

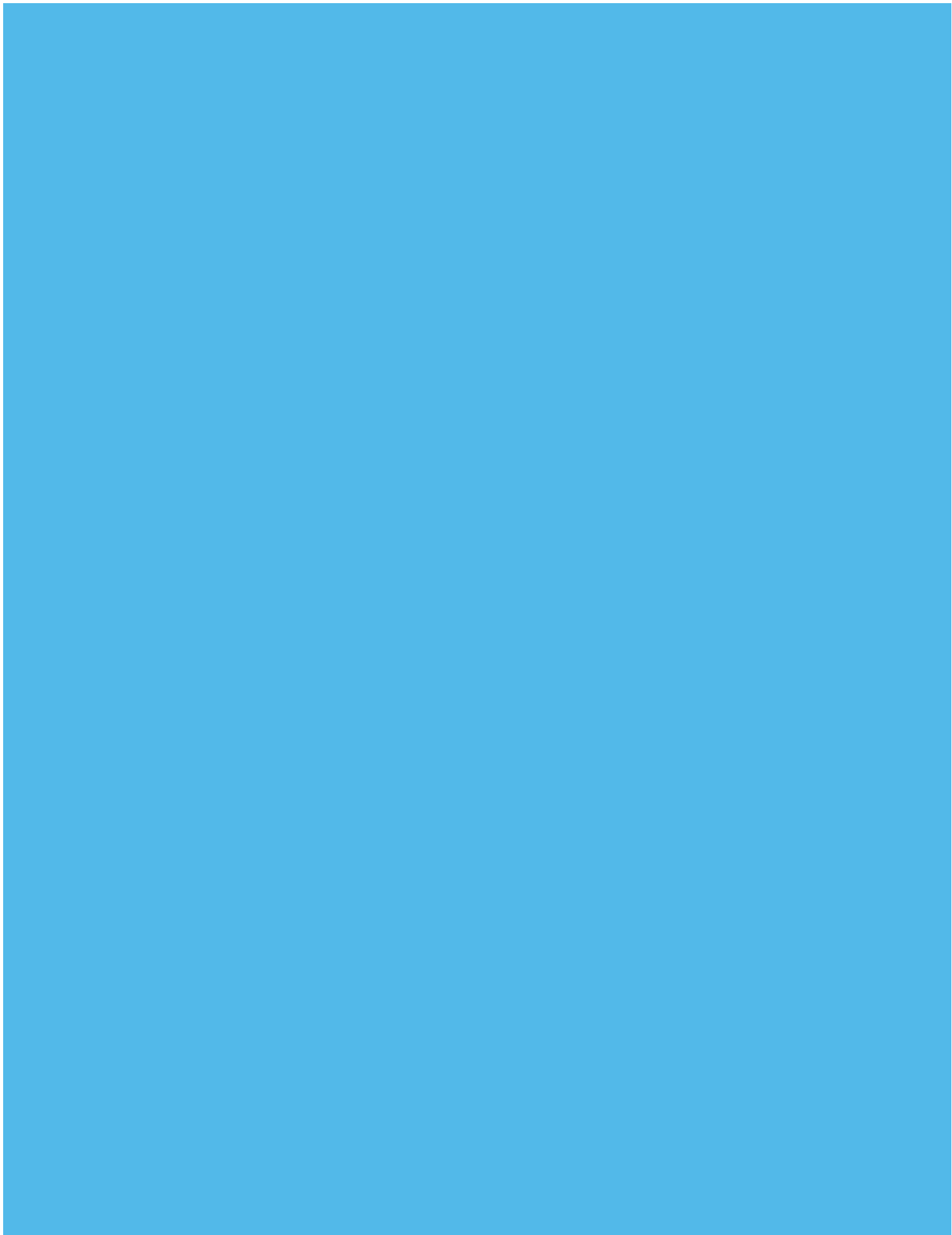
The background features a silhouette of a hiker with a backpack standing on a rocky mountain peak. The sky is a gradient of blue and green, with various geometric icons scattered across it, including sunbursts, circles of dots, and crescent shapes. The overall color palette is dominated by teal, blue, and yellow.

# 30 YEARS

OF TURNING GOALS INTO MILESTONES



ANNUAL REPORT 2013

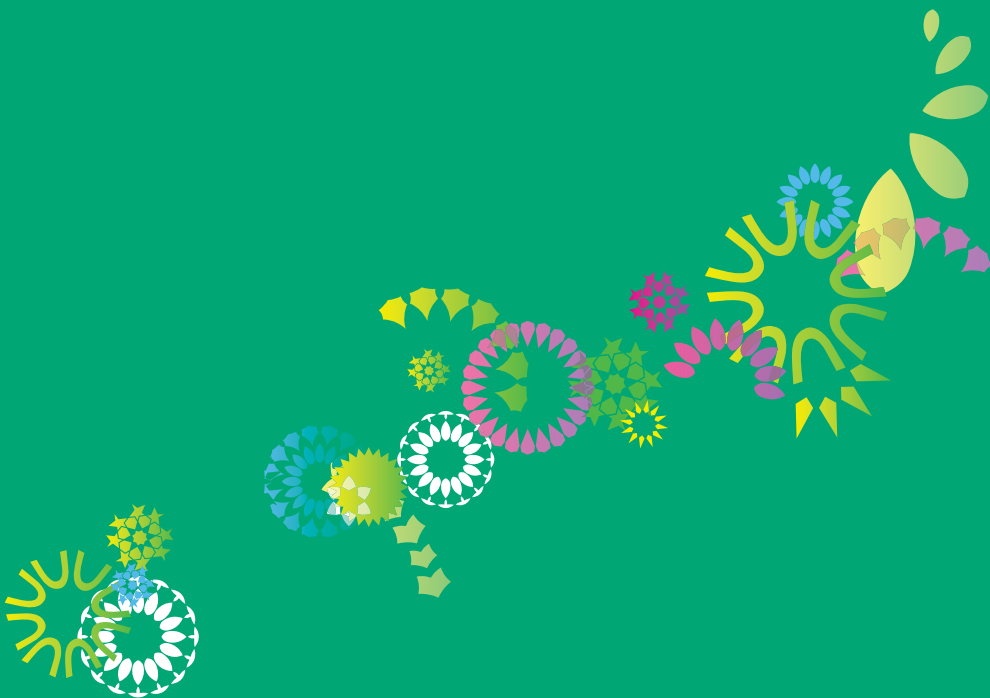




# 30 YEARS

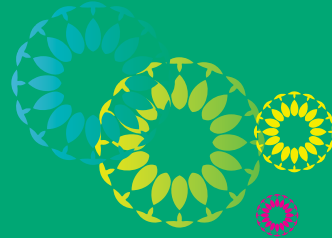
OF TURNING GOALS INTO MILESTONES







▶ H.H. SHEIKH SABAH AL-AHMAD  
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



**6**

▶ BOARD OF DIRECTORS

**8**

▶ CHAIRMAN'S MESSAGE

**10**

▶ CEO STATEMENT

**16**

▶ ZAIN AT A GLANCE

**18**

▶ KEY PERFORMANCE INDICATORS

**20**

▶ KEY MILESTONES

**24**

▶ SHARE PRICE EVOLUTION

**26**

▶ GROUP HIGHLIGHTS

**34**

▶ GROUP OVERVIEW 2013

# TABLE OF CONTENTS

36

▶ THE WORLD OF ZAIN

40

▶ OPERATIONS SNAPSHOT

58

▶ THE BRAND

68

▶ GROUP TECHNOLOGY

74

▶ PRODUCTS AND SERVICES

80

▶ CORPORATE SOCIAL RESPONSIBILITY

92

▶ CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

142

▶ CONTACT LIST





▼  
**MR. ASAAD AHMED  
AL-BANWAN**  
CHAIRMAN



▼  
**MR. ABDULAZIZ  
YAQOUB AL-NAFISI**  
DEPUTY CHAIRMAN



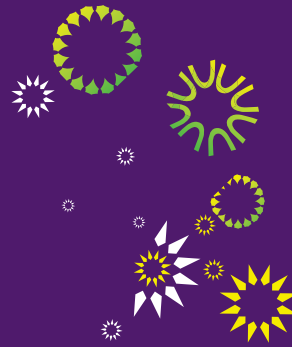
▼  
**MR. BADER NASSER  
AL-KHARAFI**  
BOARD MEMBER



▼  
**MR. WALEED  
ABDULLAH AL-ROUDAN**  
BOARD MEMBER



# BOARD OF DIRECTORS



▼  
**MS. SHAIKHA  
KHALED AL-BAHAR**

BOARD MEMBER



▼  
**MR. ABDULMOHSEN  
IBRAHIM AL-FARES**

BOARD MEMBER



▼  
**MR. JAMAL AHMED  
AL-KANDARY**

BOARD MEMBER



▼  
**MR. JAMAL SHAKER  
AL-KAZEMI**

BOARD MEMBER

# CHAIRMAN'S MESSAGE



Dear Shareholders,

During the course of 2013, Zain Group undertook and completed a number of milestone achievements, building on the pillars that have made this company such a formidable one across the Middle East and Africa.

The Board of Directors is fully aware of the many challenges and evolution of the telecommunications industry and is dealing with it in such an astute and flexible manner. We have closely aligned with management in transforming the operating model of all the Zain operations in order to face increased levels of competition. We are also implementing many operational initiatives aimed at extracting more synergies between our operations and optimizing efficiency in order to increase shareholder's value.

We invested significantly in our infrastructure, launching state-of-the-art networks as well as focusing on the rollout of new products and services to maintain the support and loyalty of our customer base. Our investment in capital expenditure (CAPEX) was up 10% year-on-year in 2013, reflecting Zain's commitment to innovation and quality of service.

We have made no secret about the geo-political challenges we have faced in some of our markets of operation, though the Zain spirit ensures we continue to offer the best operational service possible and look forward to a time when tensions in those markets will abate. Across our entire footprint, although strong competition is the nature of our industry, I remain proud that we have been able to maintain and enhance our leadership position with respect to customer numbers in many of the markets we operate in, despite the heightened attention from our competitors.

This was a momentous year for the company, not least as it represented the 30th year of its operation, having begun as a single-country operator in 1983, and expanding to the eight territories and 46.1 million customers at the end of 2013.

With that growth and development, has come the weighty responsibility to provide our customers with the best services possible, as well as to look for ways to improve their overall quality of living, and our activities reflect that.

Throughout its history, Zain has understood the importance the telecom sector plays in the development of societies and economies, and we have always been willing to play our role in nation-building, both in our home market of Kuwait as well as in all our other markets of operation.

In recent years, we have seen the rise of mobile broadband demand and services, and Zain has been at the center of responding to this demand, and in fact accelerating it. The company's digital traffic and revenues, for example, continued to advance strongly in 2013, recording a healthy 25% growth rate.

I would like to express my overall satisfaction with our 2013 key financial indicators in the past year, which reflect progress in a number of important areas despite the range of challenges the Group continues to face in its markets. Circumstances such as foreign exchange volatility are beyond our control, and though they did have a significant negative impact on our financial results for 2013, the underlying businesses are making good progress in local currency terms. Total consolidated revenue for the fiscal year ended 31 December, 2013 amounted to KD 1.24 billion (USD 4.4 billion), which was in the range of our estimates.

Net profit for the year amounted to KD 216 million (USD 764 million) or 56 fils per share, while earnings before interest, tax and depreciation (EBITDA) came in at KD 538 million (USD 1.9 billion). The Group's customer base rose to 46.1 million, up 8% year-on-year, translating to a net increase of approximately 9,500 customers per day.

The company's overall twelve-month financial results were substantially affected by currency translation impact, effectively slashing revenues by USD 419 million and EBITDA by USD 181 million. Without the effects of this currency translation impact, the company's consolidated revenues would have grown 5% year-on-year with an EBITDA growth of 2%. With regard to net income, if not due to both a foreign currency translation impact of USD 92 million and an exceptional increase of USD 57 million loss from 'foreign currency revaluation' for the twelve-month period, net income would have grown by 1%.

In Kuwait, the cornerstone of Zain Group, the operation continued to perform well in 2013, with customer growth of 12% to reach 2.5 million, reflecting a leading market share of 39%.

In Iraq, the operation continued to show its potential with its customer base growing 16% to reach 15.9 million, reflecting a 49% leading market position. We continued to make progress towards the initial public offering (IPO) of our operation in Iraq, as required by our license, and are looking forward to the prospect of more Iraqi people being able to own part of this thriving operator.

Zain Sudan remained the leading operator in the market with revenues and EBITDA up 18% year-on-year. The operator continued to excel in local SDG currency terms, though the steep 35% devaluation in the currency against the USD during 2013 had an enormous effect on the Group's overall results.

In Saudi Arabia, the customer base grew by 13% to reach 8.5 million in 2013, and the operator is currently focused on expanding its network as well as undergoing a significant restructuring and transformation in many areas.

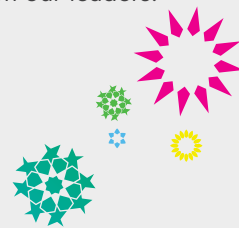
Looking ahead, we are positive about our prospects for 2014, and will look to continue to build on the work we have undertaken in 2013. We shall continue to invest in our infrastructure and innovations, ensuring our customers receive the services they aspire for in a market-leading fashion. Mobile broadband will remain a key growth area for us, and we shall continue to invest in this area to ensure we maximize the opportunities which lie therein.

On behalf of the Board of Directors, I would also like to take this opportunity to express our appreciation for the trust bestowed on us by our customers, shareholders, staff, and all other stakeholders in running this formidable company. I would also like to express my personal appreciation to my brothers on the Board of Directors and to the Executive Management team, for their outstanding efforts over the time.

In conclusion, I would like to extend my sincere gratitude and appreciation to His Highness the Amir, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, His Highness the Crown Prince Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, and His Highness the Prime Minister Sheikh Jaber Al-Mubarak Al-Hamad Al-Sabah. May Allah the Almighty perpetuate the blessings upon our leaders.

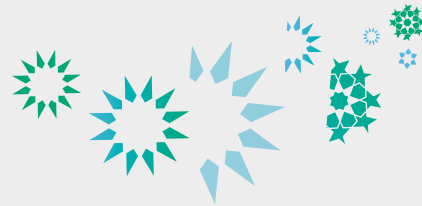


Asaad Ahmad Al-Banwan  
Chairman, Board of Directors



# CEO STATEMENT

## INTERVIEW WITH THE GROUP CEO



*Scott Gegenheimer reviews 2013 results, key operational issues and developments, implementation of new strategies, future direction and prospects for Zain.*

### SUMMARY OF KEY POINTS

- Strong performance across operations in local currency terms, however currency translation impacts affected consolidated key financial results.
- Large-scale investment in networks yielding significant growth in data revenues.
- Ultimately our goal is to transform from a pure mobile consumer player to a fully integrated converged consumer and enterprise player.
- Recognizing the key challenges, four key strategic initiatives launched to drive the business forward.



### 1. YOU JOINED ZAIN GROUP IN DECEMBER 2012, IN THE 12 MONTHS SINCE YOU JOINED WHAT WERE THE MOST SIGNIFICANT DEVELOPMENTS?

During my first year as Zain Group CEO, the company celebrated its 30<sup>th</sup> anniversary, which offered me the ideal opportunity to both reflect on the past successes which enabled us to cross the 46 million customer's mark, and also to think about the future challenges.

To name a few,

- In a number of our markets the penetration is high, resulting in limited growth potential from traditional revenue streams
- Currency fluctuations which continue to impact our consolidated results
- Increased competition from new entrants and 'Over the Top' players leading to revenue pressures
- The need to maintain high levels of network quality and to complete our LTE rollouts

To face these challenges, together with my management team, we established four strategic pillars that will set the focus for the Group going forward:

#### 1. Customer Experience:

Placing the customer at the heart of everything we do; strengthening our attractiveness, brand and the loyalty we generate.

#### 2. Operational Effectiveness:

Work smarter, extract synergies and value from our investments.

#### 3. Business Growth:

Grow through mergers and acquisitions; strategic partnerships, and monetize data and enterprise offerings.

#### 4. People Development:

Enhance capabilities and grow talent through career development such as rotation of jobs regionally, prudent recruitment, training programs and creating platforms to store and share best practices and knowledge.

To share a few plans and action items undertaken;

On customer experience, we have established a core set of initiatives aimed at driving simplicity and satisfaction, with a goal of making Zain easier to do business with.

On operational effectiveness, we have just completed a cost optimization benchmarking program and we are implementing initiatives to re-dimension CAPEX and OPEX. We have also enhanced the operating model between the Group and the eight operations to extract further synergies.

On business growth, we are planning to become an integrated converged consumer, enterprise and SME player. Additionally, we are looking to drive data uptake (Internet-On-Your-Mobile and Mobile Broadband) and we are actively pursuing adjacent opportunities in the M2M space, mobile money and direct operator billing, and strategic partnerships with OTT players.

On people development, recently in conjunction with a leading HR consultancy, we completed an employee engagement survey, which after having reviewed the outcome, we are now embarking on a number of initiatives to enhance employee engagement.

Furthermore, I have continued to build up my senior team to bring expertise, fresh perspectives and dynamism to our business and complement the skill sets and capabilities of our existing talent.

I am confident that these transformation initiatives will result in enhanced shareholders' returns, and will at the same time inspire our people to excel, while also benefiting the communities in which we operate.

#### 2. WHAT DO YOU BELIEVE WERE SOME OF THE KEY OPERATIONAL HIGHLIGHTS WITHIN THE GROUP IN 2013?

The remarkable growth in data traffic resulted in a 25% increase in data revenues, with data now representing 14% of all Zain Group's service revenues. This growth reinforces our decision to make substantial investments in network expansions, 3G upgrades and rolling out 4G LTE services in recent years. Looking ahead, we see promising growth opportunities in mobile broadband, and we are enhancing our infrastructure in order to secure this growth.

We accelerated our investment in CAPEX by 10% year-on-year to reach USD 668 million or 15% of revenues, (excluding Zain Saudi Arabia's CAPEX which totaled USD 245 million). Similar investment levels will continue for the foreseeable future in order to provide our customers with the best networks and digital experiences across our operations.

To further support the data explosion expected in the years to come, Zain Group joined a GCC-based telecom consortium, Middle East-Europe Terrestrial System- "MEETS," to build a high-bandwidth regional transmission cable system for the region that will enable Zain's operations in Bahrain, Kuwait and Saudi Arabia to roll-out higher quality voice and data services. We expect other operations to connect to the cable in the near future.

