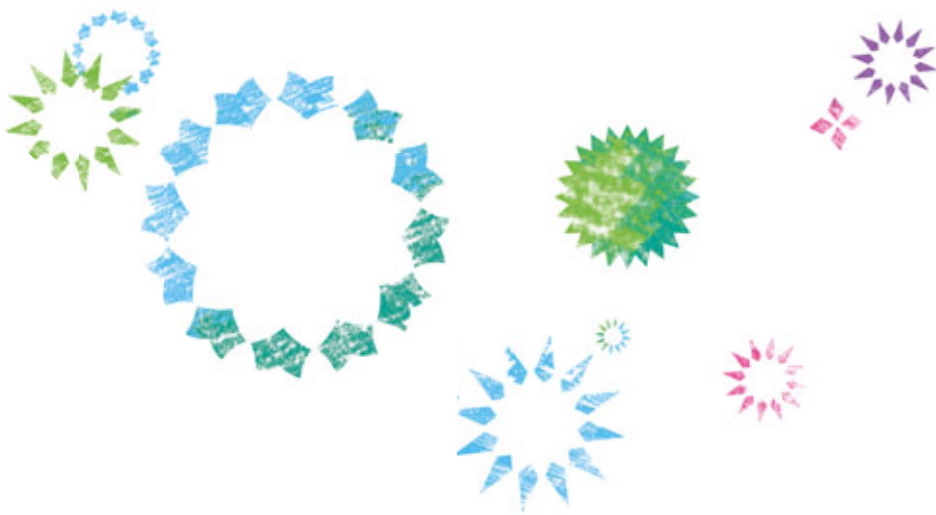
Available for sale investments include unlisted securities with original cost of KD 7,734,000 (2011 - KD 8,234,000) carried at cost less impairment since it is not possible to reliably measure their fair value.

During the year, the Group recognized an unrealized loss of KD 2,076,000 (2011 - KD 14,449,000) in investment fair valuation reserve arising from fair valuation of "available for sale" investments and transferred a loss of KD 2,580,000 (2011 - gain of KD 1,205,000) from investment fair valuation reserve to the consolidated statement of income, arising from disposals. The Group also recognized an impairment loss of KD 8,555,000 (2011 - KD 1,076,000) in the consolidated statement of income. Quoted equities are traded in active markets. Investments in funds of KD 13,641,000 (2011 - KD 15,232,000) are valued based on observable market data.

8. INVESTMENTS IN ASSOCIATES

This represents the Group's share of investments in associates accounted for using the equity method.

(in thousands KD)	2012	2011
Opening balance	81,131	116,096
Capital contribution during the year	97,696	397
Conversion of shareholder loans in SMTC to equity	112,640	-
Share of loss for the year	(41,053)	(35,507)
Foreign currency translation adjustment	80	(1,530)
Share of comprehensive income	(2,964)	1,675
Adjustments - transfer to subsidiary	(1,507)	-
Closing balance	246,023	81,131



The carrying amount of the Group's investment in SMTC included above is KD 246,023,000 (2011 - KD 79,636,000), and the Group's total investment in SMTC including loans and receivables (notes 10 and 13) is KD 477,899,000 (2011 - KD 329,447,000). The fair value of the Group's investment in SMTC as at 31 December 2012 is KD 236,758,000 (2011 - KD 144,133,000).

SMTC completed capital restructuring and rights issue in July 2012.

The Extraordinary General Assembly meeting of the shareholders of SMTC held on 4 July 2012 approved the Board of Director's plan to restructure the share capital of SMTC as follows:

- Reduce share capital from SAR 14 billion (KD 1.04 billion) to SAR 4.8 billion (KD 358 million) by cancellation of 919.9 million shares in order to absorb the accumulated losses as of 30 September 2011;
- Subsequently, to increase the share capital by SAR 6 billion (KD 447 million) through conversion of shareholders' loans (SAR 2.5 billion) and a rights issue (SAR 3.5 billion).

The Group's shareholding in SMTC increased to 37.045% from 25% after cash subscription of SAR 1.3 billion (KD 97.696 million) and conversion of shareholder loan of SAR 1.5 billion (KD 112.64 million) during the year.

The cash portion of the share issue proceeds was partially used for settlement of rights issue costs, network expansion and repayment of a part of the syndicated murabaha facility amounting to SAR 750 million.

SMTC, with the consent of the murabaha facility investors, extended the maturity of the syndicated murabaha facility to February 2013 from July 2012, while finalising a revised five-year US\$ 2.4 billion murabaha facility (for which there are firm commitments from banks) at a lower financing cost.

Under the murabaha financing agreement, SMTC must obtain prior written consent of the lenders to declare any dividend or other distribution in cash or in kind to shareholders, modify any shareholder loan agreement or to make any payment under a shareholder loan agreement. The Parent Company's shareholding in SMTC is pledged to the associate's secured creditors as continuing security for the payment and discharge in full by SMTC of the secured debt.

SMTC has reported a net loss of SAR 1.750 billion (KD 131 million) for the year ended 31 December 2012 (2011 - KD 142 million) and accumulated losses of SAR 2.349 billion (KD 176 million) as of that date (2011 - KD 710 million). SMTC's current liabilities also exceed current assets by SAR 11.146 billion (KD 835 million) as of 31 December 2012 (2011 - KD 970 million).

SMTC's independent auditor's modified review report dated 20 January 2013 draws attention to SMTC's negative working capital and accumulated deficit and discloses that its financial statements for the year ended 31 December 2012 have been prepared on a going concern basis as SMTC believes it will be successful in meeting its obligations in the normal course of operations.

The Group's share of the associates' assets, liabilities, revenue and profitability is as follows:

(in thousands KD)	2012	2011
Assets	775,523	500,197
Liabilities	541,011	419,066
Revenue	148,770	124,746
Net (loss)/profit for the year:		
SMTC, Saudi Arabia	(41,066)	(35,446)
Other	13	(61)
	(41,053)	(35,507)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

9. INTEREST IN A JOINTLY CONTROLLED ENTITY

The Group incorporated a jointly controlled entity Zain Al Ajial S.A. in the Kingdom of Morocco in 2009 which then acquired 31% of the equity shares and voting rights of Wana Corporate (a Moroccan joint stock company which is specialized in the telecom sector in that country) for US\$ 178 million. The Group's share of profit for the year in the jointly controlled entity amounting to KD 9,479,000 (2011 - KD 5,872,000) has been recognized in the consolidated statement of income.

The carrying value of this jointly controlled entity and its results for the year are determined by Group management using the equity method based on management estimates provided by Wana Corporate.