In addition, several partner agreements were entered into at the Group level that will support the rollout of new services. One was with 'eServGlobal' for the provision of an end-to-end mobile money solution that will be deployed across Group's operations. Another was with 'SLA Mobile', which will provide customers with direct operator billing capabilities, allowing them to pay for digital goods from third-party content or service providers by charging the transaction directly to their mobile bills. We also selected 'GENBAND' to support the launch of Zain's IP eXchange (IPX) interconnect and wholesale voice operation. GENBAND's solutions will enhance Zain's mobile operations to offer enhanced new multimedia services to its customers.

Throughout 2013, Zain also benefited from its non-equity Partner Market agreement with Vodafone Group. Under this agreement Vodafone supports Zain's operations in Kuwait, Saudi Arabia, Bahrain, Jordan and Iraq to allow our customers to enjoy exclusive and innovative services, benefiting from Vodafone's global footprint. Internally within Zain, we also gain access to best practice and enhanced economies of scale. One such example of these benefits is Vodafone Passport, which was introduced in Saudi Arabia in 2013, and offers customers preferential roaming rates across many countries. The service is set to be expanded to include other Zain markets during 2014. As part of this agreement, in April, Zain gained access to the Vodafone McLaren Mercedes racing team in the Bahrain motor race, which saw two of its cars branded Zain and was viewed by a global audience.

Zain was voted as the most recognizable Arab brand in 2013 in a survey conducted by Munich-based Arab Society for Intellectual Property. The online poll across 54 countries showed Zain to be the most identifiable amongst 200 major Arab brands.

**3. WITH RESPECT TO THE INDIVIDUAL MARKETS IN WHICH YOU OPERATE, WERE THERE OTHER SPECIFIC HIGHLIGHTS YOU WOULD LIKE TO COMMENT ON?**

**KUWAIT**

In our cornerstone market, the success of Zain Kuwait's nationwide 4G LTE network saw data revenues grow 21% and contribute 29% of total revenues during the year. The operator also undertook field trials of state-of-the-art LTE-Advanced services during the year, to further cement its technological leadership.

The introduction of Mobile Number Portability mid-way through the year had a neutral effect on the operation's overall performance, and reflected the strength and appeal of our brand and services.

**IRAQ**

We substantially increased CAPEX as the operation upgraded its network to Single-RAN, allowing it to offer 3G services promptly and efficiently once spectrum is granted (expected in 2014). The operation also expanded the network to the more affluent Northern Iraq region. This expansion directly contributed to the substantial 16% customer growth.

The operator also undertook a major milestone with the establishment of a Joint Stock Company (JSC) in Iraq to facilitate its license conditions as it prepares to IPO. The newly established company, 'Al-Khatem Telecom Company', went on to hold its first Annual General Meeting, electing its Board of Directors and appointing its Chairman and Managing Director.

Zain Iraq was also the recipient of two prestigious accolades during the course of the year; the first being named the Telecom Operator of the Year at the 2013 Arabian Business Achievement Awards, and the second being designated as the Middle East Operator of the Year at the annual CommsMEA Awards.

**SUDAN**

A favorable telecom tax law was introduced in mid-June that saw a 2.5% levy on operators' revenues for a period of three years replacing the 30% corporate income tax. This is set to enhance Zain Sudan's financial position for the coming three years, partially compensating for the losses incurred due to currency issues.

The operator continues to expand its network adding more network sites to meet the ever growing demand for wireless services. We are hopeful that the continual currency devaluation of the local SDG will abate once the country's social and economic issues settle.

**SAUDI ARABIA**

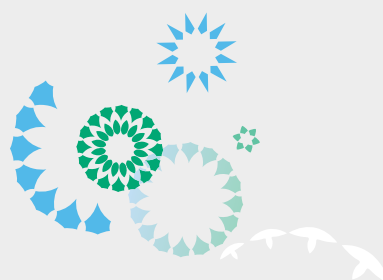
Our Saudi Arabia operation is currently undergoing a significant restructuring and transformation in many areas under the direction of a new CEO appointed in September 2013.

A number of positive financial events occurred during the year, namely a government-approved seven-year deferment of annual dues, as well as the renewal of two major loans, USD 600 million for three years and the refinancing of a USD 2.3 billion Murabaha facility for five years, both at favorable terms.

LTE-Cat.4 services were launched during the year, enabling customers to enjoy data speeds of up to 150 Mbps, making Zain the first operator in the region to provide this technology commercially.

Additionally, to enhance operational network efficiency, the operator entered into a three-year outsourced managed services agreement for all its radio sites.

For the year, the operator witnessed impressive customer growth of 13% and data revenue growth of 73%.



## JORDAN

Our operation in Jordan underwent heavy CAPEX due to swapping out of the network as well as the introduction of Fiber-To-The-Home and Ethernet-To-The-Home technologies; strengthening its position in the broadband segment.

A special tax was imposed on the telecom sector with the rate on mobile services doubling from 12% to 24% and the mobile handsets tax rate doubling from 8% to 16%. In our view, these taxes have effectively acted as an impediment to the sustained growth of the telecom sector in the country on the short-term.

## BAHRAIN

Zain Bahrain introduced 4G LTE commercially in April, which resulted in an almost instantaneous increase in the amount of data usage on our networks in the country, and resulted in a 20% annual increase in data revenues that contributed to the 25% increase in the operator's customer base during the year.

Additionally, the operation entered into a four-year managed services agreement to oversee the day-to-day operations of its network and enhance its customer support services.

Also of note was the renewal of Zain Bahrain's mobile service license for a further 15 years, until 2028.

## SOUTH SUDAN

Zain South Sudan remains the market leader in this new born nation. Our focus there is on expanding the network, which saw 83 new radio sites built during the course of the year to reach just over 300 sites. We are also hopeful that recent events in the country will be resolved. All Zain's key financial indicators witnessed healthy growth in the country.

## LEBANON

In Lebanon, we continue to manage the network in close cooperation with the country's Telecom Ministry, having had the management agreement regularly extended at three-month intervals. We are also hopeful of attaining a long-term agreement in the near future.

## 4. LOOKING BACK AT 2013, HOW WOULD YOU DESCRIBE THE COMPANY'S PERFORMANCE FOR THE YEAR?

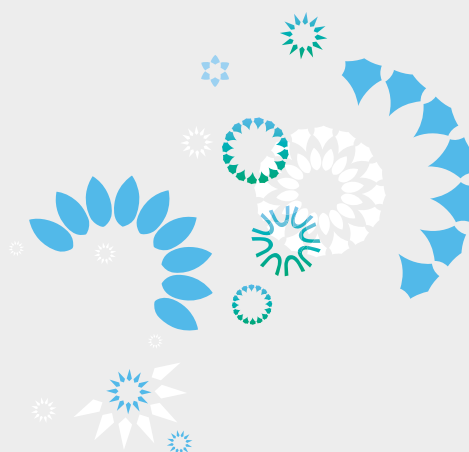
Given the intensity of competition and high penetration in the majority of the markets in which we operate, as well as the impact of over-the-top players including Skype, Viber, WhatsApp, Facebook, and so forth on voice revenues, we are satisfied with our performance during the year as most of our businesses registered growth in customers and or revenues and profitability (in local currency terms).

For the full-year 2013, Zain Group generated consolidated revenues of USD 4.4 billion, down 5% from 2012. Consolidated EBITDA for the period reached USD 1.9 billion, down 7%, reflecting an EBITDA margin of 43.4%. Consolidated net income amounted to USD 764 million, down 15%, and reflecting Earnings Per Share of USD 0.20.

It is worth noting that the company's overall twelve-month financial results were materially affected by currency translation impacts, effectively slashing reported revenues by USD 419 million and reported EBITDA by USD 181 million. Without these currency adjustments, the company's consolidated revenues would have grown 5% year-on-year, with EBITDA growth of 2%. In turn, net income would have increased 1% - but was instead reduced by foreign currency translation and revaluation impacts of some USD 92 million and USD 57 million respectively.

Our customer base reached 46.1 million at the end of 2013, reflecting an 8% or 3.4 million growth year-on-year. Kuwait witnessed a 12% growth rate in customer numbers in 2013; while Iraq experienced 16%, Saudi Arabia 13%, Jordan 12%, Bahrain 25%, and South Sudan 22% growth rates.

We also remained the market leader by customer numbers in Kuwait, Iraq, Jordan, Sudan, South Sudan and Lebanon.



**5. 'CUSTOMER EXPERIENCE' IS BEING VIEWED AS A MAIN DIFFERENTIATOR AMONG MOBILE OPERATORS TODAY IN MAINTAINING AND ATTRACTING CUSTOMERS. WHAT IS ZAIN'S POSITION IN THIS AREA?**

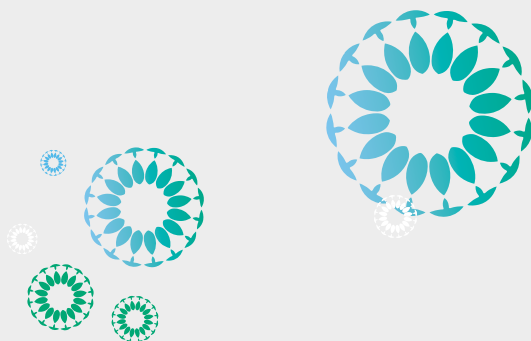
Providing an experience which caters to customer's needs is vital to Zain's sustainability in an increasingly competitive industry. Our customers want an overall better experience than they can receive elsewhere.

Customer Experience is one of the four strategic initiatives we introduced in 2013 and thus, a key focus area for Zain Group. It is something that I am personally paying a lot of attention to.

Customers are the reason why organizations exist and therefore placing them at the heart of everything we do is pivotal to our ongoing success. This translates to having a stronger view in terms of how our customers interact with us from a multi-channel perspective and ensuring that each and every interaction is effortless and represents our brand. Being cognizant of future technologies and therefore future customer needs, requires us getting the basics right today, so we can better serve these needs in the future. It's important that each of our markets focus on existing platforms and processes to better drive simplicity, making it easier for our frontline staff to serve, while at the same time making seamless self-service transactions available.

We will be launching a series of initiatives across all of our markets aimed at both business simplification and adopting the right customer culture. We have already kicked off with a customer experience forum made up of members from each of our operating markets. Each member is responsible for leading key customer experience initiatives in his or her local market with guidance from Zain Group. Operationalizing the customer experience is an example of one these initiatives. This is taking place through transactional feedback surveys from customers at our touch points, asking customers for their opinions about the quality of their interaction, and opinions about Zain.

We then operationalize the data through analytics that mine these customer comments and turn them into actionable insights that allow us to improve our services in the way customers demand. This along with a series of toolkits, frameworks, methodologies and measures has been designed centrally to better support our operations to formulate better experiences. We want to ensure that all our customers across Zain always enjoy the benefits of being connected to everyday communications tools that ultimately drive an unmatched experience.



**6. HOW IS ZAIN ADDRESSING ITS BROADER SUSTAINABILITY AND SOCIAL CORPORATE RESPONSIBILITIES?**

Our corporate social responsibility is central to our strategy, and Zain Group's history is steeped in giving back and partnering with the communities in which it serves. Such sustainability development initiatives will continue to be a key area of focus.

During the course of 2013, our social responsibility activities focused on capacity building programs ranging from running the inaugural Zain Excellence Training Program in Jordan for Iraqi graduates, to partnering with the Vodafone Foundation Instant Network to extend much needed mobile telecommunications coverage to the "United Nations High Commissioner for Refugees" refugee camp at Yida, South Sudan; alleviating the plight of 70,000 asylum seekers.

We published our second sustainability report, entitled "Dedicated to the Promise of a Wonderful World," covering material topics such as gender disparity in the workplace, environmental stewardship, corporate governance, and the various sustainability risks. These topics, amongst others, are of the outmost importance to Zain.

We also welcomed Forest Whitaker, internationally renowned actor and UNESCO Goodwill Ambassador for Peace and Reconciliation, to Zain South Sudan Head Office in Juba to discuss the progress of Zain's three-year partnership with 'The Whitaker Peace and Development Initiative' in the country, which focuses on much needed development of youth capacities in peace-building. Many more initiatives are detailed in the CSR section of this annual report.

## 7. WHAT ARE YOUR PROSPECTS FOR 2014 AND BEYOND?

I believe Zain has a strong brand, which is synonymous with great products and services, and the company is recognized as being interested in the well-being of people in the region. We employ some of the best people in the business and utilize state-of-the-art technology. We are a major innovator in areas such as mobile commerce and mobile content and we also benefit from having a portfolio of operations from which we can drive synergies, share experiences, and improve economies of scale.

The ultimate goal for Zain is to evolve the company's direction and to transform it from a pure mobile consumer player to becoming an integrated consumer and enterprise player.

Strategically we shall continue to invest in our infrastructure and ensure our customers receive the services they desire in a market-leading fashion. Mobile broadband will remain a key growth area for us, and we shall continue to invest in this area to ensure we maximize the opportunities that lie therein.

We are actively searching for 'bolt-on' investments in activities that boost our core business, and we remain interested in the opportunities presented in the M2M space, mobile money and direct operator billing and strategic partnerships with OTT players as well as with other independent service and content providers.

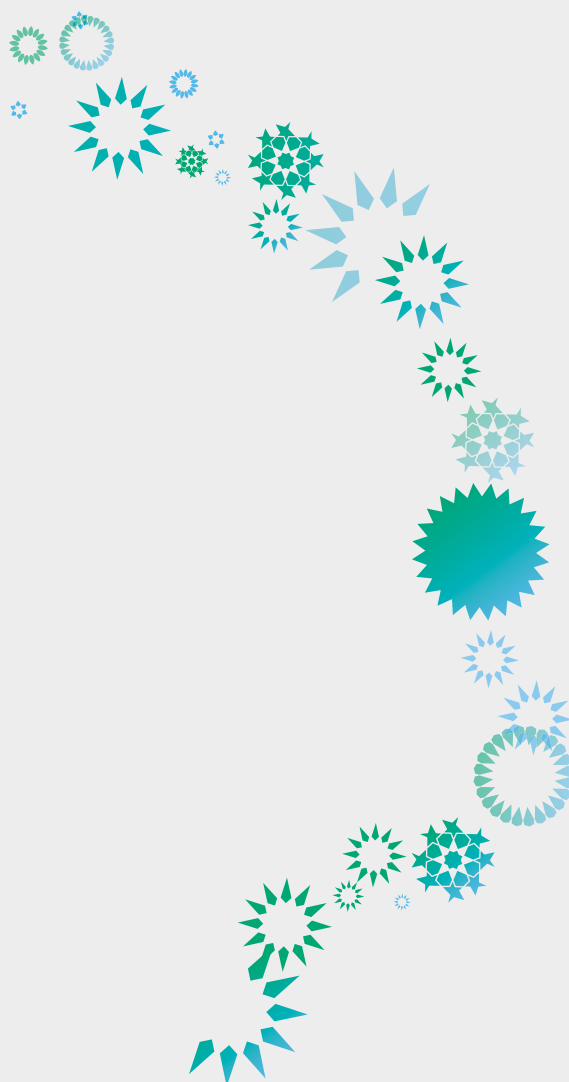
Furthermore, for the next coming years, we will look to bolster our current operations and seek out ways to further develop our businesses. We remain focused on the Middle East and North Africa as a region, an area where maximum synergies can be extracted and where the affinity to our brand is strong. Should opportunities arise for further participation in the region, we would consider such.

Notably, we have the very important developments of Initial Public Offerings in both Iraq and Bahrain and we shall support those processes to their successful conclusion during 2014.

We are cautiously optimistic about our prospects for 2014, and will continue to build on the work we have undertaken in 2013. I am confident that in the years ahead, the company will continue to deliver exceptional value to its stakeholders.

### FINAL COMMENT

I wish to extend my appreciation to the Board of Directors, shareholders, our valued customers and all other stakeholders for their unwavering support during my first year as the Group CEO. I also sincerely thank my 6,600 colleagues for making Zain the wonderful telecom company it is today.



► MTC is established as the first mobile telecom company in the region. This is the first chapter in Zain's success story.

1983



# ZAIN AT A GLANCE



**46.1**  
MILLION  
ACTIVE  
CUSTOMERS

WOULD  
WRAP  
THE EARTH  
TWICE!



**\$1.9**  
BILLION IN  
EBITDA

**4G**

LTE NETWORK  
IN SAUDI ARABIA  
KUWAIT  
BAHRAIN  
AND LEBANON  
THE LARGEST  
IN THE  
REGION



**\$764**  
MILLION IN  
NET INCOME



**329**  
TB OF DAILY  
DATA USAGE

AROUND  
**86 MILLION**  
SONGS  
DOWNLOADED  
EACH DAY



**42.5**  
MILLION  
+DAILY TOTAL  
**SMS**

**13,283**  
BOOKS WRITTEN  
EACH DAY



**119**  
MILLION  
PEOPLE  
UNDER  
LICENSE

**MARKET  
LEADER**

IN KUWAIT,  
IRAQ, SUDAN,  
SOUTH SUDAN,  
JORDAN AND  
LEBANON



**141**  
MILLION  
+DAILY TOTAL  
**CALLS**

**3,917,000**  
HOURS  
OF TALKING  
EVERY  
**DAY**



**VOTED**  
NUMBER  
ONE ARAB  
**BRAND**

**Km<sup>2</sup>**

**5.2**  
MILLION  
KM<sup>2</sup> UNDER  
LICENSE



**6,600**  
EMPLOY4ES  
SMILE 59,400  
TIMES A DAY



**\$4.4**  
BILLION  
IN REVENUES

► Zain introduces GSM technology in Kuwait, becoming one of the first countries in the region to do so.

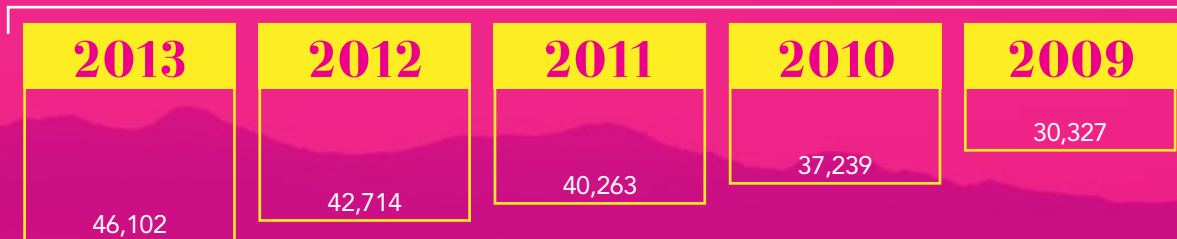
# 1994



# KEY PERFORMANCE INDICATORS

CUSTOMERS (000s)

CAGR: 11%



REVENUES (USD m)\*

CAGR: -0.1%



EBITDA (USD m)\*

CAGR: -2%



NET PROFIT (USD m)

CAGR: 3%

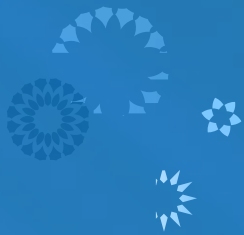


\* Zain Saudi Arabia is an associate company (not consolidated).

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

▶ Zain is amongst the first mobile operators in the region to introduce prepaid services.

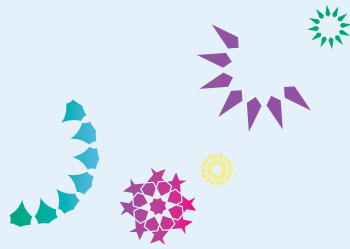
# 1999



# KEY MILESTONES



# KEY MILESTONES



**1983**

Establishment of Mobile Telecommunications Company in Kuwait



**2004**

Awarded management agreement in Lebanon



**2006**

Acquired the remaining 61% of Mobitel in Sudan

Acquired 65% of V-mobile in Nigeria



Acquired Fastlink in Jordan  
Awarded 2<sup>nd</sup> GSM license in Bahrain  
Awarded GSM license in Iraq

**2003**



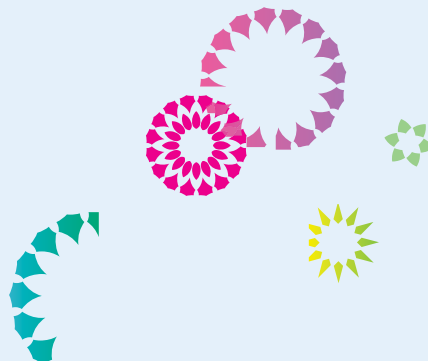
Acquired CELTEL in 13 African nations  
Acquired Madacom in Madagascar

**2005**



Won bid for 3<sup>rd</sup> GSM license in KSA  
Rebranded to Zain in 4 markets  
Acquired a 15-year nationwide license in Iraq  
Acquired 75% of Westel Ghana  
Acquired Iraqna in Iraq

**2007**



## 2008

Merged MTC Atheer and Iraqna, and rebranded to Zain

Rebranded from Celtel to Zain in all African operations

Commenced operations in KSA

Commenced operations in Ghana



## 2010

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



## 2012

Zain KSA raised \$1.6 billion in rights issue and Group increased stake in the operation to 37%

Increased stake in Zain Iraq to 76%



## 2009

Invested in 15.5% of Moroccan operator Inwi



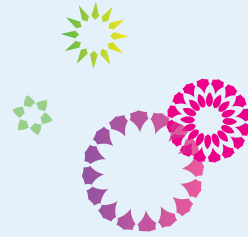
## 2011

Separated operations between Sudan and South Sudan



## 2013

Zain celebrates its 30<sup>th</sup> Anniversary

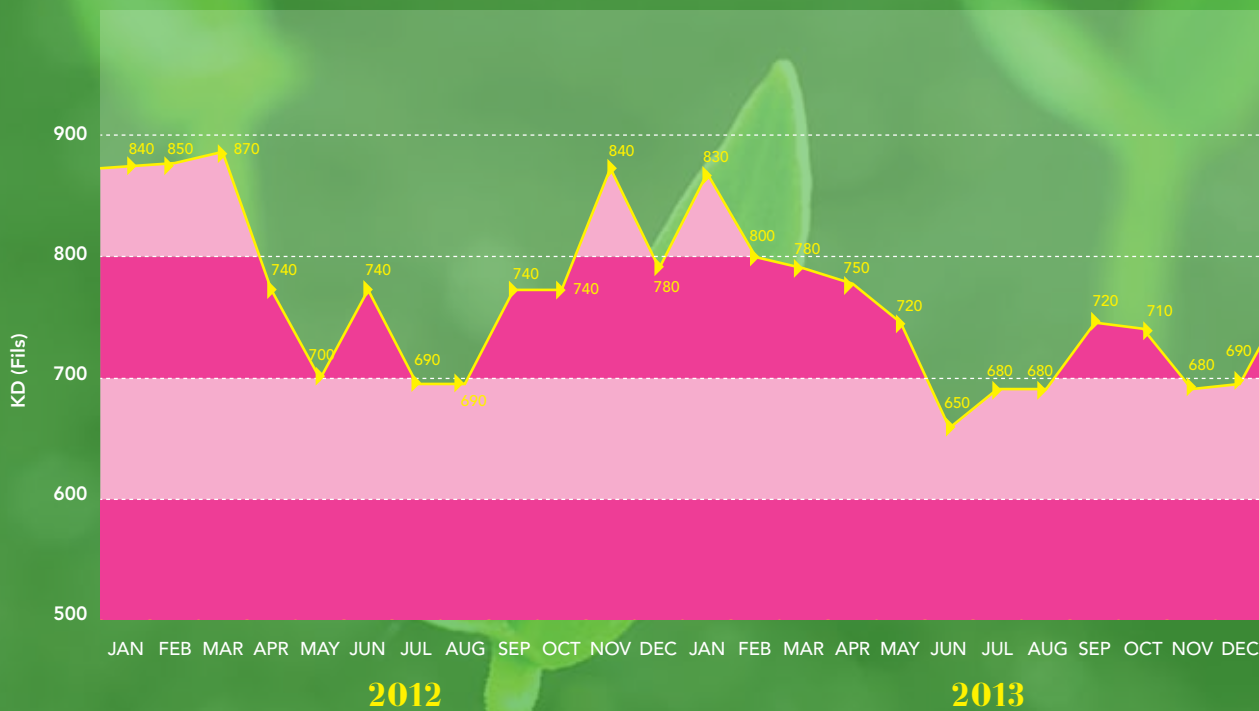


▶ Zain Bahrain is the first to launch 3G nationwide in the region.

2017

The image features the year '2017' in a large, stylized font. The digits '20' are white, while '17' are yellow. The font has a modern, rounded, and slightly irregular appearance. Several decorative starburst icons, resembling small sunbursts or floral patterns, are scattered around the numbers. The background is a vibrant green with a blurred image of a plant, possibly a succulent, with green leaves and a thin stem.

# SHARE PRICE EVOLUTION



► 1/1/2012 - 31/12/2013 (RIY)  
Source: Thomson Reuters

▶ Zain is awarded a management agreement in Lebanon to manage the mobile telecommunications operator 'Touch,' which today is the country's leading operator serving over 2 million customers.



# GROUP HIGHLIGHTS

OPERATIONAL EVENTS  
FOR THE FULL YEAR OF 2013



# GROUP HIGHLIGHTS

## OPERATIONAL EVENTS FOR THE FULL YEAR OF 2013



January 1



January 14

### JANUARY 1

Zain Sudan reaches 100,000 fans on Facebook becoming the first company in Sudan to achieve that milestone.

### JANUARY 14

Zain Group and OSN partner to bring customers the most extensive range of exclusive and premium TV entertainment bundled with the latest communication services.



February 18

### JANUARY 21

Zain Group enters into a Memorandum of Understanding with Hamdan Bin Mohammed eUniversity (HBMeU) for the launch of the Zain eSuccess Social Online Learning Project. HBMeU is a first mover in e-learning in the Arab World, being the first accredited e-learning academic institution by the UAE Ministry of Higher Education and Scientific Research.

### FEBRUARY 10

Zain Saudi Arabia awarded "Best 4G LTE Network Operator" in the Kingdom, during the TELSAs International Conference.



February 27



March 5

## FEBRUARY 18

Touch Lebanon launches its exclusive, feature-packed Visa credit card through BLOM Bank. This new credit card is the first single branded card in the Middle East involving a telecommunications company.

## FEBRUARY 20

Zain Sudan holds its third round of Altayeb Salih International Award for Creative Writing. The award generated regional publicity and drew 450 participants from across the Arab World.

## FEBRUARY 27

Zain participates at the Mobile World Congress in Barcelona highlighting the successful launch of 4G LTE services in Kuwait and Saudi Arabia. The Zain booth hosted many visitors and meetings with technology partners and suppliers discussing the future of the company's direction.

## MARCH 4

Zain Group becomes the first operator in the region to trial the 'joyn' platform through its Partner Market agreement with Vodafone. 'joyn' is a GSM Association global initiative whereby mobile users will be able to exchange images and videos during messaging and voice calls.



February 20

April 15

## MARCH 5

Ceremony marks the completion of the Zain Group inaugural six-months Zain Excellence Training Program held in Jordan for Iraqi graduates.

## MARCH 19

Zain Group awards Basset Interconnect settlement and routing optimization platform contract.

## APRIL 15

In order to meet the customers' growing demand for diverse content, Zain Jordan launches "ZainJo", a free self-care application in addition to other apps that were launched along the year such as: "Zain Al-Hayat", a comprehensive Islamic application, "Zain Diet" and "Zain track" for vehicle tracking and protection from theft.

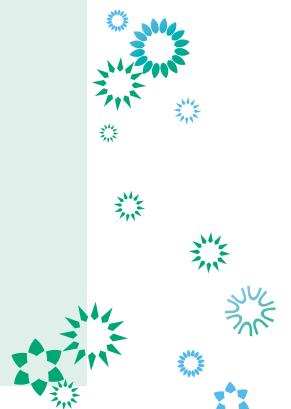
## APRIL 18

Zain Bahrain launches 4G LTE hi-speed network with the collaboration of Ericsson and the attendance of world motor racing champion Jenson Button.

## APRIL 22

As a result of Zain's partner agreement with Vodafone, the Vodafone McLaren Mercedes racing cars and team are distinctively branded with the Zain logo during the 'Formula 1 Gulf Air Bahrain Grand Prix', that was viewed by a global audience.

زين . عالم جميل



**APRIL 24**

Zain Group finalizes a three-year USD 700 million revolving credit facility to support corporate needs, reflecting a significant vote of confidence from the financial community as seven leading regional and international banks participate.

**APRIL 29**

Sharjah Media Corporation honors Zain Group for its production of the water conservation 'Qattoura' television commercial. You can watch the TVC, which garnered more than 1.7 million YouTube views on the Group's YouTube channel: [youtube.com/zain](http://youtube.com/zain)

**MAY 16**

Zain voted as the most famous Arab brand in a survey conducted by the Munich based Arab Society for Intellectual Property. The online poll across 54 countries showed Zain to be the most identifiable amongst 200 major Arab brands.



April 29



May 21

**MAY 21**

Zain Group selects GENBAND's SMART EDGE Solution for rapid introduction of multimedia services to consumers and enterprises.

**MAY 21**

Touch Lebanon launches its 4G LTE data service providing more than 7 times higher speed for data transfer comparing to 3G. The service is available in Beirut with expansions to other parts of the country during 2014.

**JUNE 4**

Zain Saudi Arabia negotiates seven-year deferment of dues to the Ministry of Finance. Payments will be converted into a commercial loan, with first installment payable 1 June 2021.

**JUNE 5**

Zain Saudi Arabia negotiates 2.25 billion riyals (USD 600 million) three-year facility guaranteed by Zain Group. The loan was used to refinance an existing deal and the principle amount will be repaid in one payment at the maturity date.

**JUNE 9**

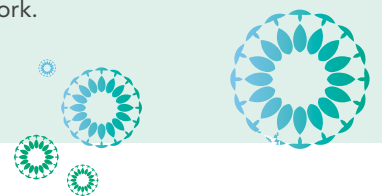
Zain Jordan activates the new billing system developed by Ericsson that provides an efficient and flexible mechanism in rating the services provided by the company and considers the variety of convergent as well as integrated telecom solutions, according to a smart pricing system.

**JUNE 15**

Mobile number portability is introduced in Kuwait.

**JUNE 20**

Zain Saudi Arabia enters into a three-year managed services agreement with Ericsson to manage the day-to-day field operations and maintenance of Zain's network.





June 22

#### JUNE 22

Zain Kuwait celebrates its 30th Anniversary offering free calls within the Zain network– all day on Saturday 22 June. The anniversary celebrations and promotions were available all year round, providing customers with attractive offers.

#### JUNE 26

Zain Group signs a Memorandum of Understanding with Samsung Electronics to cooperate on device releases, marketing and retail campaigns.

#### JULY 17

Zain Group partners with the Vodafone Foundation Instant



July 17

Network to extend mobile telecommunications coverage to the “United Nations High Commissioner for Refugees” refugee camp at Yida, Unity State, South Sudan, alleviating the plight of 70,000 asylum seekers.

#### JULY 29

Zain Saudi Arabia successfully extends, at more favorable terms, the maturity date of its syndicated Murabaha facility (USD 2.3 billion) for 5 years ending 31 July 2018.

#### AUGUST 2

Zain Group selects eServGlobal to supply mobile money solutions across all markets.

#### AUGUST 4

Zain Iraq trains over 50 university students in the fields of telecommunications, computer engineering, information technology and electronic engineering. The summer trainings aim at enhancing the students’ knowledge and practical skills in order to help them in their future careers.

#### SEPTEMBER 9

‘Al-Khatem’, Zain’s newly formed joint stock company in Iraq, holds its first Annual General Meeting and elects Board of Directors, Chairman and Managing Director.

#### SEPTEMBER 18

Zain Group publishes its second sustainability report, titled “Dedicated to the Promise of a Wonderful World”.

#### SEPTEMBER 30

In a major regional telecommunications development, a GCC-wide telecoms consortium has been formed to build a high-bandwidth regional transmission cable system for the region. The system, to be called the Middle East-Europe Terrestrial System (MEETS), was both conceived and co-promoted by Zain, du, Vodafone and Zajil.



September 18



October 1

### OCTOBER 1

Zain South Sudan launches several trade marketing and market activation activities in Juba as part of the aggressive brand awareness campaign, 'I am'. Activities focused on demand creation for Zain products and services through interactive and fun events around the capital.

### OCTOBER 1

Zain Jordan awarded 'Best Operator VAS' in the Middle East during the Telecoms World Middle East 2013 Awards. Zain received the award for the launch of several applications in 2013, particularly the global Wi-Fi data roaming service app in collaboration with iPass Inc.

### OCTOBER 7

Zain Bahrain entered into a four-year managed services agreement with Ericsson, to manage the day-to-day operations of Zain's network and enhance its customer support services.

### OCTOBER 14

Zain Kuwait launches its five-day Eid Al Adha celebrations, "Festival of the Sea", with exceptional shows and activities for all the family at the 360 Mall.

### OCTOBER 20

Zain Group 2012 Annual Report, titled 'Believing in the Power of Dreams', is recognized and rewarded in five prestigious categories, including "Best

of International" annual report during the annual ARC Awards ceremony held in New York.

### OCTOBER 30

Zain Group signs an agreement with SLA Mobile to provide customers with Direct Operator Billing capabilities, allowing them to pay for digital goods from a third-party content or service provider by charging the transaction to their mobile phone monthly bill or using their pre-paid credit. Zain's Direct Operator Billing will be launched in Kuwait, Bahrain, Jordan and Saudi Arabia first, followed by Iraq, South Sudan and Sudan.

### OCTOBER 31

Zain Bahrain completes a major revamp of a total of 23 Zain flagship stores and the opening of four new branches across the Kingdom. The revamped stores offer free-Wifi for all walk-in customers, a product area section to demonstrate new offers and services, a display of a wide range of handsets and gadgets, and self service machines for bill payments and top up.

### NOVEMBER 5

Forest Whitaker, internationally renowned actor and UNESCO Goodwill Ambassador for Peace and Reconciliation, visits Zain South Sudan Head Office in Juba to discuss the progress of Zain's mobile network expansion and steps forward of the three-year partnership with 'The Whitaker



October 14



October 20



November 27

Peace and Development Initiative' in the country. The initiative focuses on developing the youth's capacities in peace-building.

#### NOVEMBER 6

Zain Group kicks off the Hackathon Challenge, a first of its type regional 'Direct Operator Billing Developer App' competition with USD 15,000 up for grabs. (winners were announced at the Zain Technology Conference).



November 5



November 6

#### NOVEMBER 12

Zain Iraq awarded Telecom Operator of the Year accolade at the prestigious 2013 Arabian Business Achievement Awards.

The three-day event focused on innovating customer experience, attracting 600 participants and 63 global technology partners.

#### DECEMBER 2

Zain Group partners with Ericsson to deploy convergent Charging and Billing in One (CBIO) in Zain's operations in Kuwait, Bahrain and Saudi Arabia.

#### NOVEMBER 20

Zain Group's Investor Relations department named as the foremost Investor Relations team in Kuwait at the awards ceremony hosted by the Middle East Investor Relations Society.

#### DECEMBER 10

Zain Iraq is designated as the Middle East Operator of the Year at annual CommsMEA Awards.

#### NOVEMBER 27

Touch Lebanon relocates its call center to a state-of-the-art venue equipped with the latest technology and double the capacity. This allowed for the launch of a 24/7 service providing convenience and an enhanced customer experience.

#### DECEMBER 24

Zain Group selects WeDo Technologies' RAID revenue solution software for its operations in Kuwait, Jordan and Iraq. WeDo Technologies provides an enterprise business software suite, which could analyze and identify risks, monitor controls, provide billing assurance and manage forensic investigation compliance.

#### DECEMBER 1

Zain Group hosts its third annual Zain Technology Conference, at the Atlantis Hotel in Dubai.

#### DECEMBER 31

Zain Bahrain scoops two awards at the Ministry of Labor Annual Awards under the patronage of His Majesty King Hamad. The awards come in recognition of Zain Bahrain's role and efforts in providing a competitive and rewarding work environment along with on-going training and development initiatives for Bahrainis.



December 1



December 10

► Zain Group acquires  
Celtel mobile operations  
in 13 African nations for  
3.36 billion USD.