10. LOANS TO ASSOCIATES

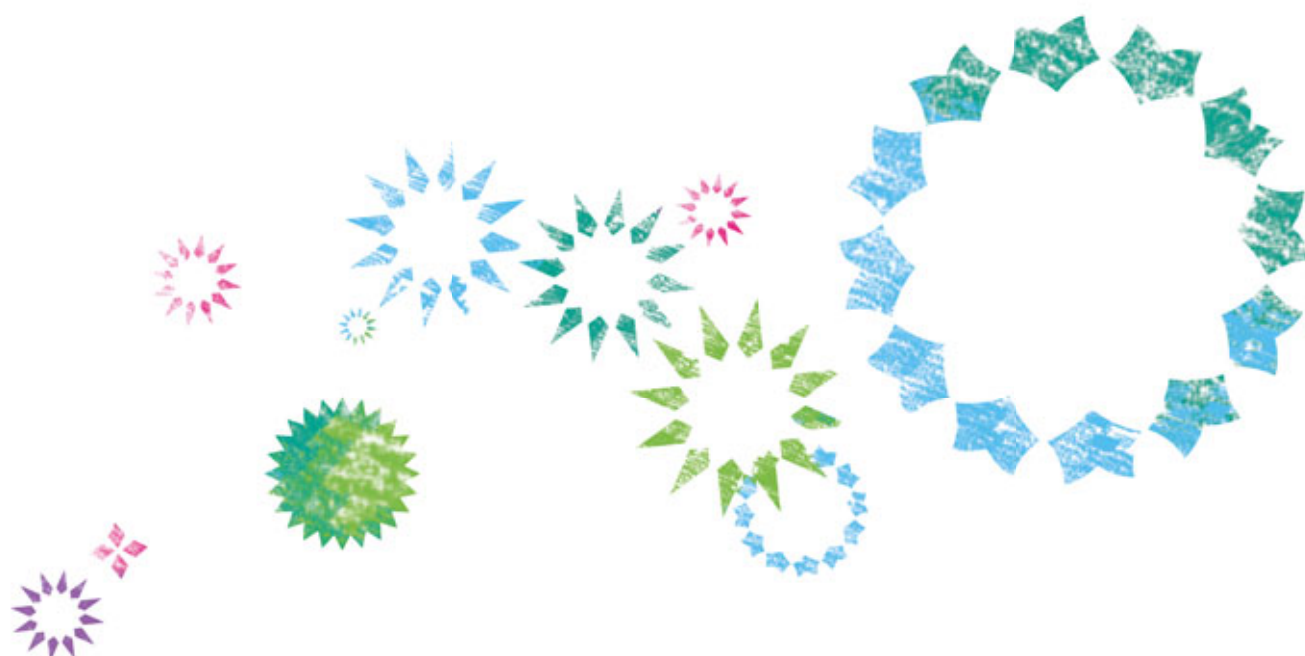
This includes shareholder loans denominated in United States Dollar, Kuwaiti Dinar and Saudi Riyal provided to SMTC by the Parent Company.

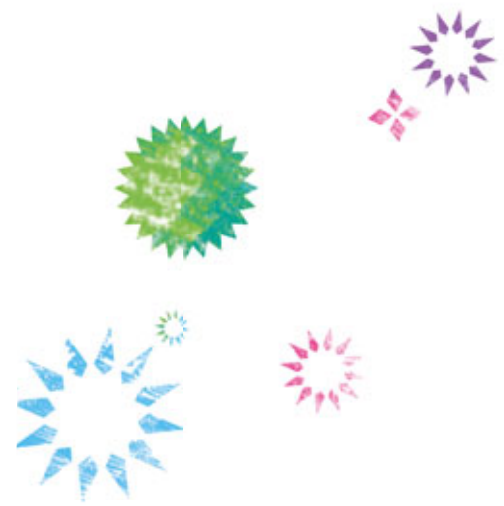
US\$ 388 million (KD 108.99 million) (2011 - KD 66.73 million) carries an interest rate of 6.75% per annum over six-month Saudi Inter-Bank Offered Rate (SIBOR).

The Kuwaiti Dinar loan of KD 36.84 million carries an interest rate of 4.25% per annum over three-month SIBOR.

During the year, loans aggregating KD 112.640 million (SAR 1.5 billion) were converted to equity share capital of SMTC as part of the capital restructuring.

These loans are subordinate to SMTC's borrowings from banks and are repayable only after repayment of the murabaha loan availed by SMTC (refer to note 8).





11. PROPERTY AND EQUIPMENT

(in thousands KD)				
	Land and buildings leasehold improvements	Cellular and other equipment	Projects in progress	Total
Cost				
As at 31 december 2010	67,794	1,319,647	116,624	1,504,065
Additions	1,375	46,040	114,827	162,242
Transfers and adjustments	907	77,625	(78,532)	–
Disposals	(60)	(20,358)	(471)	(20,889)
Exchange adjustment	(815)	(31,703)	(6,295)	(38,813)
As at 31 December 2011	69,201	1,391,251	146,153	1,606,605
Additions	1,761	53,048	131,815	186,624
Transfers	2,252	101,657	(103,909)	–
On acquisition of a subsidiary	–	9,378	–	9,378
Adjustments	(27)	(17,563)	–	(17,590)
Disposals	(59)	(9,136)	(1,480)	(10,675)
Exchange adjustment	(3,031)	(174,680)	(51,556)	(229,267)
As at 31 December 2012	70,097	1,353,955	121,023	1,545,075
Accumulated depreciation				
As at 31 December 2010	30,998	679,381	–	710,379
Charge for the year	2,491	126,891	–	129,382
On disposals	(37)	(17,338)	–	(17,375)
Exchange adjustment	(262)	(11,163)	–	(11,425)
As at 31 December 2011	33,190	777,771	–	810,961
Charge for the year	2,833	128,113	–	130,946
On acquisition of a subsidiary	–	2,601	–	2,601
On disposals	(53)	(8,416)	–	(8,469)
Adjustments	(27)	(17,563)	–	(17,590)
Exchange adjustment	(346)	(72,058)	–	(72,404)
As at 31 December 2012	35,597	810,448	–	846,045
Net Book Value				
As at 31 December 2012	34,500	543,507	121,023	699,030
As at 31 December 2011	36,011	613,480	146,153	795,644

Projects in progress represent cellular and other equipment amounting to KD 121,023,000 (2011 - KD 146,153,000).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

12. INTANGIBLE ASSETS

(in thousands KD)	Goodwill	License fees	Others	Total
Cost				
At 31 December 2010	941,223	464,148	46,164	1,451,535
Additions	–	19,624	17,227	36,851
Write off	–	–	(1,026)	(1,026)
Exchange adjustments	(35,884)	(9,104)	(448)	(45,436)
At 31 December 2011	905,339	474,668	61,917	1,441,924
On acquisition of a subsidiary	6,396	4,020	–	10,416
Other additions	–	–	28,410	28,410
Adjustments	–	–	14,668	14,668
Exchange adjustments	(211,763)	(31,525)	542	(242,746)
As at 31 December 2012	699,972	447,163	105,537	1,252,672
Accumulated amortization and impairment losses				
At 31 December 2010	11,942	102,846	32,298	147,086
Charge for the year	–	29,820	11,498	41,318
Write off	–	–	(1,026)	(1,026)
Exchange adjustments	–	(1,269)	(279)	(1,548)
At 31 December 2011	11,942	131,397	42,491	185,830
On acquisition of a subsidiary	–	1,251	–	1,251
Charge for the year	–	29,788	32,313	62,101
Adjustments	–	–	9,946	9,946
Exchange adjustments	–	(4,974)	436	(4,538)
As at 31 December 2012	11,942	157,462	85,186	254,590
Net Book Value				
As at 31 December 2012	688,030	289,701	20,351	998,082
As at 31 December 2011	893,397	343,271	19,426	1,256,094

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

Goodwill and the CGU to which it has been allocated and license expiry dates are as follows:

(in thousands KD)	License expiry date	2012	2011
Pella Investment Company, Jordan	Feb 2021	79,516	79,516
Zain Bahrain B.S.C (Closed), Bahrain	Apr 2018	–	–
Sudanese Mobile Telephone Company Limited (Zain, Sudan)	Feb 2029	178,075	393,743
Atheer Telecom Iraq Limited, Cayman Islands	Sep 2022	424,063	420,138
Al Mouakhah Lil Khadamat Al-Logisteih Wa Al-Itisalat	Dec 2021	6,376	–
		688,030	893,397



IMPAIRMENT TESTING

The Group determines whether goodwill or intangible assets with indefinite useful lives are impaired, at least on an annual basis. This requires an estimation of the recoverable amount of the CGUs to which these items are allocated. The recoverable amount is determined based on value-in-use calculations or fair value less cost to sell if that is higher.