# 2015



# GROUP OVERVIEW 2013

**46,102**

TOTAL ACTIVE CUSTOMERS 2013 (000s)

**42,714**

TOTAL ACTIVE CUSTOMERS 2012 (000s)

**8%**

YOY

## CUSTOMERS (000s)

IRAQ	SUDAN	KSA	JORDAN	KUWAIT	LEBANON	SOUTH SUDAN	BAHRAIN
15,882	11,702	8,461	3,900	2,525	2,048	812	772

## REVENUES (USD m)

KSA	IRAQ	KUWAIT	SUDAN	JORDAN	BAHRAIN	SOUTH SUDAN
\$1,800	\$1,744	\$1,199	\$623	\$494	\$213	\$73

## EBITDA (USD m)

IRAQ	KUWAIT	SUDAN	KSA	JORDAN	BAHRAIN	SOUTH SUDAN
\$714	\$580	\$253	\$237	\$211	\$78	(\$4)

## NET INCOME (USD m)

KUWAIT	IRAQ	JORDAN	SUDAN	BAHRAIN	SOUTH SUDAN	KSA
\$378	\$361	\$120	\$103	\$14	(\$36)	(\$440)

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

▶ Zain launches a first-of-its-kind research report titled 'Socio-Economic Impact of Mobile Phones in the Arab World'. The report included groundbreaking research on the impact of mobile phones from the perspective of economists, financial analysts, consultants, academics and journalists, and comprised data from nine surveys conducted in seven Arab countries.



# THE WORLD OF ZAIN



# THE WORLD OF ZAIN

**1 KUWAIT**  
Ownership: 100%  
Revenues: \$ 1,199 m  
Customers: 2.5 m  
Prepaid: 72%  
Market Share: 39%

**2 JORDAN**  
Ownership: 96.52%  
Revenues: \$ 494 m  
Customers: 3.9 m  
Prepaid: 86%  
Market Share: 39%

**3 BAHRAIN**  
Ownership: 56.25%  
Revenues: \$ 213 m  
Customers: 772,000  
Prepaid: 72%

**4 IRAQ**  
Ownership: 76%  
Revenues: \$ 1,744 m  
Customers: 15.9 m  
Prepaid: 99%  
Market Share: 49%

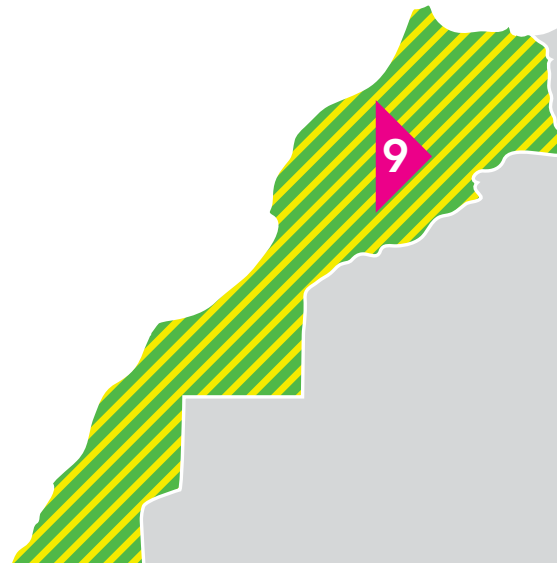
**5 REPUBLIC OF SUDAN**  
Ownership: 100%  
Revenues: \$ 623 m  
Customers: 11.7 m  
Prepaid: 99%  
Market Share: 43%

**6 SAUDI ARABIA**  
Ownership: 37.05%  
Revenues: \$ 1,800 m  
Customers: 8.5 m  
Prepaid: 94%  
Market Share: 15%

**7 SOUTH SUDAN**  
Ownership: 100%  
Revenues: \$ 73 m  
Customers: 812,000  
Prepaid: 99%  
Market Share: 41%

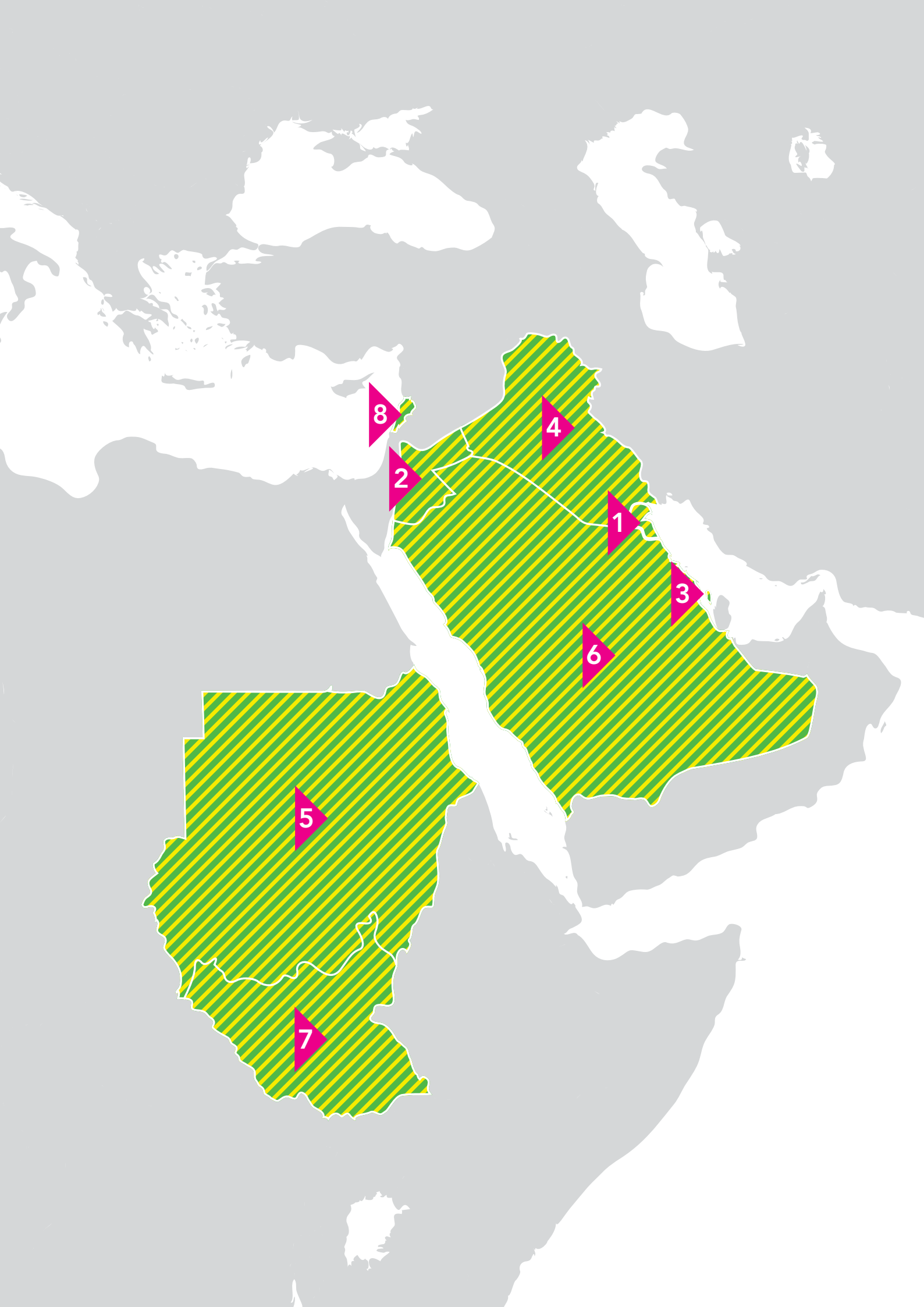
**8 LEBANON**  
Ownership: Management Contract  
Customers: 2 m  
Prepaid: 86%  
Market Share: 53%

**9 MOROCCO**  
Ownership: 15.5%

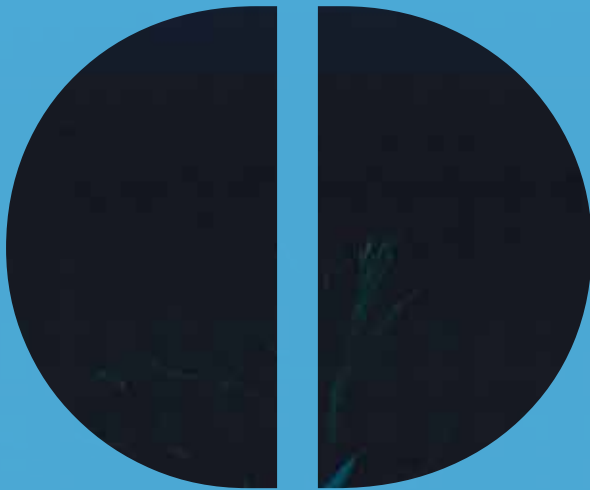
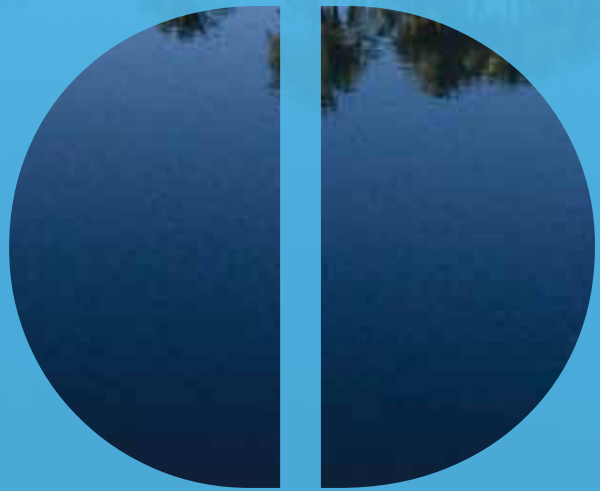


**OVER 46.1 MILLION**  
**ACTIVE CUSTOMERS**  
**IN 8 COUNTRIES\***

THE NUMBERS SHOW ACTIVE CUSTOMERS YEAR END 2013  
\*Excluding Morocco, where Zain has a 15.5% ownership in the mobile operator "Inwi"



▶ Zain acquired a 15-year nationwide mobile license for USD 1.25 billion in Iraq.

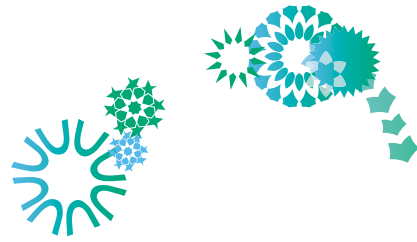


# OPERATIONS SNAPSHOT



# OPERATIONS SNAPSHOT

## ZAIN KUWAIT



*Mobile Telecommunications Company “Zain” was founded in 1983 in Kuwait as the country’s first telecom operator, and celebrated its 30<sup>th</sup> anniversary in 2013.*

The Group’s flagship operation has enjoyed a proud history of achievements, including making history in 1994, by becoming the first telecom operator to launch a commercial GSM service in the region. Listed on the Kuwait Stock Exchange since 1985, Zain had a market capitalization circa USD 11 billion closing at Fils 690 as of December 31<sup>st</sup>, 2013.

With a leading customer market share of 39% as of December 31<sup>st</sup>, 2013, the operator was able to improve its market position reporting year-on-year customer growth of 12% during 2013 to reach 2.5 million, contributing 6% to the Group’s total customer base. The growth in customers was a result of the introduction of innovative voice and data packages and aggressive marketing promotions and incentives predominantly for smartphone users taking advantage of the company’s state-of-the-art nationwide 4G LTE network.

The postpaid segment accounted for 28% of Zain Kuwait’s customers at the end of 2013, 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 39, which in turn generated total revenue of USD 1.2 billion and EBITDA USD 580 million in 2013. Net profit for the year reached USD 378 million, a year-on-year (Y-o-Y) decrease of 7%, mainly due to the increase in depreciation and amortization as compared to 2012.

Notably, for the full-year 2013, data revenues (excluding SMS and VAS) formed 29% of total revenues, reflecting an annual growth of 21%. Zain’s nationwide 4G LTE network covered the entire population via 1,740 network sites.

Throughout the course of 2013, Zain introduced a wide array of appealing offers on all popular smartphone devices (iPhone 5s and 5c, Samsung S4 & Note 3, etc...) supported by a wide selection of promotions that included flat rate data roaming; Wiyana connect 4G LTE with 1 free month subscription; auto recharge for prepaid customers; and an offer for individuals with special needs.

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.

Marking its 30th anniversary, on June 22nd, Zain Kuwait gave away one full-day of free calls between Zain on-net customers, which resulted in a 37% rise in traffic for that day.

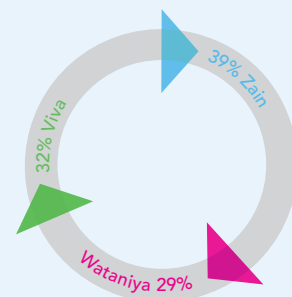
The highlight of the year in the country’s telecom sector was the introduction of Mobile Number Portability (MNP) on June 15th, offering the Kuwait mobile customer freedom to switch between any of the three mobile operators in the country without losing their number. As an incumbent operator, Zain did remarkably well by maintaining and further increasing its customer base, which has not been the norm for other mobile operators in the region where MNP has been introduced.

Looking forward, Zain Kuwait is following several strategic objectives, namely to consistently exceed customer expectations focusing on attracting and retaining customers at all touch points and further enhancing its network having launched 4G LTE nationwide with the view to improving the user experience.

CUSTOMERS (000s)



MARKET SHARE



Operational & Financial Performance	2013	2012	2011	YOY Growth (13 vs 12)
Customers (000s)	2,525	2,252	2,104	12%
Revenues (USD m)	1,199.0	1,186.7	1,247.3	1%
EBITDA (USD m)	579.8	584.1	607.9	(1%)
EBITDA %	48%	49%	49%	-
Net Profit (USD m)	377.9	408.3	465.6	(7%)
ARPU	\$39	\$42	\$49	-
Capex (USD m)	93.6	161.2	105.7	(42%)

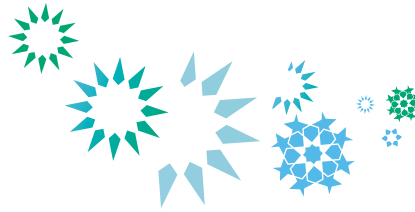
Financials: P&L (USD m)	2013	2012	2011	YOY Growth (13 vs 12)
Gross Revenues	1,199.0	1,186.7	1,247.3	1%
Cost of Sales	338.8	343.3	351.1	(1%)
Gross Margin	860.2	843.4	896.2	2%
Opex	280.4	259.2	288.3	8%
EBITDA	579.8	584.1	607.9	(1%)
Net Profit/(Loss)	377.9	408.3	465.6	(7%)

Capex Breakdown (USD m)	2013	2012
Capex	93.6	161.2
Network	75.5	123.7
IT	15.8	32.5
Others	2.3	5.0

#### Network KPIs

2G Population Coverage	100%
3G Population Coverage	100%
LTE Population Coverage	100%
Network Availability	99.6%
2G Call Setup Success Rate	99.35%
3G Call Setup Success Rate	99.61%
2G Drop Call Rate	0.28%
3G Drop Call Rate	0.31%
Data Setup Success Rate	98.56%
Daily Data Volume (Terabytes)	130.8
Cumulative Number of Sites	1,740
Contact Center Availability	100%

# OPERATIONS SNAPSHOT



## ZAIN IRAQ

*Zain has been providing mobile services in Iraq since December 2003. After securing a 15-year license in August 2007, the company acquired Iraqna's network, becoming the largest mobile operator in the country.*

Zain Group subsequently increased its ownership from 30% to 76%, maintaining management and attaining majority control.

Leading the Iraqi mobile market with a 49% market share, and counting a customer base of over 15.9 million, Zain Iraq constitutes the Group's largest overall customer base, accounting for 34% of the Group's total base at the end of December 2013. Zain Iraq's prepaid segment accounted for 99% of the operator's total customer base in 2013, with just 1% accounted for by the postpaid segment.

Zain Iraq's revenues in 2013 amounted to USD 1.7 billion, up by 1% Y-o-Y, and while EBITDA and net income decreased by 7% and 2% respectively, this was mainly due to foreign exchange impact and the increase in finance cost. Zain Iraq's revenue represented a valuable 41% of Zain Group's total consolidated revenues for 2013.

ARPU stands at USD 10 for the year and Zain Iraq continues to strengthen its market position by dynamic marketing campaigns and appealing offerings introduced to reduce churn and attract new customers. There is also a concerted focus on enhancing the voice ARPU generated through developing mobile data and value added services in the northern Iraq region of Kurdistan.

Zain Iraq is currently preparing to launch an initial public offering (IPO) in 2014, 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 potential of the operator.

In September 2013, Zain Iraq witnessed a major milestone through the establishment of the Joint Stock Company (JSC) in Iraq to facilitate its upcoming IPO, whereby 'Al-Khatem

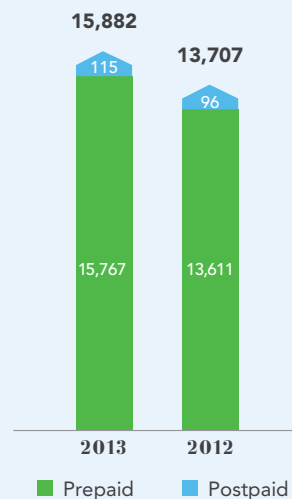
Company for Communications' held its first Annual General Meeting (AGM) electing its board of directors and thereafter appointing its Chairman and Managing Director.

Zain Iraq is also actively working at increasing its geographical presence within the country as well as coverage and capacity. The operator invested USD 294 million in CAPEX during the course of the year, mainly due to the network expansion in the northern region of Iraq and asset swap that occurred during the year. Zain Iraq counted 3,882 sites across Iraq, with population coverage of 98%.

The operator is looking forward to the awarding of the 3G spectrum expected in H1-2014 and is ready to launch 3G high-speed data services to its customer's base. In preparation, the operator has upgraded its network to single-RAN allowing it to offer 3G services promptly and efficiently once spectrum is granted.

Of note during the year for Zain Iraq, was the award of two prestigious accolades for the operator; the first being named the Telecom Operator of the Year at the 2013 Arabian Business Achievement Awards, and the second being designated as the Middle East Operator of the Year at the annual CommsMEA Awards.

CUSTOMERS (000s)



MARKET SHARE



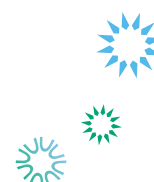
Operational & Financial Performance	2013	2012	2011	YOY Growth (13 vs 12)
Customers (000s)	15,882	13,707	12,435	16%
Revenues (USD m)	1,744.1	1,732.6	1,617.6	1%
EBITDA (USD m)	714.2	766.0	744.7	(7%)
EBITDA %	41%	44%	46%	-
Net Profit (USD m)	360.9	369.1	348.1	(2%)
ARPU	\$10	\$11	\$ 11	-
Capex (USD m)	293.5	152.0	113.6	93%

Financials: P&L (USD m)	2013	2012	2011	YOY Growth (13 vs 12)
Gross Revenues	1,744.1	1,732.6	1,617.6	1%
Cost of Sales	566.5	551.6	485.2	3%
Gross Margin	1,177.6	1,181.0	1,132.4	(0.3%)
Opex	463.4	415.0	387.7	12%
EBITDA	714.2	766.0	744.7	(7%)
Net Profit/(Loss)	360.9	369.1	348.1	(2%)

Capex Breakdown (USD m)	2013	2012
Capex	293.5	152.0
Network	283.0	147.5
IT	8.1	2.4
Others	2.4	2.1

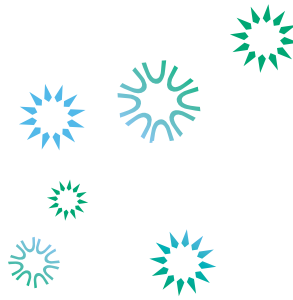
#### Network KPIs

2G Population Coverage	98%
Network Availability	99.61%
2G Call Setup Success Rate	96.59%
2G Drop Call Rate	0.69%
Data Setup Success Rate	87.93%
Daily Data Volume (Terabytes)	2.79
Cumulative Number of Sites	3,882
Contact Center Availability	98.61%



# OPERATIONS SNAPSHOT

## ZAIN SUDAN



*In February 2006, Zain acquired the remaining 61% stake of Mobitel, Sudan's first mobile operator, in a deal valued at USD 1.332 billion. 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 Sudan mobile market, Zain has continued to be the dominant mobile operator in the country with a 43% market share.

99% of its base is comprised of prepaid customers. The operator's customer base is the second largest within the Group, accounting for more than 11.7 million customers at the end of 2013.

This represented 25% of Zain Group's total customer's base, while Zain Sudan contributed in 14% of the Group's overall revenues in 2013 with an ARPU of USD, 4.

Operationally, in local currency terms (SDG) the company continues to perform well, with revenues and EBITDA for 2013 growing 18% Y-o-Y

and net income increased to SDG 580 million as compared with net loss of SDG 175 million in 2012. Unfortunately, due to economic and political issues during the course of the year, which resulted in an annual inflation rate of 39% and fuel prices increasing by an average of 72%, the local currency devalued by up to 35% during the course of the year. This led to a new Central Bank of Sudan exchange rate for USD/SDG, which ranged from 5.56 to 5.96.

Accordingly, when translated in USD terms, revenues and EBITDA were down 28% and 29% respectively, (excluding the Fx impact, revenue and EBITDA growth would have been 18%).

This currency effect impacted the overall Zain Group results severely as highlighted earlier in the CEO's statement.

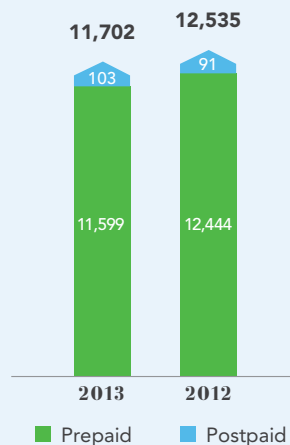
Notably, a new favorable Telecommunications Tax law was introduced in mid-June 2013 which

will see a 2.5% levy on operators' revenues introduced for a period of three years replacing the 30% corporate income tax that was in place. The law was backdated to January 1, 2013, and is set to enhance Zain Sudan's financial position for the next coming three years, somewhat compensating the losses incurred due to the currency issues.

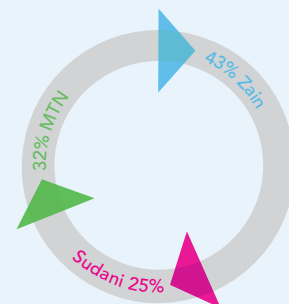
In order to compete with the increased market pressure, Zain Sudan managed to offer more competitive products, namely Zain Aalin mobile campaign, which allows companies to advertise their products as well as Da Al Kalam, Haj Offer, and Gamety, with offers targeted at the prepaid student segment.

By the end of 2013, the operator added 81 new network sites to reach 2,260, covering 86% of the population, and increasing its geographical coverage to 45%, up from 35% a year earlier.

CUSTOMERS (000s)



MARKET SHARE



Operational & Financial Performance	2013	2012	YOY Growth (13 vs 12)
Customers (000s)	11,702	12,535	(7%)
Revenues (USD m)	623.0	864.2	(28%)
EBITDA (USD m)	253.4	355.6	(29%)
EBITDA %	41%	41%	-
Net Profit (USD m)	102.6	48.8	110%
ARPU	\$4	\$6	-
Capex (USD m)	102.9	200.7	(49%)

Operational & Financial Performance	2013	2012	YOY Growth (13 vs 12)
Customers (000s)	11,702	12,535	(7%)
Revenues (SDG m)	3,538.0	2,999.2	18%
EBITDA (SDG m)	1,439.0	1,223.8	18%
EBITDA %	41%	41%	-
Net Profit (SDG m)	580.4	(175.1)	431%

Financials: P&L (USD m)	2013	2012	YOY Growth (13 vs 12)
Gross Revenues	623.0	864.2	(28%)
Cost of Sales	134.5	204.1	(34%)
Gross Margin	488.5	660.1	(26%)
Opex	235.1	304.5	(23%)
EBITDA	253.4	355.6	(29%)
Net Profit/(Loss)	102.6	48.8	110%

Financials: P&L (SDG m)	2013	2012	YOY Growth (13 vs 12)
Gross Revenues	3,538.0	2,999.2	18%
Cost of Sales	763.6	717.6	6%
Gross Margin	2,774.3	2,281.7	22%
Opex	1,335.3	1,057.8	26%
EBITDA	1,439.0	1,223.8	18%
Net Profit/(Loss)	580.4	(175.1)	431%

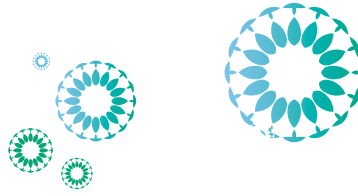
Capex Breakdown (USD m)	2013	2012
Capex	102.9	200.7
Network	95.8	190.6
IT	4.5	4.9
Others	2.6	5.2

#### Network KPIs

2G Population Coverage	90%
3G Population Coverage	50%
Network Availability	98.33%
2G Call Setup Success Rate	95.82%
3G Call Setup Success Rate	98.44%
2G Drop Call Rate	1.00%
3G Drop Call Rate	0.67%
Data Setup Success Rate	96.10%
Daily Data Volume (Terabytes)	35.41
Cumulative Number of Sites	2,260
Contact Center Availability	99.96%

# OPERATIONS SNAPSHOT

## ZAIN 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. 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 39% at the end of 2013, up from 38% in 2012.*

The operator counted 3.9 million customers as of year-end 2013, representing a 12% increase compared to 2012. This base accounted for 9% of Zain's total customer base at the end of 2013. Zain Jordan generated total revenue of USD 494 million in 2013. However net income for the year reached USD 120 million, a decrease of 2% as compared to 2012, mainly a result of the increase in the special tax on Mobile (prepaid & postpaid) which have increased from 12% to 24% and the special tax on mobile handsets which also increased from 8% to 16%. These taxes have effectively acted as an impediment to the sustained growth of the telecom sector in the country. EBITDA was down by 7% to USD 211 million due to the increase in utility expenses. Zain Jordan contributed 11% to the Group's consolidated revenues while CAPEX for the year saw an increase of 237% to reach USD 107 million accounted for by the asset swap during the year.

During the year, Zain Jordan achieved a major milestone with the introduction of Fiber-To-The-Home (FTTH) and Ethernet-To-The-Home (ETTH) technologies; strengthening its position in the broadband segment, which will eventually increase the operator's market share in this area.

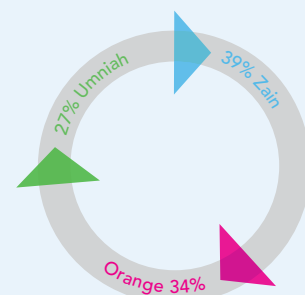
The fourth quarter saw the launch of many promotions including, Bela Hodoud net, talk more to get more prizes, recharge and get 100% bonus, and the introduction of new smartphone packages (iPhone 5s and 5c).

As of year-end 2013, Zain Jordan covered the entire population, increasing its total number of network sites to 1,872.

CUSTOMERS (000s)



MARKET SHARE



Operational & Financial Performance	2013	2012	2011	YOY Growth (13 vs 12)
Customers (000s)	3,900	3,489	2,751	12%
Revenues (USD m)	494.3	509.3	505.8	(3%)
EBITDA (USD m)	210.6	225.7	231.5	(7%)
EBITDA %	43%	44%	46%	-
Net Profit (USD m)	119.7	121.6	131.6	(2%)
ARPU	\$10	\$12	\$15	-
Capex (USD m)	107.3	31.8	23.8	237%

Financials: P&L (USD m)	2013	2012	2011	YOY Growth (13 vs 12)
Gross Revenues	494.3	509.3	505.8	(3%)
Cost of Sales	126.7	140.9	141.7	(10%)
Gross Margin	367.6	368.4	364.1	(0.2%)
Opex	157.0	142.7	132.5	10%
EBITDA	210.6	225.7	231.5	(7%)
Net Profit/(Loss)	119.7	121.6	131.6	(2%)

Capex Breakdown (USD m)	2013	2012
Capex	107.3	31.8
Network	102.0	34.6
IT	-	-
Others	5.4	(2.8)

#### Network KPIs

2G Population Coverage	100%
3G Population Coverage	98%
Network Availability	99.92%
2G Call Setup Success Rate	97.16%
3G Call Setup Success Rate	98.85%
2G Drop Call Rate	0.52%
3G Drop Call Rate	0.60%
Data Setup Success Rate	92.61%
Daily Data Volume (Terabytes)	48.85
Cumulative Number of Sites	1,872
Contact Center Availability	99.98%

# OPERATIONS SNAPSHOT



## ZAIN BAHRAIN

*Zain Bahrain began commercial operations in the Kingdom in December 2003, then known as MTC Vodafone. With its historic introduction of 3.5 G, WiMAX and most recently 4G LTE, 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 market, coupled with competitive price promotions, Zain Bahrain's ARPU level reached USD 23 for the year-end 2013, the second highest ARPU in the Group.

During the 12-month period, Zain Bahrain's customer base grew an impressive 25% to reach a total of 772k, a remarkable achievement given the 170% mobile penetration rate in the Kingdom. This 25% growth was the highest customer growth across the Group in percentage terms, and Bahrain's base represents 2% of the Group's overall base.

During the year, the company invested heavily in modernizing its network, with CAPEX increasing by 42% compared to 2012, a contributory factor to the impressive 20% growth in data revenues (excluding SMS and VAS) experienced over the period. The operator's network currently covers 100% of the population, with a total of 345 network sites.

In April, Zain Bahrain achieved a major milestone with the launch of its 4G LTE high-speed network in collaboration with Ericsson. The launch even attracted the attendance of world motor racing champion Jenson Button. Zain Bahrain's 4G LTE launch coincided with the Bahrain F1 Gulf Air Grand Prix; which saw the Vodafone McLaren Mercedes team and racing car branded Zain, exposing the brand to a global audience exceeding 100 million.

The operator also became the first in the Kingdom to bundle premium TV content with home Internet services by launching an OSN and home Internet product bundle as part of its Home Broadband service.

To stave off increased competition, Zain Bahrain has introduced a range of tailored services which

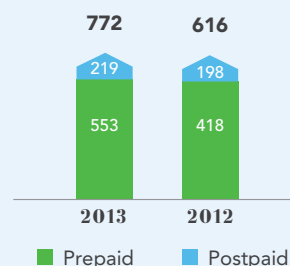
include new smartphones (iPhone 5s and 5c) with 4G LTE packages offering high download speeds; as well as Smart TV packages (for the broadband segment).

Among a variety of appealing mobile and broadband tablet bundled packages offered to customers, Zain Bahrain launched the first-of-its-kind mobile app enabling Zain customers to access a host of offerings, including subscribing to services and paying bills.

Zain Bahrain entered into a four-year managed services agreement with Ericsson, to manage the day-to-day operations of Zain's network and enhance its customer support services. In parallel, Zain will be able to allocate more resources to higher-end services and offerings allowing customers to ultimately benefit from an increased network quality and stability.

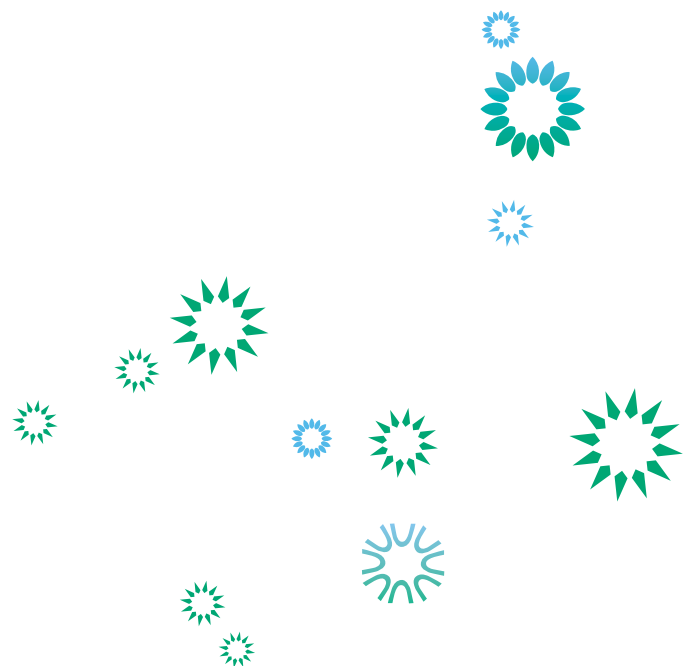
Zain Bahrain's mobile service license was renewed for a further 15 years, until 2028. The mobile operator is currently preparing to launch an initial public offering to list 15% of the company's shares on the Bahrain Stock Exchange as per TRA requirements.

### CUSTOMERS (000s)



### Network KPIs

2G Population Coverage	100%
3G Population Coverage	98%
LTE Population Coverage	33%
Network Availability	98.99%
2G Call Setup Success Rate	97.85%
3G Call Setup Success Rate	98.64%
2G Drop Call Rate	0.90%
3G Drop Call Rate	0.55%
Data Setup Success Rate	88.44%
Daily Data Volume (Terabytes)	21.83
Cumulative Number of Sites	345
Contact Center Availability	99.98%



# OPERATIONS SNAPSHOT

## ZAIN SOUTH SUDAN

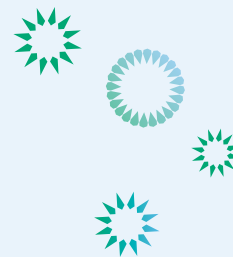
*In June 2011, the Republic of South Sudan and the Republic of Sudan successfully completed their separation process. Accordingly, Zain Group commenced separating its operations into two entities by having different financial statements and organizational structures. Zain operates in South Sudan as per a Memorandum of Understanding between the Republic of South Sudan and the Republic of Sudan until South Sudan issues its own license requirements. The Ministry of Telecom and Postal Services is working tirelessly to establish a Telecom Regulatory Authority in the country.*

Prepaid customers dominate the market in South Sudan with Zain's prepaid customers accounting for 99% of its overall base at the end of 2013. Despite aggressive competition in the country among four major operators, Zain has managed to secure a leading 41% market share, counting over 812k active customers which grew by 22% Y-o-Y.

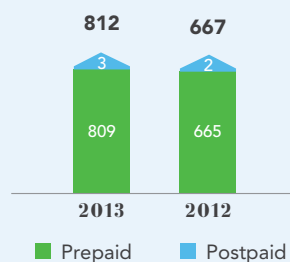
The operator launched several initiatives in the capital city Juba as part of an aggressive brand awareness campaign titled 'I AM'. Activities focused on demand creation for Zain products and services through interactive and fun events around the capital.

The brand messaging intended to bring synergies between the dreams and aspirations of the youth of South Sudan and the range of products and services that Zain offers. The "I AM" campaign centers on the people of this new nation being able to achieve whatever they put their minds to with Zain, since it is part of the people and their dreams.

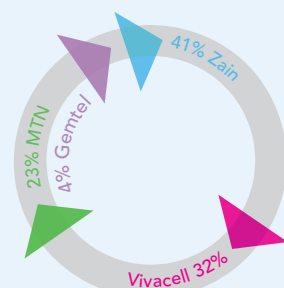
As of December 31st, 2013, the operation had a total of 303 network sites and is aggressively expanding its network across the country, having added 83 new sites during 2013. Zain South Sudan's network now covers 45% of the population with a total geographical coverage of 37%, the largest in the country.



CUSTOMERS (000s)

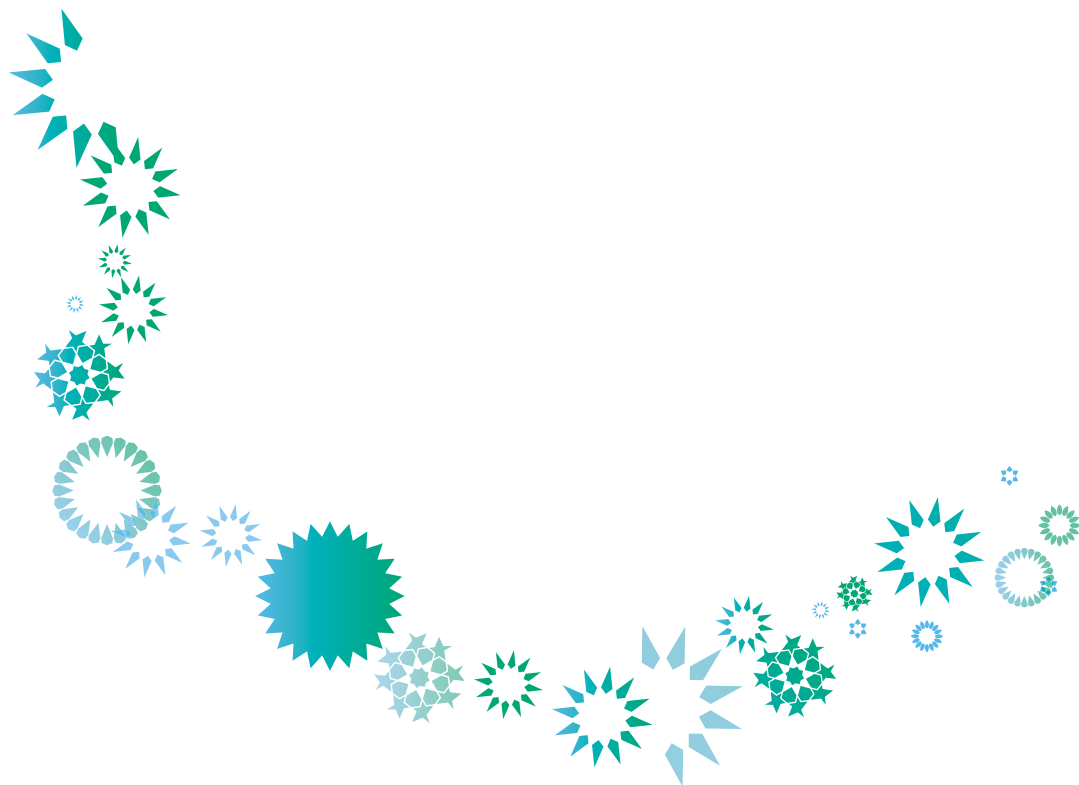


MARKET SHARE



## Network KPIs

2G Population Coverage	49%
3G Population Coverage	20%
Network Availability	89.95%
2G Call Setup Success Rate	96.96%
3G Call Setup Success Rate	97.35%
2G Drop Call Rate	0.98%
3G Drop Call Rate	0.37%
Data Setup Success Rate	94.77%
Daily Data Volume (Terabytes)	0.37
Cumulative Number of Sites	303
Contact Center Availability	100%



# OPERATIONS SNAPSHOT

## ZAIN 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% equity stake in the operation, while the remaining ownership is distributed between a Saudi consortium, which owns 21%, and 42% that is free floating on the Tadawul Stock Exchange.*

Zain KSA is listed on the Saudi Stock Exchange (MTC KSA, 7030) with a market capitalization circa USD 3 billion (share price SAR 9.3) as of December 31st, 2013.