The Group management used the following approach to determine values to be assigned to the following key assumptions in the value in use calculations:

Key assumption	Basis used to determine value to be assigned to key assumption
Growth rate	<p>Increase in competition expected but no significant change in market share of any CGU as a result of ongoing service quality improvements and expected growth in market penetration but excluding that from improving or enhancing the asset's performance.</p> <p>Average revenue in the period immediately before budget period increased each year for anticipated growth in revenue of up to 7.9% (2011 - 7.9%). Value assigned reflects past experience and changes in economic environment.</p> <p>Cash flows beyond the five-year period have been extrapolated using a growth rate of 2% (2011 - 2%). This growth rate does not exceed the long term average growth rate of the market in which the CGU operates.</p>
Exchange rate	Average market forward rate over the budget period. Value assigned is consistent with external sources of information.
Discount rate	Discount rates range from 15.8% to 20.6% (2011 - 15.8% to 18.6%) per annum. Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

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

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

13. OTHER ASSETS

(in thousands KD)	2012	2011
Due from an associate (refer note 8)	86,043	63,923
Others	16,186	28,267
	102,229	92,190

Others include:

- US\$ 40 million; equivalent to KD 11 million (2011 - KD 11 million) receivable from a founding shareholder in SMTC secured by an agreement to transfer to the Group the founding shareholder's shares in SMTC. The Group has initiated the process of legal action for its recovery.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

14. TRADE AND OTHER PAYABLES

(in thousands KD)	2012	2011
Trade payables	84,487	63,756
Accruals	184,635	163,307
Deferred revenue	60,006	60,981
Due to roaming partners	11,999	9,227
Due to other operators (interconnect)	8,539	6,221
Due to Government of Jordan	14,072	12,413
Taxes – foreign subsidiaries	38,703	52,133
Kuwait Foundation for the Advancement of Sciences	10,414	12,890
National Labour Support Tax and Zakat	6,489	5,126
Dividend payable	13,595	13,705
Provisions	75,617	83,141
Directors' remuneration	430	430
Other payables	26,128	23,211
	535,114	506,541

15. DUE TO BANKS

(in thousands KD)	2012	2011
MTC (the Parent Company)		
Bank overdraft	–	16,698
Short-term loans	146,068	153,993
Long-term loans	291,200	63,081
	437,268	233,772
JMTS - Jordan		
Long-term loan	12,381	17,198
Zain - Bahrain		
Bank overdraft	6,907	619
Zain - Sudan		
Short-term loans	–	4,971
Long-term loans	–	74,706
	–	79,677
Al Mouakhah Lil Khadamat Al-Logisteih Wa Al-Itisalat - Jordan		
Long-term loans	1,426	–
Atheer - Iraq		
Bank overdraft	11,236	13,906
Short-term loan	84,270	83,490
Long-term loan	98,304	111,320
	193,810	208,716
	651,792	539,982



The current and non-current accounts are as follows:

(in thousands KD)	2012	2011
Current liabilities	270,656	313,823
Non-current liabilities	381,136	226,159
	651,792	539,982

The Group's borrowings reprice within six months.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

(in thousands KD)	2012	2011
US dollar	593,624	442,488
Euro	–	79,677
Saudi Arabian riyal	37,454	–
Jordanian dinar	13,807	17,198
Others	6,907	619
	651,792	539,982

The effective interest rate as at 31 December 2012 was 1.61% to 8.71% (2011 - 1.29% to 4.8%) per annum.

The Group is compliant with the principal covenant ratios, which include:

- Consolidated net borrowings to adjusted consolidated Earnings Before Interest Tax Depreciation and Amortisation (EBITDA);
- Adjusted consolidated EBITDA to consolidated net interest payable;
- Equity to total assets;
- Net debt to EBITDA.

MTC

During the year, the Parent Company:

- Obtained short-term loans of US\$ 267.667 million (KD 75.375 million) and SAR 500 million (KD 37.454 million);
- Obtained a long-term loan of US\$ 175 million (KD 49 million) repayable within three years from the date of the facility. Balance outstanding as of 31 December 2012 was US\$ 170 million (KD 47.753 million);
- Extended the maturity of a short-term loan of US\$ 120 million (KD 33.708 million) availed in 2011 to 2013;
- Repaid the short-term loan of US\$ 433.33 million (KD 120 million) availed in March 2011.

In March 2011, the Parent Company secured a revolving credit facility of US\$ 866.67 million from a consortium of foreign banks. The revolving credit facility has been classified as non-current since the Parent Company has complied with the conditions to extend the repayment date by further two years till March 2014. As of 31 December 2012, US\$ 866.67 million (KD 243.447 million) (2011- KD 63.081 million) was outstanding from this revolving credit facility.

The above facilities carry a floating interest rate of a fixed margin over London Inter-Bank Offer Rate (LIBOR) or SIBOR.

ZAIN JORDAN

This represents JD 50 million unsecured loan obtained in 2010 payable in eight equal installments starting December 2011. As of 31 December 2012, JD 31.25 million (KD 12.381 million) (2011 - KD 17.198 million) was outstanding on this credit facility. This facility carries a floating interest rate in the range of 5% - 7% per annum.

ZAIN – BAHRAIN

The overdraft facility is denominated in Bahraini dinar.

ZAIN SUDAN

During the year, all euro-denominated loans equivalent to KD 82 million were repaid.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

ATHEER

In April 2011, Atheer availed a long-term loan amounting to US\$ 400 million from a syndicate of international development finance institutions and foreign banks, which was guaranteed by the Parent Company. This facility is repayable in 24 equal installments by January 2018. As of 31 December 2012, US\$ 349.96 million (KD 98.303 million) (2011- KD 111.320 million) was outstanding from this facility

Short-term loan represents US Dollar credit facilities guaranteed by the Parent Company. During the year, the maturity of the loan was renewed for another year.

The overdraft facility is denominated in US dollar and is guaranteed by the Parent Company.

The above facilities carry a floating interest rate of a fixed margin over LIBOR.

AL MOUAKHAH LIL KHADAMAT AL-LOGISTEIH WA AL-ITISALAT, JORDAN

This represents a long-term loan availed in 2011 and is repayable in semi-annual installments from March 2013 until September 2016. This facility carries a fixed margin over the prime lending rate.

16. OTHER NON-CURRENT LIABILITIES

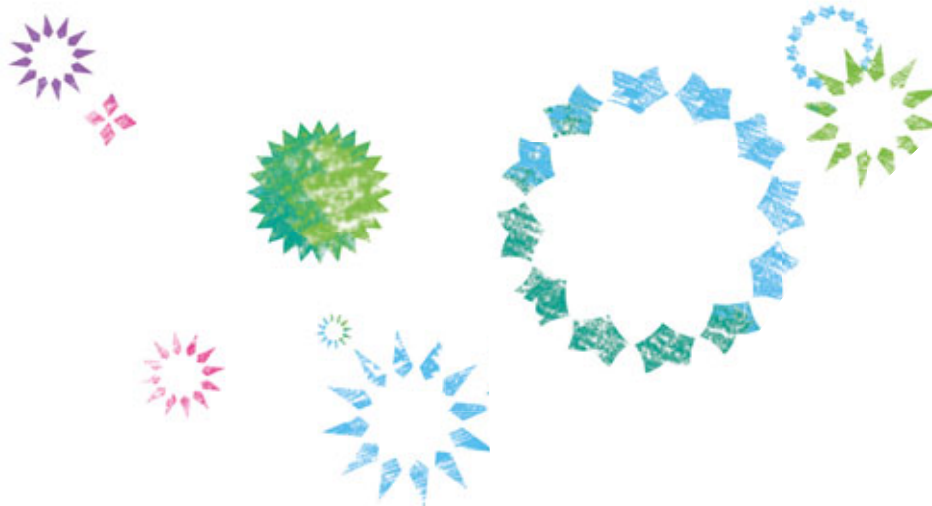
(in thousands KD)	2012	2011
Customer deposits	5,244	5,515
Post-employment benefits	26,284	27,883
Refundable deposits and others	1,803	1,775
	33,331	35,173