In September 2013, Zain KSA's Board of Directors appointed seasoned telecom executive Hassan Kabbani as CEO of Zain KSA.

Zain KSA counted 8.5 million customers at the end of 2013, a 13% increase on 2012 numbers, representing a market share of 15%. The operator's customer

base represents 18% of the Group's overall base with prepaid customers accounting for 94% of Zain KSA's overall base, while overall ARPU stood at USD 18.

For the year ended December 31st, 2013, Zain KSA recorded a 5% increase in revenues mainly due to the increase in international calls and mobile data usage that grew by 73% Y-o-Y predominantly due to the presence of the high-speed 4G LTE network. EBITDA increased by 1% Y-o-Y and net losses decreased by 6%.

On June 4, 2013 Zain KSA signed an agreement with the Kingdom's Ministry of Finance for a seven-year deferment of its annual dues and other obligations. The deferred fee, estimated at SAR 800 million (USD 213 million) per annum, totals SAR 5.6 billion (USD 1.5 billion) for the entire period, and will be treated as a commercial loan payable from June 2021 onward.

On June 5, 2013 Zain KSA signed a SAR 2.25 billion (USD 600 million) long-term loan facility with a three-year maturity after obtaining consent from a syndicate of lenders.

Additionally, Zain KSA successfully extended the maturity date of its syndicated SAR 9 billion (USD 2.4 billion) Murabaha facility for 5 years to July 31st, 2018. The company partially repaid the facility, utilizing a portion of its internal cash resources, and the current outstanding principal stands at USD 2.3 billion (SAR 8.63 billion). The facility has been restructured as an amortizing facility, 25% of which will be due during years 4 and 5 of the life of the facility, with 75% due at maturity.

Moreover, the new facility arrangement will carry a decreased profit margin by around 18% (equivalent to 75 basis points) compared to the previous agreement, with the possibility for further reduction in line with the improving credit metrics.

On June 17<sup>th</sup>, 2013, Zain KSA entered into a three-year managed field services agreement with Ericsson, which will be responsible for the field operations and maintenance of all Zain KSA's network sites across the Kingdom. The agreement will allow Zain to focus its resources on initiatives that better serve its customers.

On May 27<sup>th</sup>, 2013 Zain KSA launched the international roaming service 'Vodafone Passport', a result of the non-equity strategic partnership agreement with Vodafone. On May 5, 2013 the operator launched LTE Advanced services, which enable customers to enjoy data speeds of up to 150 Mbps, making Zain KSA the first operator in the region to provide this technology. Earlier in the year, Zain KSA was nominated the best 4G/LTE network operator in the Kingdom at the TELSAs International conference.

The operator is experiencing significant positive momentum in its financial performance as it follows a strategy of operational excellence, better customer experience, and greater brand alignment.

At the end of 2013, the operator increased the number of network sites by 23% to reach 5,727 as compared to 4,652 sites in 2012, covering 93% of the population and offering geographical coverage of 16%.

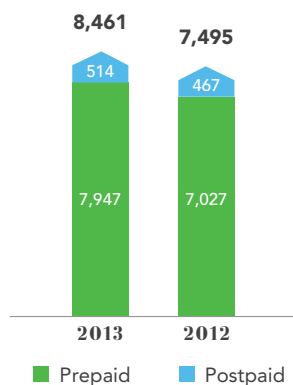
Operational & Financial Performance	2013	2012	2011	YOY Growth (13 vs 12)
Customers (000s)	8,461	7,495	7,567	13%
Revenues (USD m)	1,799.5	1,707.8	1,786.6	5%
EBITDA (USD m)	237.4	234.3	239.8	1%
EBITDA %	13%	14%	13%	-
Net Profit (USD m)	(440.4)	(466.5)	(513.4)	6%
ARPU	\$18	\$18	\$18	-
Capex (USD m)	245.2	314.5	293.0	(22%)

Capex Breakdown (USD m)	2013	2012
Capex	245.2	314.5
Network	229.3	288.6
IT	9.4	14.9
Others	6.5	11.0

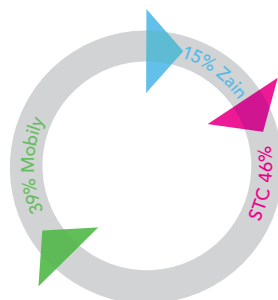
#### Network KPIs

3G Population Coverage	80%
LTE Population Coverage	46%
Network Availability	98.87%
2G Call Setup Success Rate	97.46%
3G Call Setup Success Rate	96.61%
2G Drop Call Rate	0.46%
3G Drop Call Rate	0.36%
Data Setup Success Rate	98.38%
Daily Data Volume (Terabytes)	89.24
Cumulative Number of Sites	5,727
Contact Center Availability	99.98%

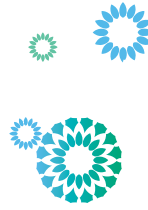
#### CUSTOMERS (000s)



#### MARKET SHARE



# OPERATIONS SNAPSHOT



## TOUCH 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 renegotiated and renewed several times since, most recently for a three-month period from January 1st, 2014 to March 31st, 2014. The operation is branded "touch", and Zain has developed the Lebanese operation to a high level by providing unprecedented world-class services.*

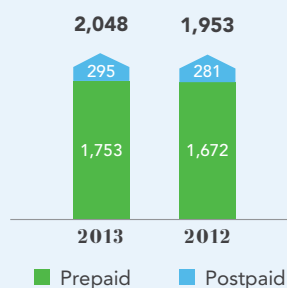
At the end of 2013, touch counted over 2 million customers – an increase of 5% Y-o-Y and accounting for 4% of the Group's total customer base. Several important technological strategic initiatives were undertaken and completed during the course of the year, including the completion of LTE 800MHz/1800MHz carrier aggregation on touch's network offering high-speed 4G data services to customers.

Touch is the first mobile operator in the world to use this technology over 800MHz and 1800MHz spectrum bands, making the operator a keen innovator on a global scale, and driving Lebanon to the forefront of forward-looking innovation in the ICT sector.

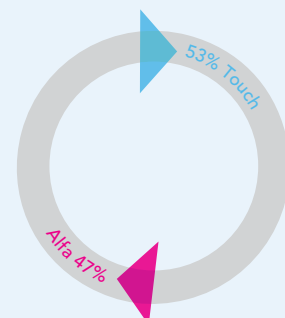
The operation's strategy is to consistently exceed customers' expectations by delivering attractive products, capitalizing on mobile broadband, as well as offering attractive bundles and mobile phones packages.

With 1,012 network sites, the operator covers all the populated areas of Lebanon. In close cooperation with the Lebanese Ministry of Telecommunications, Zain is unequivocally committed to the further development of the mobile sector in Lebanon.

CUSTOMERS (000s)



MARKET SHARE





▶ Zain launched commercial services in the Kingdom of Saudi Arabia.



# THE BRAND



# THE BRAND



*It is estimated that each one of us comes in contact with more than 3,000 brands every day. That is a lot. So why is it that we remember some and others we completely forget about?*

*In 2013, Zain was voted as the most recognizable Arab brand in a survey conducted by the Munich based Arab Society for Intellectual Property. The online poll across 54 countries showed Zain to be the most identifiable amongst 200 major Arab brands.*

*It is a recognition Zain is very proud of and has come as result of the efforts and investment in the Zain brand since its inception in September 2007.*

Successful brands not only have a memorable logo to represent them; they are primarily driven by one big idea. This big idea has been at the heart of all Zain's communications across all our operations: 'A Wonderful World' is immediately associated with Zain by consumers in all our markets.

It is not a statement about an imaginary utopia but is a real case translation of what Zain, as a mobile operator, offers consumers. The Zain Wonderful World encompasses customers' dreams and aspirations, the world of their friends, families and business contacts, the world of their fun and entertainment, and the world of opportunities and success.

This big idea, brand assets – logo, colors, imagery, and typography – as well as what Zain says and how it says it, has placed the company in the hearts and minds of consumers and the wider general public.

However, there is more than emotion to it as well. Zain's 2013 brand value was estimated at USD 1.67 billion, which saw Zain ranked 73 amongst 500 telecom companies worldwide.

Here is a rundown of the major creative advertising and promotional campaigns that were launched by Zain Group and its operations during 2013.

## ZAIN GROUP

### GULF CUP

Zain Group kicked off the year celebrating sportsmanship through a TV commercial highlighting the Gulf Cup that was held in Bahrain in January. The team behind the production was an all-star one: The TVC featured the popular star Abdulmuhsen Al Gaffas, lyrics and music were composed by Bashar Al Shatti and the TVC was directed by Aziz Al Jasmi.



Ramadan's "Zain Friends" campaign

The TVC was heavily promoted on the Zain social media channels and garnered more than 600,000 views on YouTube.

**4G LTE LAUNCH AND F1 BAHRAIN**

The 'Formula 1 Gulf Air Bahrain Grand Prix' held in April was an exciting occasion for Zain. As a result of Zain's partner agreement with Vodafone, the Vodafone McLaren Mercedes racing cars and team were distinctively branded with the Zain logo and viewed by a global audience.

The Grand Prix also coincided with the launch of Zain's 4G LTE in Bahrain, and what better way to highlight the fastest network in the region than to team up with two drivers who know all about speed: 2009 F1 World Champion Jenson Button and popular Mexican Grand Prix driver Sergio Perez.

The entertaining commercials showed the two drivers humorously drawing a parallel between their fast cars and their speedy 4G connection from Zain.

**RAMADAN - "ZAIN FRIENDS"**

People across the Middle East and Africa have become accustomed to Zain's creative releases during the Holy Month of Ramadan.

Coinciding with Zain's 30<sup>th</sup> Anniversary Celebrations, the



The "Gipsy Kings" Eid campaign

Group released a TVC entitled "Know Your Friends" to thank the customers who have been part of our wonderful world for the past 30 years.

In the first part of the campaign, we see a note being passed amongst a group of friends over several years, we don't see the content of the note, but upon reading it, it makes them feel better. Zain resorted to crowdsourcing and asked its social communities to write the content of the note, which was revealed in the 2nd part of the TVC.

The #ZainFriends campaign was launched on all of Zain's social media channels, and people were asked to visit a microsite, write down their notes and ask their friends to vote for them. The note which gained the highest number of votes was selected: Life will continue to be hopeful and meaningful because of the friends we make along the years.

**EID AL FITR - "ZAIN AND THE BEAST"**

To celebrate Eid Al Fitr, Zain teamed up with the Gipsy Kings in a song that tells people not to let anything spoil the joys of Eid. And for the third year in a row Zain Group produced a play, this time entitled 'Zain and The Beast' as part of its Eid festivities.

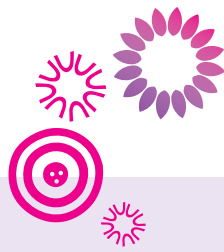
The play was performed in Kuwait City for eight days commencing the first day of Eid. It included 18 shows and was played to a total full-house audience of 27,000.

'Zain and The Beast', which received rave reviews across the region, is a twist on the original Disney story, Beauty and the Beast, and starred popular Kuwaiti artists Shijoon, Bashar al Shatti, Fatma al Safi, Hamad Ashkanani and Ali Kakooli. The play was directed by Samir Abood, with song lyrics by Hiba Mishary Hamada and music compiled by Bashar al Shatti.

You can watch all the TVCs as well as the play on [youtube.com/zain](http://youtube.com/zain)



"Zain and the Beast", another successful Eid play



## ZAIN KUWAIT

Zain Kuwait marked its 30<sup>th</sup> anniversary as a leader in the telecom sector by introducing unprecedented promotions and services especially tailored to top-of-the-line smartphones and 4G LTE Internet subscriptions as a token of appreciation for their longstanding support.

The launch of v Corporate featured three exclusive brand ambassadors, Ahmed Al-Bader - Epicure Group, Fahad Al-Yehya – Core Fitness Gym, and Fatima Al-Othman – F2o Designs.

As the first corporate package of its type to be introduced by Zain, corporate customers are empowered to tailor their packages to better suit their needs with flexible offers and discounted prices on the latest devices with unlimited free calls and 4G LTE Internet nationwide coverage. Customers also enjoyed a special promotion which helped start-up businesses to benefit from these rates.



Free calls from Zain Kuwait on its 30th Anniversary

Zain Kuwait also launched a campaign around its latest 4G LTE network, which is available to all its prepaid customers with exclusive prices from a variety of daily, weekly, and monthly bundles to choose from.

## ZAIN BAHRAIN

2013 was a landmark year for Zain Bahrain in strengthening its position as a lifestyle brand offering enabling value added services in addition to superior value telecom services.

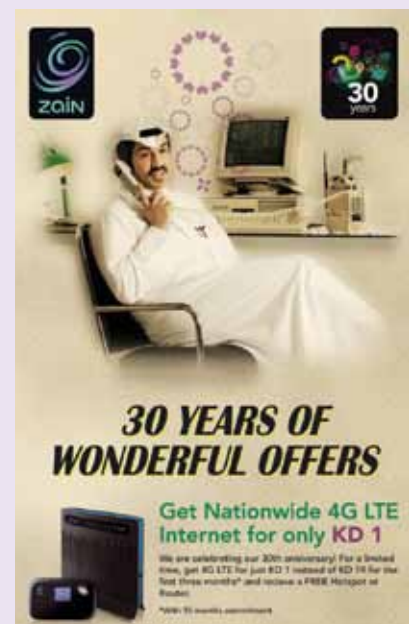
Zain Bahrain's premium proposition "Signature" was enriched by adding concierge services, private messengers, and global VIP airport lounge access for high-value customers.

A suite of Home Broadband packages were introduced, offering customers free Smart TVs and premium content through OSN, along with a high-speed Internet service.

Zain Bahrain further leveraged the overwhelming demand for mobile data services through innovative packaging and pricing. It launched multiple flagship smartphones bundled with smart plans, including iPhone 5s, Samsung Galaxy S4, and Samsung Note 3.



The Wiyana Mix Corporate offer from Zain Kuwait



Zain Kuwait's 30<sup>th</sup> Anniversary offers



Home Broadband package from Zain Bahrain



The fashionable Samsung Galaxy bundle from Zain Bahrain



"Signature". Zain Bahrain's premium proposition

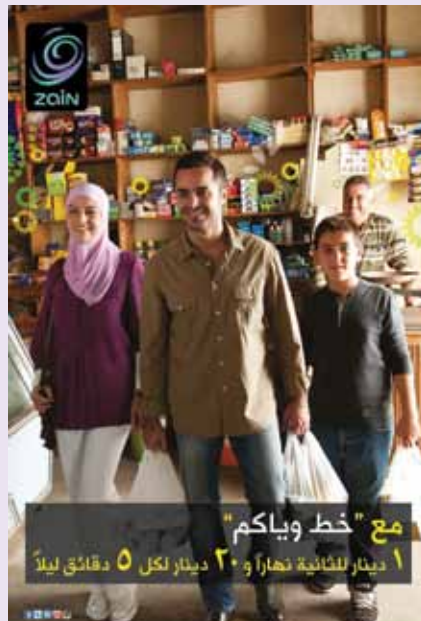


"Rayeb Balak" with Zain Iraq

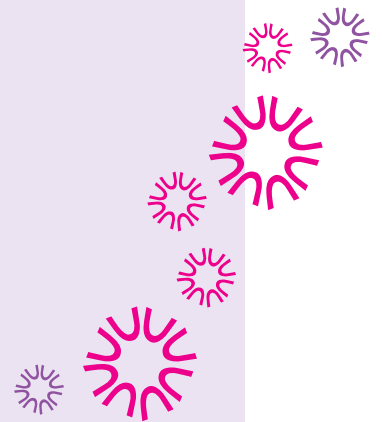
## ZAIN IRAQ

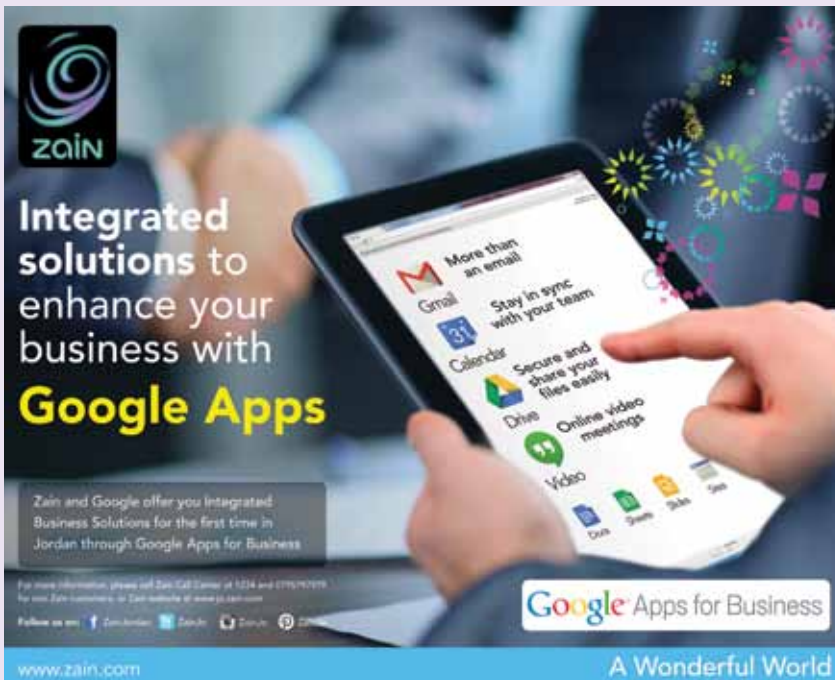
Sami3ny is one of the most distinguished services offered by Zain Iraq, containing the latest ringtones that cater to differing tastes, including the latest Arabic, Kurdish and world music releases. In 2013, Zain Iraq launched a new campaign for the prepaid product "Zain Wiyakom", offering a closed user group functionality to enable customers to enjoy a low on-net call rate (IQD 1/sec) during day and night.

Zain Iraq also introduced the "Rayah Balek" service, providing all prepaid customers with the functionality to block unwanted calls and SMS's.



"Zain Wiyakom" offer in Iraq





Zain Jordan introduces Google Apps for Business

### ZAIN JORDAN

Zain Jordan teamed up with Google to introduce Integrated Business Solutions for the first time in the Kingdom through Google Apps for Business. The campaign targeted the corporate sector in Jordan, offering the benefits of the Google Apps for Business bundled with voice and other communication services at very attractive rates.

“Zain Track” was also launched, which is a service for all Zain and non-Zain customers and allows them to track their vehicles throughout the Kingdom through cutting-edge technology.

The “Fulfill your Dream with Zain” campaign was also a huge success in 2013. It was devised in appreciation of the loyalty of prepaid, postpaid and Internet customers. The campaign offered customers the chance to participate in weekly draws for thousands of prizes as well as a final draw for a range of grand prizes.



“Fulfill Your Dream” with Zain Jordan



Touch Lebanon launches Mobile TV

### TOUCH LEBANON

Every year Touch Lebanon partners with (Youth Association for Social Awareness) YASA to promote road safety awareness under the “Don’t Text & Drive” theme. In 2013, the “Don’t Text. Whistle and Drive” awareness campaign spoke to the youth in a medium they appreciate - a song. The song explained - in a light and positive way - that every time someone has the urge to text and drive, one can ignore one’s phone, whistle instead and enjoy the ride. This makes it a safer world for the individual and everyone around them.

For the first time in Lebanon, Touch also launched a mobile TV service allowing customers to enjoy live TV streaming and Video-on-Demand (VOD) services. Available in 3 packages, the service can be accessed via a dedicated mobile app and online portal. The launch was promoted on TV and outdoor media.



“Don’t text. Whistle and Drive.” awareness campaign from Touch Lebanon



Zain KSA mobile broadband 4G campaign

The "Text & Talk" campaign, which targeted prepaid "Magic" customers, announced 3 bundles of discounted local minutes & SMS, and offered savings of up to 62%.

You can watch the 'Don't Text. Whistle and Drive' TVC as well as the mobile TV commercials on [youtube.com/touchlebanon](http://youtube.com/touchlebanon)

#### ZAIN SAUDI ARABIA

Zain Saudi Arabia launched several successful offers in 2013 supported by aggressive marketing campaigns. Zain Max rewarded prepaid customers who took up the package with a 500% bonus on every accumulated recharge amount of 20 SAR (approximately USD 5), which could then be used for on-net calls and SMS, international SMS and data usage.

The Kareeb package offered customers the best local calling rates in the Kingdom as well as very attractive data and international rates.

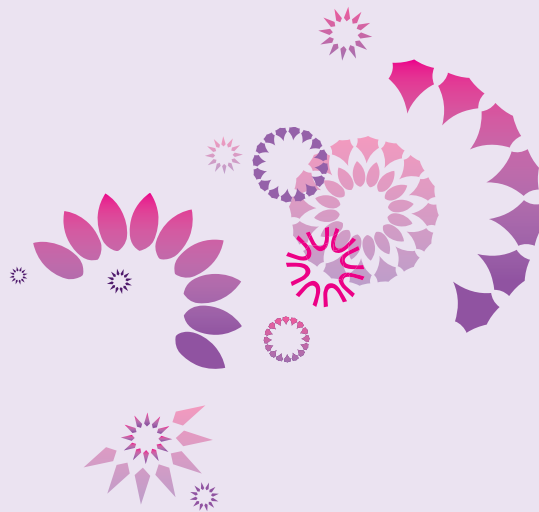
Finally, the Mobile Broadband 4G campaign targeted the mass market, offering data plans for different needs including router and tablet offers.



Attractive calling rates from Zain KSA's "Kareeb" package



The "Zain Max" package from Zain KSA

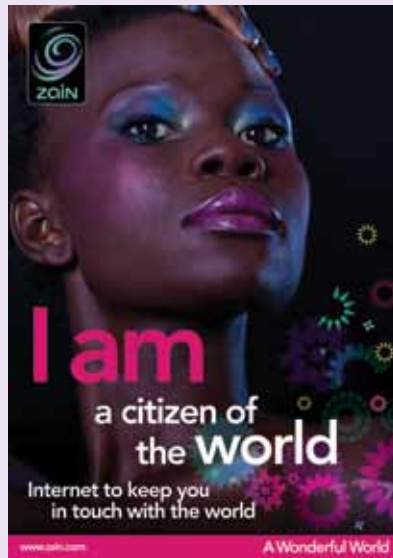
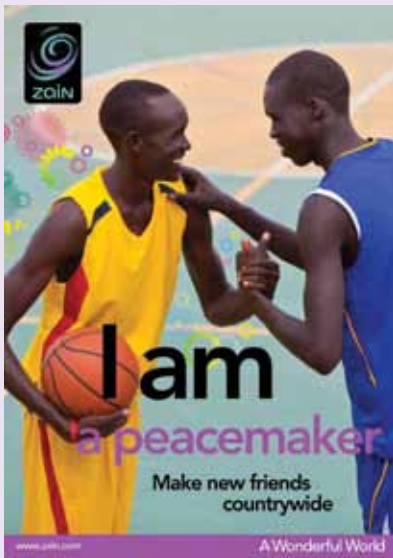


## ZAIN SOUTH SUDAN

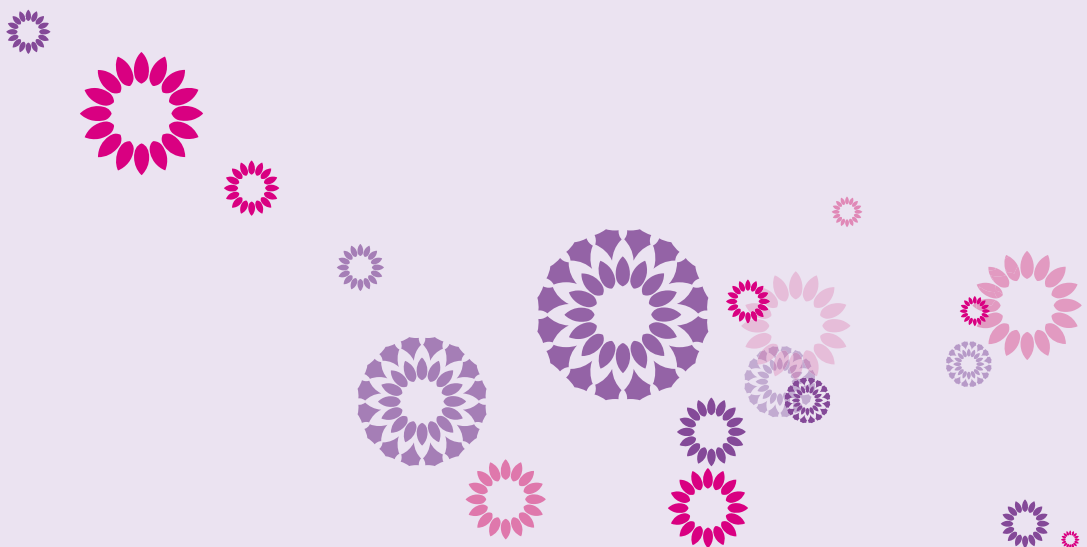
Zain South Sudan launched the “I AM” campaign in September, intended to draw parallels between the dreams and aspirations of the youth of South Sudan and the range of products and services that Zain offers.

With the striking and colorful depictions of different people in South Sudan represented through the “I AM” campaign, the operator highlighted the aspirational values of the Zain brand, namely Heart, Belonging and Radiance.

Essentially, the “I AM” campaign centers on the people of this new nation being able to achieve whatever they put their minds to with Zain, since it is part of the people and their dreams.



Zain South Sudan “I Am” aspirational campaign



## ZAIN SUDAN

For the first time in Sudan, Zain launched a campaign for the blind and deaf. The service is available to members who are registered in the Deaf and Blind Union providing them with 50% discount on SMS and voice SMS with the lowest tariff in the country.

In February, Zain Sudan launched a campaign targeting Generation Next entitled, "The Positive Attitude". The goal of the campaign was to give the youth food for thought that would improve their behavior, and was targeted mainly to university cafes.

The advertisement features the Zain logo on the left and the Deaf and Blind Union logo on the right. In the center, three young people (two men and one woman) are smiling and pointing towards the camera. The background is a bright, colorful landscape with stylized flowers. The main headline in Arabic reads: "لأننا نحبكم... لأننا نهتم!". Below this, a yellow box contains text detailing a 50% discount on SMS and voice SMS for members of the Deaf and Blind Union. The Zain website URL, www.zain.com, is at the bottom left, and the slogan "زين. عالم جميل" (Zain. A Beautiful World) is at the bottom right.

Zain Sudan's service for the blind and deaf

The advertisement features the Zain logo on the left. In the center, there is a large, bright yellow smiley face surrounded by colorful, stylized flowers. The main headline in English reads: "A Smile Can Change A Life". The Zain website URL, www.zain.com, is at the bottom left, and the slogan "A Wonderful World" is at the bottom right.

The "Positive Attitude" youth campaign from Zain Sudan

▶ Zain invested in  
15.5% of Moroccan  
operator Inwi.

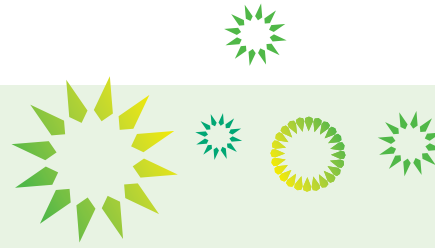
2009



# GROUP TECHNOLOGY



# GROUP TECHNOLOGY



**FOCUSED ON IMPLEMENTING TECHNOLOGIES THAT ENRICH INFORMATION, COMMUNICATION AND ENTERTAINMENT EXPERIENCES FOR ZAIN'S CUSTOMERS.**

*One of the main differentiators between mobile operators in as competitive times as these is the quality and reliability of its network and IT infrastructure in enhancing the customer experience. Accordingly, in order to maintain our market leadership and attract new customers, Zain's focus and investment in both its radio access as well as its core networks has been unyielding. Evidence of such is the significant year-on-year 10% increase in CAPEX invested by Zain's mobile operations during the course of 2013.*

The appeal of the company's high-speed 4G LTE state-of-the-art networks in Kuwait (nationwide), Saudi Arabia and most recently Bahrain, as well as the advanced 2G and 3G infrastructure in Jordan, Sudan, Iraq and South Sudan have helped attract 3.4 million customers during 2013 (9,500 per day), as well as grow data revenues by 25% year-on-year. As of 31 December 2013, data revenues represented 14% of the Group's overall service revenue for the year, and this impressive growth is something the company will continue to foster as smartphone and tablet penetration rises and mobile broadband networks proliferate.

Zain's sustainable business practices in technology entail the company focusing on optimizing the cost of service delivery through different enablers and initiatives. This includes providing the right Group-operation governance and maximizing value from partnerships through optimized framework agreements (FWAs) and service layer agreements (SLAs). Zain also looks to capitalize on better resource utilization of different technology layers such as access and backhaul.

## THE ANNUAL ZAIN TECHNOLOGY CONFERENCE

In order to maintain its leading technological edge, Zain Group held its third annual Zain Technology Conference (ZTC) in Dubai from December 1 to 3, 2013.

The three-day event focused on innovating customer experience, attracting 600 participants and 63 global technology partners exchanging views and ideas regarding the advancement and future direction of the telecom sector.

It was during this conference that Zain Group announced its three-year consolidated Technology Roadmap across all of its operating companies.

The Technology Roadmap is based on a set of technology blueprints and standards among other elements addressing the end-to-end telecom network and covering two main objectives:

- 1. Governance:** A strong and centralized governance led by Zain Group, to extract and deliver the full value potential for the operations.
- 2. Operational efficiency:** A harmonized service delivery framework across the Group to deliver high quality services at controlled costs.

Twenty-four blueprints were developed in the areas of Networks and IT, incorporating areas ranging from access, core, and backhaul to BSS, facilities management, performance, and service enablers. Zain blueprints and master plans are now used as guidance for future technology architecture developments across all Zain's operations. Industry and market triggers were also established to ensure all changes and new relevant trends are taken into consideration and that all references and guidelines are constantly updated.

Below, we detail some of the technology initiatives and projects that Zain Group undertook in 2013.

## CONVERGENCE

Historically distinct applications 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 only 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.

Aligning with the Zain Group BSS blueprint, all operations are currently implementing charging, billing and CRM systems to achieve a consolidated convergent solution.

Zain Jordan, Zain Sudan and Zain South Sudan have already completed both charging and billing implementation while Zain Bahrain completed its convergent charging system implementation. Zain Kuwait, Zain Saudi Arabia and Zain Iraq are also progressing in their implementation phases to achieve convergent charging for all their customers.

Zain Jordan's implementation of convergent charging and billing is already helping in providing real-time bonuses, notifications, spending control, and online services.

Since the convergent charging and billing solution is online, one team handles end-to-end changes,

follows an easier process, and enjoys a quick time-to-market. Thus, many products and services were offered in a very short period of time. Zain Jordan was able to target its valuable customer segments with 400 customized offers and bundles without spending time planning, configuring and testing individual products and services.

This could not have been possible previously as any product or offer launch required several teams and months in development, testing and eventual release.

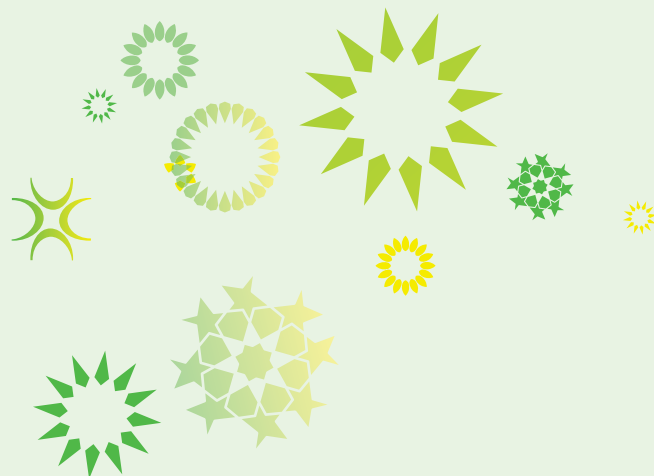
Zain is aiming at achieving a fully convergent solution covering charging, billing and CRM across all its operations by June 2015.

## ZAIN RADIO NETWORK (RAN) MODERNIZATION

To enhance its customers' experience, Zain modernized its RAN in Iraq, Bahrain, and Jordan.

In Iraq, Zain introduced an IP-based interface that allows for more efficient traffic management and swapped 396 base stations in the North of Iraq where the customer base and traffic were increasing. Although the swap is still ongoing, a reduction in the call drop rate by 29% and an improvement of 15% in call success rate have already been achieved.

In the same manner, Zain Jordan swapped approximately 330 sites in the South and Central regions of the country out of a total of 870 sites set to be upgraded. With this modernization of its RAN base stations, Zain Jordan achieved a physical footprint decrease of almost 33% in some areas thanks to the introduction of new power amplifier boards that allow for faster sector expansion based on software modifications. Moreover, the swapped equipment is 20% more energy efficient. Also adding to the benefits of the swap, Zain Jordan is in the process of introducing new efficiency features such as network IP-fication and quality optimization algorithms which render network operations and design faster resulting in improved customer experience.



### CREATING A DISTINCT NETWORK QUALITY EXPERIENCE

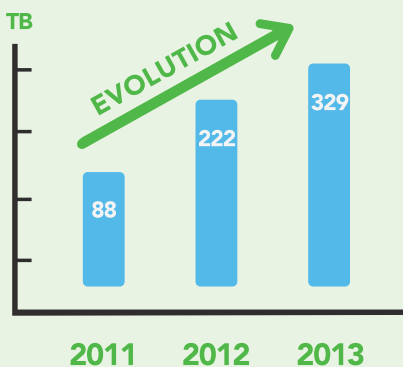
With recurring intense competition and the increase of complexity in our networks, we continue to focus more on customer experience as a key competitive differentiator. Providing our customers with superior coverage as well as services and network quality are fundamental to every network project we undertake.

We currently provide superior coverage of almost 100% of the population on all our 2G networks except in South Sudan and over 98% 3G population coverage in Saudi Arabia, Kuwait, Bahrain, and Jordan. For LTE, Zain Kuwait has achieved an ultimate 100% population coverage. Our focus now is to continue improving this coverage in indoor environments through deployment of small cells and to ensure sufficient capacity to carry traffic, in particular data.

As part of the Blueprint project, we have embarked on the standardization and optimization of network performance systems and technologies across all Zain operations to ensure efficiency, providing a uniform and distinct quality experience.

Through the implementation of Zain standard blueprints across our operations, we are building key capabilities to improve end-to-end network performance and customer experience management. We are continuously reviewing the ways we measure network quality and revising our Key Quality Indicators (KQIs) to ensure that they reflect the real customer's experience.