17. SHARE CAPITAL AND RESERVES

Share capital (par value of KD 0.100 per share)	2012 No of Shares	2011 No of Shares
Authorised		
Opening balance	4,331,982,637	4,315,097,117
Net (decrease)/increase for Employee Share Option Plan (ESOP)	(9,407,742)	16,885,520
	4,322,574,895	4,331,982,637
Issued and fully paid up		
Opening balance	4,307,534,661	4,297,426,891
Shares issued for 2008 ESOP	–	2,350,202
Shares issued for 2009 ESOP	2,202,064	3,120,596
Shares issued for 2010 ESOP	3,823,187	4,636,972
Shares issued for 2011 ESOP	1,714,954	–
	4,315,274,866	4,307,534,661

At the extraordinary general meeting held on 12 April 2012, the Parent Company's shareholders approved the decrease in authorized share capital by 18,422,725 shares and then to increase it by 9,014,983 shares to 4,322,574,895 shares, subject to regulatory approval.

At the extraordinary general meeting held on 12 April 2011, the Parent Company's shareholders approved the decrease in authorized share capital by 7,562,456 shares and then to increase it by 24,447,976 shares to 4,331,982,637 shares.



SHARE PREMIUM

Increase in share premium during the year represents issue of ESOP shares at a premium.

TREASURY SHARES

	2012	2011
Number of shares	425,711,648	425,711,648
Percentage of issued shares	9.87%	9.88%
Market value (KD '000)	332,055	383,140
Cost (KD '000)	567,834	567,834

These shares were acquired based on an authorization granted to the Board of Directors by the shareholders and in accordance with Ministerial Decrees No.10 of 1987 and No. 11 of 1988. Reserves equivalent to the cost of treasury shares held are not distributable.

LEGAL RESERVE

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of the profit for the year, subject to a maximum of 50% of the share capital, has been appropriated toward legal reserve. This reserve can be utilized only for distribution of a maximum dividend of 5% in years when retained earnings are inadequate for this purpose.

VOLUNTARY RESERVE

The Parent Company's Articles of Association provide for the Board of Directors to propose appropriations to voluntary reserve up to a maximum of 50% of its share capital. During the year, the Board of Directors did not propose any transfer (2011 - Nil).

FOREIGN CURRENCY TRANSLATION RESERVE

This reserve increased during the year due to a significant decline in the exchange rate of the Sudanese pound.

DIVIDEND – 2011

The annual general meeting of shareholders for the year ended 31 December 2011 held on 29 March 2012 approved distribution of cash dividends of 65 fils per share for the year 2011.

PROPOSED DIVIDEND

The Board of Directors, subject to the approval of shareholders, recommends distribution of a cash dividend of 50 fils per share (2011 - 65 fils per share) to the registered shareholders as of the date of the Annual General Meeting.

18. REVENUE

(in thousands KD)	2012	2011
Airtime and subscription	1,258,113	1,291,429
Trading income	23,790	30,492
	1,281,903	1,321,921

19. INVESTMENT INCOME

(in thousands KD)	2012	2011
Gain/(loss) on investments at fair value through profit or loss	139	(1,699)
Realised (loss)/gain from available for sale investments	(1,683)	1,763
Impairment loss on available for sale investments	(8,555)	(1,076)
Dividend income	1,288	1,752
	(8,811)	740

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

20. NATIONAL LABOUR SUPPORT TAX AND ZAKAT

(in thousands KD)	2012	2011
NLST - Kuwait	4,459	3,749
Zakat - Kuwait	1,784	1,500
Zakat - Sudan	3,908	3,621
	10,151	8,870

National Labour Support Tax and Zakat in Kuwait represents taxes payable to Kuwait's Ministry of Finance under National Labour Support Law No. 19 of 2000 and Zakat Law No.46 of 2006, respectively.

21. INCOME TAX EXPENSES

This represents the income tax expenses of subsidiaries and withholding taxes (refer note 24).

22. EARNINGS PER SHARE

Basic and diluted earnings per share based on weighted average number of shares outstanding during the year are as follows:

(in thousands KD)	2012	2011
From continuing operations	252,145	268,546
From discontinued operations	–	16,320
	252,145	284,866
	Shares	Shares
Weighted average number of shares in issue	3,889,563,218	3,881,823,013
Effect of dilution (ESOP - note 23)	6,700,513	6,160,133
Weighted average number of shares in issue outstanding during the year adjusted for the effect of dilution	3,896,263,731	3,887,983,146
	Fils	Fils
Basic earnings per share		
From continuing operations	65	69
From discontinued operations	–	4
	65	73
Diluted earnings per share		
From continuing operations	65	69
From discontinued operations	–	4
	65	73

23. SHARE-BASED COMPENSATION PLANS

KUWAIT

At an Extraordinary General Meeting held on 29 March 2007 the Parent Company's shareholders approved an amendment to the Parent Company's articles of association to permit issue of employee stock options in accordance with a scheme approved by its Board of Directors.



The total number of shares to be granted under the scheme, or Employee Share Option Plan (ESOP) is not to exceed 10% of the issued shares over 10 years. The shares to be allotted under the scheme are provided either through a capital increase and issue of new shares or from the treasury shares held by the Parent Company. The ESOP scheme is available only to employees who hold certain specified posts within the Group. Eligible employees are granted the option to purchase a predetermined number of Parent Company's shares at a specified exercise price as follows:

	2009 Plan		2010 Plan		2011 Plan		2012 Plan	
	Numbers	Weighted average exercise price (KD)	Numbers	Weighted average exercise price (KD)	Numbers	Weighted average exercise price (KD)	Numbers	Weighted average exercise price (KD)
Granted	16,843,774	0.672	14,076,900	0.816	4,502,949	0.295	5,609,092	0.295
Exercised in 2009	–		–		–		–	
Stock options outstanding at 31 Dec 2009	16,843,774	0.624	–		–		–	
Exercised in 2010	(5,542,650)	0.624	–		–		–	
Additional shares granted	1,002,522		–		–		–	
Stock options forfeited	(6,286,735)		(1,500)		–		–	
Stock options outstanding at 31 Dec 2010	6,016,911	0.467	14,075,400	0.816	–		–	
Additional shares granted/ option regranted	344,286		275,900		–		–	
Exercised in 2011	(3,120,596)	0.467	(4,636,972)	0.658	–		–	
Stock options forfeited	(1,004,294)		(1,888,775)		–		–	
Stock options outstanding at 31 Dec 2011	2,236,307	0.278	7,825,553	0.470	–		–	
Exercised in 2012	(2,202,064)	0.278	(3,823,187)		(1,714,954)		–	
Stock options forfeited	(34,243)		(468,630)		(11,212)		–	
Stock options outstanding at 31 Dec 2012	–		3,533,736	0.470	2,776,783	0.234	5,609,092	0.295
Stock options exercisable as at 31 Dec 2012	–		3,533,736		–		2,813,388	
Weighted average remaining contractual life (in years)	–		–		2		3	
Weighted average share price of options exercised during the year	0.760		0.760		0.760		–	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

The Group has determined the fair value of the share options granted using the Black-Scholes valuation model. The expected volatility used in the model is the standard deviation of expected share prices based on statistical analysis of daily share prices over the last three years.

2009 PLAN

The Parent Company granted 16,843,774 shares at an exercise price of KD 0.672 per share. The options vest over three years at the rate of 33%, 33% and 34% each year, beginning 1 January 2010 exercisable from the date of vesting and up to three years from the service date. The fair value of these options was KD 0.302 per share with a total fair value of KD 5,086,819. The significant inputs into the fair value model were a share price of KD 0.840 - the market price at the grant date 1 January 2009, the exercise price shown above, volatility of 5%, dividend yield of nil (due to the ESOP terms), option life of three years and an annual interest rate of 5%.

During the year, the Group recognised total expenses of KD Nil (2011 - KD 579,000) related to this plan.

2010 PLAN

The Parent Company granted 14,076,900 shares at an exercise price of KD 0.816 per share. The options vest over three years at the rate of 33%, 33% and 34% each year, beginning 1 January 2011 exercisable from the date of vesting and up to three years from the service date. The fair value of these options was KD 0.317 per share with a total fair value of KD 4,461,902. The significant inputs into the fair value model were a share price of KD 1.020 - the market price at the grant date 1 January 2010, the exercise price shown above, volatility of 5%, dividend yield of nil (due to the ESOP terms), option life of three years and an annual interest rate of 5%.

During the year, the Group recognised total expenses of KD 506,000 (2011 - KD 1,242,000) related to this plan.

2011 PLAN

The Parent Company granted 4,502,949 shares at an exercise price of KD 0.295 per share. The options vest over three years at the rate of 33%, 33% and 34% each year, beginning 31 December 2012 exercisable from the date of vesting and up to three years from the service date. The fair value of these options was KD 0.592 per share with a total fair value of KD 2,666,000. The significant inputs into the fair value model were a share price of KD 0.870 - the market price at the grant date 26 December 2011, the exercise price shown above, volatility of 5%, dividend yield of nil (due to the ESOP terms), option life of three years and an annual interest rate of 1.93%.

During the year, the Group recognised total expenses of KD 1,704,000 (2011 - KD 1,242,000) related to this plan.

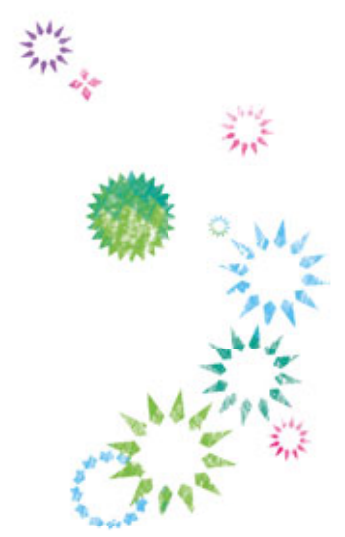
2012 PLAN

The Parent Company granted 4,529,092 shares at an exercise price of KD 0.295 per share. The options vest over three years at the rate of 33%, 33% and 34% each year, beginning 1 January 2013 exercisable from the date of vesting and up to three years from the service date. The fair value of these options was KD 0.622 per share with a total fair value of KD 2,816,000. The significant inputs into the fair value model were a share price of KD 0.900 - the market price at the grant date 1 January 2012, the exercise price shown above, volatility of 5%, dividend yield of nil (due to the ESOP terms), option life of three years and an annual interest rate of 1.93%. The Parent Company has also approved issue of an additional 1,080,000 shares at exercise price of KD Nil which vest on the date of approval. During the year, the Group recognised total expenses of KD 2,642,000 (2011 - KD Nil) related to this plan.

The average market price per share of the Parent Company for the year ended 31 December 2012 was KD 0.760 (2011 - KD 1.102).

24. SEGMENT INFORMATION

The Parent Company and its subsidiaries operate in a single business segment, telecommunications and related services. Apart from its main operations in Kuwait, the Parent Company also operates through its foreign subsidiaries in Jordan, Bahrain, Lebanon, Sudan (North and South) and Iraq. Based on the quantitative thresholds, the Group has identified its operations in Kuwait, Jordan, Sudan and Iraq as the basis for disclosing the segment information.



(in thousands KD)	31-Dec-12					
	Kuwait	Jordan	Sudan	Iraq	Others	Total
Segment revenues	331,878	142,477	255,733	484,657	67,158	1,281,903
Net profit before interest and tax	114,174	44,003	11,452	138,265	9,290	317,184
Interest income	6	982	3,957	913	906	6,764
Finance cost	–	(1,144)	(8,915)	(15,490)	(466)	(26,015)
Income tax expense	–	(9,445)	(9,368)	(20,427)	(1,008)	(40,248)
	114,180	34,396	(2,874)	103,261	8,722	257,685
Unallocated items:						
Investment income						(8,811)
Share of loss of associates						(41,053)
Share of profit of a jointly controlled entity						9,479
Others						62,892
Profit for the year - continuing operations						280,192
Profit for the year - discontinued operations						–
Profit for the year						280,192
Segment assets	219,313	235,890	611,992	1,016,628	146,345	2,230,168
Unallocated items:						
Investment securities at fair value through profit or loss						2,693
Investment securities available for sale						48,659
Investment in associates						246,023
Interest in a jointly controlled entity						54,819
Loans to associates						145,832
Others						202,797
Consolidated assets						2,930,991
Segment liabilities	77,623	51,795	260,098	252,496	91,108	733,120
Unallocated items:						
Due to banks						651,792
Others						(164,675)
Consolidated liabilities						1,220,237
Net consolidated assets						1,710,754
Capital expenditure incurred during the year	55,774	13,618	56,460	41,929	22,050	189,831
Unallocated						124
Total capital expenditure						189,955
Depreciation and amortization	43,265	19,770	41,352	68,833	16,403	189,623
Unallocated						3,424
Total depreciation and amortization from continuing operation						193,047

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FOR THE YEAR ENDED 31 DECEMBER 2012

(in thousands KD)	31-Dec-11					
	Kuwait	Jordan	Sudan	Iraq	Others	Total
Segment revenues	344,161	139,532	301,151	446,370	90,707	1,321,921
Net profit before interest and tax	128,467	46,732	90,046	134,520	19,182	418,947
Interest income	3	1,057	3,710	1,088	141	5,999
Finance cost	–	(1,033)	(5,413)	(21,141)	–	(27,587)
Income tax expense	–	(10,478)	(16,383)	(18,418)	(1,527)	(46,806)
	128,470	36,278	71,960	96,049	17,796	350,553
Unallocated items:						
Investment income						740
Share of loss of associates						(35,507)
Share of profit of a jointly controlled entity						5,872
Others						(20,450)
Profit for the year - continuing operations						301,208
Profit for the year - discontinued operations						16,320
Profit for the year						317,528
Segment assets	215,766	240,688	981,830	926,802	76,194	2,441,280
Unallocated items:						
Investment securities at fair value through profit or loss						5,879
Investment securities available for sale						62,470
Investment in associates						81,131
Interest in a jointly controlled entity						44,871
Loans to associates						190,166
Others						461,437
Consolidated assets						3,287,234
Segment liabilities	76,669	37,665	333,699	108,433	27,599	584,065
Unallocated items:						
Due to banks						539,982
Others						(42,351)
Consolidated liabilities						1,081,696
Net consolidated assets						2,205,538
Capital expenditure incurred during the year	41,386	11,406	82,076	167,693	10,121	312,682
Unallocated						618
Total capital expenditure						313,300
Depreciation and amortization	32,914	17,614	41,874	66,552	8,149	167,103
Unallocated						3,597
Total depreciation and amortization from continuing operation						170,700



25. RELATED PARTY TRANSACTIONS

The Group has entered into transactions with related parties on terms approved by management. Transactions and balances with related parties (in addition to those disclosed in other notes) are as follows:

TRANSACTIONS

(in thousands KD)	2012	2011
Transactions		
Management fees (included in other income)	12,897	13,306
Interest income on loans to associates	8,830	11,109
Key management compensation		
Salaries and other short-term employee benefits (refer note below)	8,393	8,004
Post-employment benefits	2,321	2,503
Share based payments	1,440	416

In 2011, the Group reversed KD 20.057 million from the opening balance provision (net of KD 1.1 million foreign currency translation adjustments) of key management compensation. Of this amount, KD 16.320 million was released in discontinued operations and the balance in continuing operations.

26. COMMITMENTS AND CONTINGENCIES

(in thousands KD)	2012	2011
Capital commitments	61,909	109,049
Capital commitments - share of associates	20,320	7,712
Uncalled share capital of investee companies	156	276
Letters of credit	28,872	66,558
Letters of guarantee	322,931	317,889

The above include guarantees/letters of credit amounting to US\$ 1.027 billion (KD 289 million) (2011 - KD 325 million) relating to a loan and other vendor financing availed by SMTC.

The Parent Company is a guarantor for credit facilities of US\$ 35 million (KD 10 million) (2011 - KD 10 million) granted to a founding shareholder in SMTC. The Parent Company believes that the collaterals provided by the founding shareholder to the bank covers the credit facilities.

The Iraq income tax authority, the General Commission for Taxes (the "Tax Authority"), has raised claims for additional income taxes of US\$ 65 million (KD 18 million) for Atheer's operations up to fiscal year 2007. The Group has reviewed these claims and has filed an appeal denying liability for these additional tax claims on the basis that they are arbitrary, and contrary to the applicable Iraqi tax law.

On 6 March 2011, the Iraqi Telecom Regulatory Authority and the Communication and Media Commission (CMC) claimed a total amount of US\$ 262 million (KD 74 million) (US\$ 100 million as a fine and US\$ 162 million as the CMC's portion of the revenue share) (31 December 2011 - US\$ 262 million) from Atheer citing non-compliance with certain license terms. In response to the appeal made by Atheer, the Board of Appeals of the CMC issued an order dated 30 January 2012 which annulled the above claim and asked the CMC to review it again and determine the amounts that should be paid by Atheer. In March 2012, the CMC again demanded payment of US\$ 262 million. Atheer has appealed against this demand by citing the CMC's Board of Appeals order dated 30 January 2012 for cancellation of the penalty charged and its re-assessment.

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Furthermore, CMC has also levied a penalty of US\$ 18 Million (KD 5 million) (31 December 2011 - US\$ 18 million) citing breach of network quality covenants. The Group believes that it has complied with the license terms and the network quality covenants and that it has strong meritorious defenses against these claims.

In 2007, Atheer acquired Iraqna Company for Mobile Phone Services Limited (Iraqna) from Orascom Telecom Iraq Corp. Limited (the Seller). Under the terms of the Share Purchase Agreement (SPA), the Seller is responsible for all income tax payable by Iraqna up to the Closing Date of the SPA. The Tax Authority has raised claims for additional corporate income taxes of US\$ 89 million (KD 25 million) for Iraqna up to 2007. Atheer has reviewed these claims and has filed appeals denying liability for these claims on the basis that they are arbitrary and contrary to the applicable Iraqi tax law. Atheer also has a contingent asset, in the form of a right, under the SPA to make claims against the Seller for Iraqna tax claims upto US\$ 60 million (KD 17 million).

The Tax Authority has also claimed from Atheer the capital gains taxes payable by the Seller amounting to US\$ 187 million (KD 53 million) arising on sale of Iraqna to Atheer and instructed the various banks in Iraq to block Atheer's bank balances with them to the extent of an equivalent amount. Atheer filed legal action in Iraqi courts requesting an order preventing the Tax Authority from continuing to block Atheer's bank accounts or claim the amount of the capital gains tax from Atheer.

On 13 November 2012, the Court of First Instance of Rusafah, passed a decision in favour of Atheer canceling the capital gains tax claim and to release the freeze on Atheer's bank account. The Tax Authority appealed against this decision in the Court of Appeals, and the Court of Appeals issued an order on 9 December 2012 affirming the Court of First Instance of Rusafah's decision and ordered the Tax Authority to release the freeze on Atheer's bank accounts and to claim the capital gains tax from the Seller and not from Atheer or Iraqna. In January 2013, the Tax Authority filed an appeal against this order with the Court of Cassation of Iraq. In February 2013, Iraq's Ministry of Finance issued an order to limit the amount blocked to the extent of claim of US\$ 187 million (KD 53 million) and to release the balance amounts (refer to note 4).

The Group expects a favorable outcome on this matter and does not consider that these matters could have an adverse impact on the Group's business or its operations in Iraq.

Under the Share Sale Agreement (SSA) of Zain Africa BV, the Group is contingently liable for taxation claims and amounts that may be due for unprovided litigation claims after the first closing date.

In addition, legal proceedings have been initiated by and against the Group in a number of jurisdictions. On the basis of information currently available and the advice of the legal advisors, Group management is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position or the consolidated performance of the Group.

OPERATING LEASE COMMITMENTS – GROUP AS LESSEE

The Group leases various branches, offices and transmission sites under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(in thousands KD)	2012	2011
Not later than 1 year	6,935	4,416
Later than 1 year and no later than 5 years	27,399	16,815
Later than 5 years	26,288	5,562
	60,622	26,793



27. FINANCIAL RISK MANAGEMENT

The Group's financial assets have been categorized as follows:

(in thousands KD)	Loans and receivables	Assets at fair value through profit and loss	Available for sale
31 December 2012			
Cash and bank balances	302,609	–	–
Trade and other receivables	319,109	–	–
Investment securities	–	2,693	48,659
Loans to associates	145,832	–	–
Other assets	97,382	–	–
	864,932	2,693	48,659
31 December 2011			
Cash and bank balances	404,764	–	–
Trade and other receivables	332,843	–	–
Investment securities	–	5,879	62,470
Loans to associates	190,166	–	–
Other assets	91,753	–	–
	1,019,526	5,879	62,470

All financial liabilities as of 31 December 2012 and 31 December 2011 are categorized as "other than at fair value through profit or loss."

Financial risk factors

The Group's use of financial instruments exposes it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Group continuously reviews its risk exposures and takes measures to limit them to acceptable levels. The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework and developing and monitoring the risk management policies in close co-operation with the Group's operating units. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Group's Board Committee oversees how management monitors compliance with the risk management policies and procedures and reviews adequacy of the risk management framework in relation to the risks faced by the Group. The Board Committee is assisted in its oversight role by the internal audit and the Group risk management department. The significant risks that the Group is exposed to are discussed below:

(a) Market risk

(i) Foreign exchange risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group management has set up a policy that requires Group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

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The Group is primarily exposed to foreign currency risk as a result of foreign exchange gains/losses on translation of foreign currency denominated assets and liabilities such as trade and other receivables, trade and other payables and due to banks. The impact on the post-tax consolidated profit arising from a 10% weakening/strengthening of the functional currency against the major currencies to which the Group is exposed is given below:

Currency (in thousands KD)	2012	2011
US dollar	16,624	24,051
Euro	1,841	11,720
SAR	3,738	-

(ii) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to an individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity securities price risk because of investments held by the Group and classified in the consolidated statement of financial position either as "available for sale" or "at fair value through profit or loss". The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments are primarily quoted on the Kuwait Stock Exchange. The effect on the consolidated profit as a result of changes in fair value of equity instruments classified as "at fair value through profit or loss" and the effect on equity of equity instruments classified as "available for sale" arising from a 5% increase/decrease in equity market index, with all other variables held constant is as follows:

Market indices (in thousands KD)	2012		2011	
	Impact on net profit	Effect on equity	Impact on net profit	Effect on equity
Kuwait Stock Exchange	±135	±1,956	±294	±2,586

Profit for the year would increase/decrease as a result of gains/losses on equity securities classified as "at fair value through profit or loss". Equity would increase/decrease as a result of gains/losses on equity securities classified as "available for sale".

(iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from short-term bank deposits and bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2012 and 2011, the Group's borrowings at variable rates were denominated mainly in US dollar, Bahraini dinar, euro, SAR and Jordanian dinar.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on consolidated statement of income of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions. The Group manages interest rate risk by monitoring interest rate movements and by using Interest Rate Swaps to hedge interest rate risk exposures.

At 31 December 2012, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, consolidated profit for the year would have been lower/higher by KD 2,249,000 (2011 - KD 2,237,000).



b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist principally of fixed and short notice bank deposits, bonds, trade and other receivables and loans to associates. The Group manages this risk by placing fixed and short-term bank deposits with high credit rating financial institutions. Credit risk with respect to trade receivables is limited due to dispersion across large number of customers and by using experienced collection agencies. The Group considers the credit quality of amounts that are neither past due nor impaired to be high.

For more information refer to Notes 4, 5, 10 and 13.

(c) Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its funding requirements. The Group manages this risk by maintaining sufficient cash and marketable securities, availability of funding from committed credit facilities and its ability to close out market positions on short notice. The Parent Company's Board of Directors increases capital or borrowings based on ongoing review of funding requirements.

The Group has committed to provide working capital and other financial support to some of its affiliates (refer to note 3).

Other than cash and bank balance of KD 64.2 million (2011 - KD 108.6 million) equivalent held in Sudanese pounds and KD 6.4 million (2011- KD Nil) held in South Sudanese pounds, all other cash and bank balance are maintained in freely convertible currencies.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

(in thousands KD)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December 2012				
Bank borrowings	277,209	320,952	62,683	15
Trade and other payables	399,491	–	–	–
Customer deposits	–	628	–	4,616
Refundable deposit	–	1,803	–	–
At 31 December 2011				
Bank borrowings	322,506	147,030	70,241	19,069
Trade and other payables	362,419	–	–	–
Customer deposits	–	1,491	–	4,024
Refundable deposit	–	1,775	–	–

28. DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Group uses derivative financial instruments to manage its exposure to fluctuations in interest and foreign exchange rates. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index.

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

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The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data.

(in thousands KD)		Notional amounts by term to maturity				
At 31 December 2012	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 -12 months	Over 1 year
Derivatives held for hedging:						
Cash flow hedges	-	-	-	-	-	-
Commission rate swaps - share of an associate	-	-	-	-	-	-
	-	-	-	-	-	-
At 31 December 2011	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 -12 months	Over 1 year
Derivatives held for hedging:						
Cash flow hedges	-	(849)	153,733	153,733	-	-
Commission rate swaps - share of an associate	-	-	-	-	-	-
	-	(849)	153,733	153,733	-	-

Interest rate swaps are contractual agreements between two parties to exchange interest based on notional value in a single currency for a fixed period of time. The Group uses interest rate swaps to hedge changes in interest rate risk arising from floating rate borrowings.

29. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide return on investment to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In managing capital, the Group considers the financial covenants in various loan agreements that require the Group to maintain specific levels of debt-equity and leverage ratios.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

The gearing ratios at the consolidated statement of financial position dates were as follows:

(in thousands KD)	2012	2011
Total borrowings	651,792	539,982
Less: Cash and bank balances (refer note 4)	(302,609)	(404,764)
Net debt	349,183	135,218
Total equity	1,710,754	2,205,538
Total capital	2,059,937	2,340,756
Gearing ratio	17%	6%

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values of financial instruments are not significantly different from their carrying values. For financial assets and liabilities that are liquid or having a short-term maturity or with variable interest rate, it is assumed that the carrying amounts approximate their fair value.

Determination of fair value and fair value hierarchy:

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

- Level 1: Quoted (unadjusted) prices in active market for the same instrument;
- Level 2: Quoted prices in active market for similar instruments or other valuation techniques for which all significant inputs are based on observable market data; and
- Level 3: Valuation techniques for which any significant input is not based on observable market data.

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets:

(in thousands KD)	At 1 January 2012	Gain/(loss) recorded in the statement of income	Gain/(loss) recorded in statement of comprehensive income	Other movements	At 31 December 2012
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Investment securities available for sale:

Unquoted securities/funds (net of impairment losses)	8,234	–	–	(500)	7,734
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(in thousands KD)	At 1 January 2011	Gain/(loss) recorded in the statement of income	Gain/(loss) recorded in statement of comprehensive income	Other movements	At 31 December 2011
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Investment securities available for sale:

Unquoted securities/funds (net of impairment losses)	9,641	(661)	–	(746)	8,234
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31. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In accordance with the accounting policies contained in IFRS and adopted by the Group, management makes the following judgments and estimations that may significantly affect amounts reported in these consolidated financial statements.

JUDGMENTS

Business combinations

To allocate the cost of a business combination, management exercises significant judgment to determine identifiable assets and liabilities and contingent liabilities whose fair value can be reliably measured, to determine provisional values on initial accounting and final values of a business combination and to determine the amount of goodwill and the Cash Generating Unit to which it should be allocated.

Classification of investments

On acquisition of an investment, management has to decide whether it should be classified as "at fair value through profit or loss," "available for sale" or as "loans and receivables." In making that judgment the Group considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgment determines whether it is subsequently measured at cost or at fair value and if the changes in fair value of instruments are reported in the statement of income or directly in equity.

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Impairment

When there is a significant or prolonged decline in the value of an "available for sale" quoted investment, security management uses objective evidence to judge if it may be impaired. At each statement of financial position date, management assesses whether there is any indication that inventories, property and equipment, goodwill and intangible assets may be impaired. The determination of impairment requires considerable judgment and involves evaluating factors including industry and market conditions.

Contingent liabilities/liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgment.

SOURCES OF ESTIMATION UNCERTAINTY

Fair values - unquoted equity investments and business combinations

The valuation techniques for unquoted equity investments and identifiable assets, liabilities and contingent liabilities arising in a business combination make use of estimates such as future cash flows, discount factors, yield curves, current market prices adjusted for market, credit and model risks and related costs and other valuation techniques commonly used by market participants where appropriate.

Accounts receivable

The Group estimates an allowance for doubtful receivables based on past collection history and expected cash flows from debts that are overdue.

Tangible and intangible assets

The Group estimates useful lives and residual values of tangible assets and intangible assets with definite useful lives.

Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes a liability for anticipated taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Any changes in the estimates and assumptions used as well as the use of different, but equally reasonable estimates and assumptions may have an impact on the carrying values of the deferred tax assets.

Goodwill

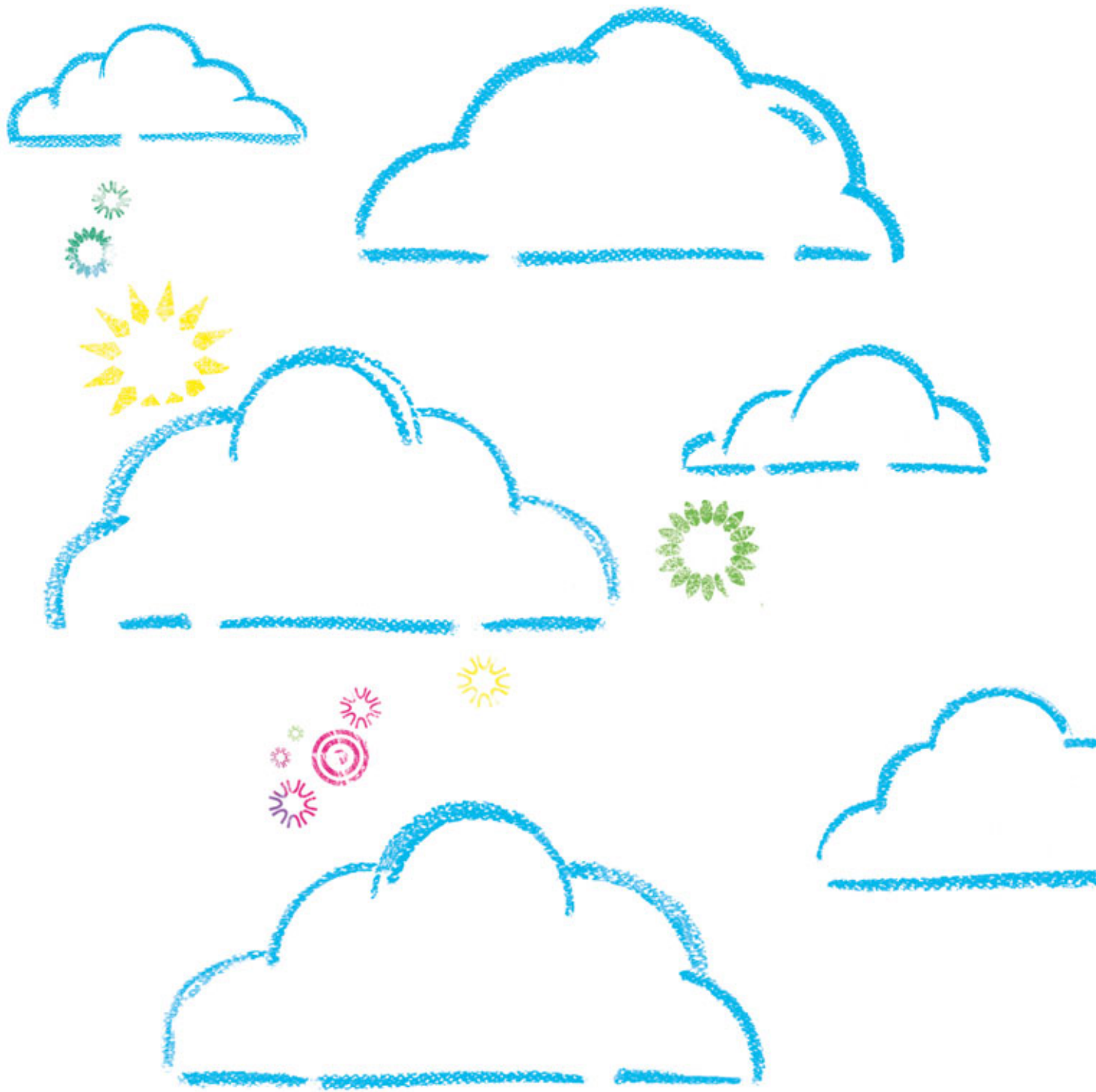
The Group annually tests whether goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amounts of Cash Generating Units are determined based on value-in-use calculations or at fair value less costs to sell. The fair value less cost to sell is based on recent/intended market transactions and the related EBITDA multiples used in such transactions. These calculations require the use of estimates.

Share based compensation

The fair valuation of ESOP requires significant estimates regarding the expected volatility of the share price, the dividends expected on the shares, the market interest rate for the life of the plan and the expected term of the option.

32. COMPARATIVE FIGURES

Certain prior year amounts have been reclassified to conform to current year presentation with no effect on net profit or equity.



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GLOSSARY

1. 2G (2nd Generation)	2G is short for the second-generation wireless telephone technology. 2G technologies enable faster data-transmission speeds, greater network capacity and more advanced network services.
2. 3G (3rd Generation)	3G is short for the third-generation wireless telephone technology. Voice is encoded as a digital bit stream, is less prone to interference and harder to clone.
3. ACCESS	GPRS/EDGE based internet access service.
4. ARPU (Average Revenue per User)	It's a measure of the revenue generated by one customer's phone, pager, etc. for a period typically per month or annum.
5. CDMA (Code Division Multiple Access)	CDMA is a method for describing physical radio channels. Data intended for a specific channel is modulated with that channel's code.
6. DSL (Digital Subscriber Line)	DSL is a family of technologies that provides digital data transmission over the wires of a local telephone network.
7. EDGE (Enhanced Data rates for GSM Evolution)	EDGE is a faster version of the Global System for Mobile Communications (i.e., GSM) wireless service and enables delivery of multimedia and other broadband applications to mobile phone and computer users through increased data transmission rates.
8. GPRS (General Packet Radio Service)	GPRS is used for WAP, MMS and internet communication. GPRS data transfer is typically charged per megabyte of traffic transferred, while data communication via traditional circuit switching is billed per minute of connection time, independent of whether the user actually is utilizing the capacity or is in an idle state.
9. GSM (Global System for Mobile Communications)	It's a digital mobile telephony system used by over 2 billion people across 212 countries in the world. GSM digitizes and compresses data, then sends it down a channel with two other streams of user data, each in its own time slot.
10. HSPA (High-Speed Packet Access)	HSPA is the set of technologies that enables 3G/WCDMA operators to upgrade their networks to run at broadband speeds. HSPA includes HSDPA (High Speed Downlink Packet Access), HSUPA (High Speed Uplink Packet Access) and HSPA+. In most HSPA networks, the end-user can expect to enjoy data throughput speeds of at least 1Mbps, with actual performance varying according to local conditions, the peak downlink speed of the network, which can reach 14.4 Mbps, and the peak uplink speed, which can reach 5.7Mbps.



11. LTE (Long Term Evolution)	Long Term Evolution (LTE) is a mobile network technology that is being deployed by mobile operators on both the GSM and the CDMA technology paths. Depending on the spectrum available, live LTE networks can deliver very fast data speeds of up to 100Mbps in the downlink and 50Mbps in the uplink.
12. MMS (Multimedia Messaging Services)	MMS is a standard for telephone messaging systems that allows sending messages including multimedia objects (images, audio, video and rich text). It's mainly deployed in cellular networks along with other messaging systems like SMS, Mobile Instant Messaging and Mobile E-mail.
13. MVNO (Mobile Virtual Network Operator)	It's a company that provides mobile phone service but does not have its own licensed frequency allocation of radio spectrum, nor does it necessarily have the entire infrastructure required to provide mobile telephone service.
14. SIM (Subscriber Identity Module)	Usually referred to as a SIM card, it contains relevant information that enables access to the subscribed operator's network.
15. SMS (Short Message Service)	A telecommunication protocol that allows the interchange of short text messages between mobile telephone devices.
16. UMTS (Universal Mobile Telecommunications System)	3rd generation wireless communications system that supports high-speed mobile multimedia services. UMTS will speed convergence between telecommunications, IT, media and content industries to deliver new services and create fresh revenues generating opportunities.
17. VOIP (Voice Over Internet Protocol)	VOIP is a protocol optimized for the transmission of voice through the internet or other packet switched networks. VOIP is often used abstractly to refer to the actual transmission of voice rather than the protocol implementing it.
18. WI-MAX (Worldwide Interoperability for Microwave Access)	A standard-based technology enabling the delivery of last-mile wireless broadband access as an alternative to cable and DSL.

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