DAILY DATA VOLUME



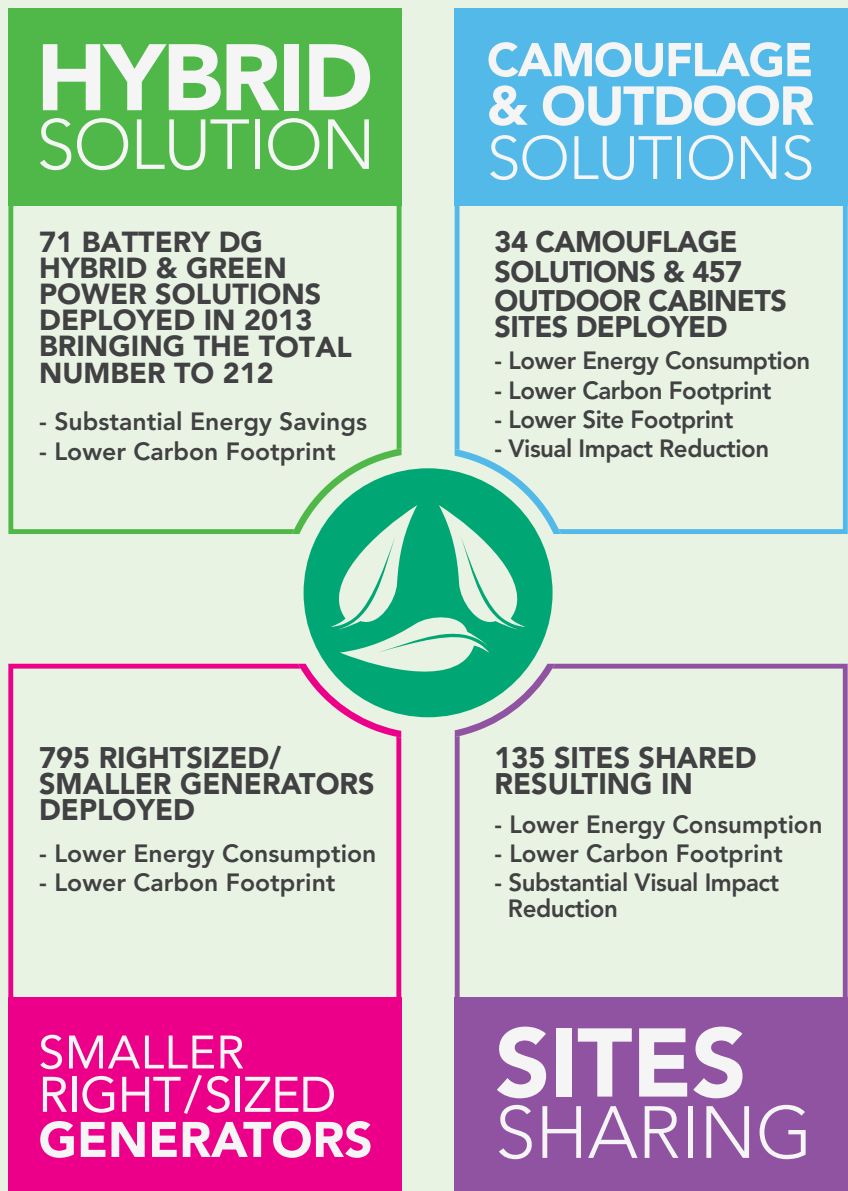
### ENERGY EFFICIENCY AND REDUCTION IN THE ENVIRONMENTAL IMPACT

Zain has adopted an integrated approach to energy efficiency and reduction of the negative impact of our activities on the environment. The deployment of high-energy, efficient and right-sized power equipment combined with optimized equipment housing have resulted in the reduction of CO2 emissions and power consumption.

The following diagram summarizes Zain's 2013 achievements in terms of energy efficiency and reduction of the negative impact of our activities on the environment. More details will be available in our 2013 sustainability report.

Additionally, Zain Group has partnered with the GSM Association through an initiative called 'Mobile Energy Efficiency' (MEE) study with the aim to compare Zain's networks with more than 200 others around the world to benchmark energy usage. Zain was one of the first operators in the region to join this study following its inception in 2009.

Zain's operations in Bahrain, Iraq, Jordan, Saudi Arabia, and Sudan have participated in MEE's 2013 study, which was recently completed. Results will be available in our upcoming 2013 sustainability report.



### BETTER OPERATIONAL EFFICIENCIES IN ZAIN SAUDI ARABIA

2013 witnessed the execution of major OPEX saving initiatives in Zain Saudi Arabia to ensure better operational efficiency and ultimately better customer experience.

The operation consolidated the main network and IT maintenance contracts under a single vendor, and a similar approach was applied for field maintenance contracts. An initiative for insourcing planning and network optimization was also finalized.

This resulted in an unprecedented OPEX saving of more than 40% of the original baseline cost and a major improvement in network performance. On the network level, the drop rate on the 3G data network was decreased by 60% and the 3G voice drop rate by 20%. Network availability was also improved by more than 6% in all covered regions.

### LTE-ADVANCED COMING TO ZAIN KUWAIT

The trend towards mobile computing - along with the proliferation of social and video applications - has led to an explosion in mobile data traffic, bringing unprecedented challenges to mobile broadband networks. Zain recognizes LTE-A technology as the way forward, as we look to underpin future network capacity requirements and enhance our customers' experience.

In order to maintain its market leadership on all financial and technological fronts, in late 2013, Zain Kuwait announced its plans to enhance its nationwide 4G LTE network utilizing LTE-Advanced (LTE-A) network. Zain's next-generation wireless broadband network will eventually deliver speeds of up to 300 Mbps, which is around twice the speed currently possible with existing LTE mobile networks.

LTE-A is predicted to become the future mainstream of wireless communications following initial rollouts of LTE services throughout the Middle East. LTE-A expands and enhances standard LTE platforms, allowing flexible and effective spectrum use and simpler network architecture.

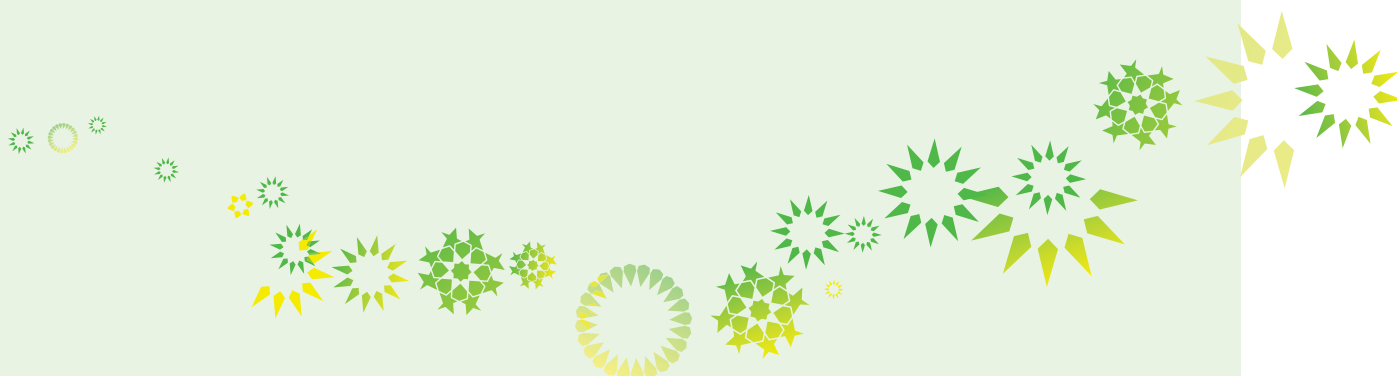
Network Population Coverage	Bahrain	Iraq	Jordan	Saudi Arabia	Kuwait	South Sudan	Sudan
2G	100%	98%	100%	95%	100%	49%	90%
3G	98%	N/A	98%	80%	100%	20%	50%
4G LTE	33%	N/A	N/A	46%	100%	N/A	N/A

### ZAIN STANDARDIZED ON ITSM

Zain has completed standardization of its IT Service Management (ITSM) in all Zain operations in alignment with IT Blueprint project and strategy. This has improved quality of IT services Support systems based on ITIL Framework industry standard.

Zain's current unified trouble ticketing system, where IT, NOC and the Customer Care Systems are all seamlessly collaborated, lead to better operational efficiencies and savings in addition to better resolution times.

Zain looks to expand the scope of ITSM to include areas of Application Performance Management, Capacity Planning and Management, and Business Service Modelling.



- ▶ Zain and UNRWA sign a cooperation agreement to support UNRWA's health and education projects. It is the first-ever partnership of its kind to take place between the UN humanitarian organization and a private sector company.

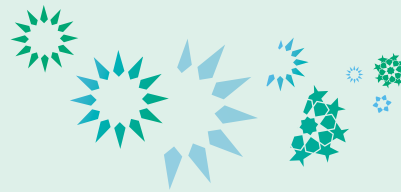
# 2010



# PRODUCTS AND SERVICES



# PRODUCTS AND SERVICES

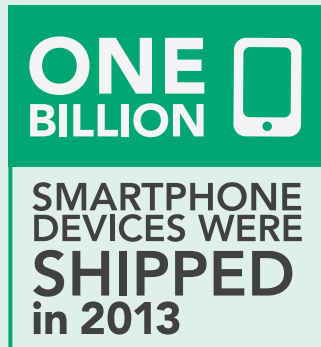


## DEVELOPING PRODUCTS AND SERVICES FOR NOW AND THE FUTURE

Everything related to our lives is clearly going mobile. The uptake of mobile broadband, driven by the increasing use of apps on smartphones and tablets is driving change for people, business and society. Evidently, mobile phones are no longer simply for talking and texting – most of the time spent on a smartphone is dedicated to activities such as watching videos, playing games, engaging in social media and some form of m-commerce.

The resulting rapid pace of wireless broadband, smartphone and tablet adoption across the globe has continued to be phenomenal in 2013 and is set to continue well into the future. Today, it is estimated that 25% of the world's six billion plus mobile phone subscriptions are mobile broadband subscribers using smartphones (1.5 billion), with multiples of this number expected to come on stream over the next five years. Just in 2013, one billion smartphone devices were shipped, marking a 38.4% increase from the previous year.

For Zain, which has been active in developing the infrastructure for and witnessing the results of the mobile broadband boom, planning and offering the right product and quality of service mix has been crucial to enhancing the company's mobile experience in attracting and maintaining customers. Notably across Zain operations, direct sales of smartphone grew by 65% during 2013, with broadband device sales growing by 25%.



Zain Group has placed product and service innovation at the top of its operational priority list, and each year reinforces this position with product developments and launches.

## PRODUCTS & SERVICES

During the course of 2013, Zain focused on several important initiatives, namely:

- Mobile Data and Mobile Broadband
- Direct Operator Billing
- Mobile Financial Services
- Vodafone Passport

### MOBILE DATA AND MOBILE BROADBAND

Zain Group leveraged the existing demand for mobile data services and introduced innovative packages and pricing, launching multiple flagship smartphones bundled with smart plans, including the iPhone 5s, Samsung Galaxy S4, and Samsung Note 3. A key area of focus for many Zain markets was to drive mass market adoption of mobile data services; introduce various flexible prepaid and postpaid mobile data add-ons, and derive a growing proportion of service revenue from mobile digital services.

Having earlier ushered the way for the introduction of 4G LTE in the postpaid market, Zain Kuwait was a pioneer in the roll out of 4G for the prepaid segment. The company's prepaid Internet bundles offer unlimited voice services that cater to varying individual customer needs based on usage, device and capacity.

2013 saw Zain Iraq repositioning and leading the way in a rapidly evolving data market, delivering on its commitment to improve performance and customer experience through providing a wide range of new Internet bundles to both mobile broadband and mobile data users. Mobile data revenue in Zain Iraq increased 67% year-on-year in 2013, with a corresponding increase in data traffic by 171%.

**Your true love**  
Get the Samsung Galaxy S4 for FREE on Nationwide 4G LTE Internet with a KD 29.5 monthly plan

Local Minutes	4G LTE (Unlimited Data)	Monthly Payment*
1000	100MB	29.5 KD
2000	200MB	39.5 KD
3000	300MB	49.5 KD
4000	400MB	59.5 KD
5000	500MB	69.5 KD

**Samsung** A Wonderful World

Samsung Galaxy S4 bundle from Zain Kuwait

**Share the fun with the Broadband FamilyShare™ package**

From **BD 15** monthly!

[bh.zain.com](http://bh.zain.com) A Wonderful World

FamilyShare package from Zain Bahrain

**مجاناً ومدى الحياة**  
100% دقائق إضافية، facebook و WhatsApp  
عند حصولك على iPhone 5s مع اشتراكات زين سمارت

**iPhone 5s**

**Zain**

iPhone 5s package from Zain Jordan

2013 was a landmark year for Zain Bahrain in strengthening its position as a lifestyle brand offering numerous value added services in addition to superior value core telecom services. Zain Bahrain launched its hugely successful FamilyShare suite of mobile broadband products offering multiple mobile data connections and tablets under one package.

#### DIRECT OPERATOR BILLING

2013 saw the signing of an agreement with renowned mobile solutions provider, SLA Mobile, providing Zain's customers with Direct Operator Billing capabilities. Through this agreement, Zain Group becomes one of the first operators in the region to launch the service.

Direct Operator Billing, also known as Carrier Billing, enables Zain's customers to pay for digital goods from a third-party content or service provider by charging the transaction to their mobile phone monthly bill or using their prepaid credit.

The service provides several benefits to Zain and its customers and to the industry at large, namely:

- It gives customers the ability to easily and safely purchase apps from leading global app stores across the various operating platforms such as Android, Windows Phone and BlackBerry and charge their bills or their credit balance in case of prepaid, all without a requirement for a credit card.
- It allows customers to easily purchase digital content and services provided by Zain's local and regional merchant partners and app developers, helping them reach a wider audience with their products and services, and thereby encouraging the innovation and consumption of such content.

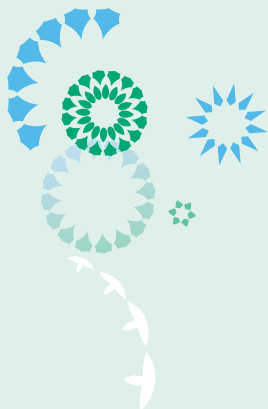


### MOBILE FINANCIAL SERVICES

Zain Group conceived a next-generation mobile financial services solution that is to set the standard for holistic mobile money services. The service is structured in a way that yields a positive economic and social impact on the financial inclusion for many of our customers where banking services are scarce. Zain embraces the opportunity to launch new services that improve the livelihoods of the communities we serve, and through eServGlobal's comprehensive solution, we will be able to offer life-enhancing mobile services and cement our position as an innovative market leader in the mobile money arena across our footprint.

The comprehensive suite of services will be progressively rolled out across Zain's operations, encompassing a complete mobile money platform, providing services such as electronic top-up, mobile wallets, mobile banking, online payments, salary disbursements, peer-to-peer money transfer, micro-finance, airtime top-up, bill payment and payment at a merchant.

Zain already provides mobile commerce services in several of its operations. In several of Zain's markets, over 90% of the population does not have access to banking facilities.



### VODAFONE PASSPORT

Zain Saudi Arabia launched Vodafone Passport in May 2013, with the aim of improving customers' experience when traveling to countries in Europe where Vodafone is present. The service was bundled with the operator's Mazaya packages. The service offers price clarity and certainty through advantageous rates on Vodafone and partner networks. Zain Saudi Arabia customers now enjoy clear and transparent rates linked to their domestic tariff, resulting in substantial cost savings.

The Vodafone Passport service also provides customers with:

- Clarity and transparency
- Feeling of trust
- Greater value
- No fear of unexpected charges

Vodafone Passport from Zain Saudi Arabia enables customers to stay in touch with the people they care for, no matter where they happen to be. For the cost of a small connection fee per call, customers make big savings in their roaming expenditure and do not have to contend with bill shock.

Vodafone Passport from Zain Saudi Arabia

## PARTNER RELATIONS

Three major relations that Zain entered into or focused on during 2013 were:

### SLA MOBILE

With mobile content and apps revenue in emerging markets such as the Middle East and Africa skyrocketing, giving customers an easy solution to purchase and consume digital services on their mobile devices; a partnership with SLA Mobile seemed like a prudent step for Zain.

Founded in 2003, SLA Mobile has worked with the world's leading mobile operators and content providers. Headquartered in Belfast and Kuala Lumpur, the company is committed to innovation and identifying new and evolving opportunities in the mobile industry. Its Direct Operator Billing solution offers customers a highly convenient mobile payment option while allowing mobile operators to rapidly monetize their customers' digital consumption. Mobile operators have many assets which can be monetized and Direct Operator Billing is the stepping stone to greater things in terms of improving competitiveness and increasing customer loyalty and retention.

Zain's Direct Operator Billing service is set to be launched in Kuwait, Bahrain, Jordan and Saudi Arabia first, followed by Iraq, South Sudan and Sudan.

### ESERVGLOBAL

In 2013, Zain Group announced its selection of eServGlobal for the provision of an end-to-end mobile money solution that is to be deployed across Group operations. Paris-based, eServGlobal is an innovative software vendor specializing in mobile money and value-added services for the telecom and financial services industries.

eServGlobal currently provides recharge solutions to several Zain operations, and with this agreement Zain reinforced the strength of the relationship. eServGlobal supplies mobile money services to operators and service providers worldwide as well as supporting a substantial installed base of recharge customers. The PayMobile platform is currently deployed in more than 25 customers and used every day by more than 250 million prepaid subscribers worldwide.

### VODAFONE

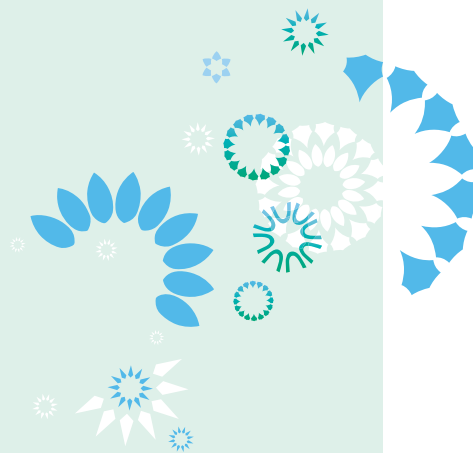
Throughout 2013, Zain benefited from its Partner Market agreement with Vodafone Group, which was entered into in late 2012.

Under the non-equity partnership agreement, Vodafone works with Zain's mobile companies in Saudi Arabia, Bahrain, Kuwait, Jordan and Iraq to provide customers with high quality communications services. The move is enhancing Zain's ability to meet growing demand among multinational businesses for sophisticated voice and data communications solutions as well as to rollout advanced roaming services within the Middle East. Zain has access to Vodafone's devices and services in its home markets and has become the preferred partner of Vodafone with respect to the agreed areas of cooperation.

Vodafone and Zain work together to provide customers with enhanced network coverage, and harmonized roaming rates across multiple countries with greater cost efficiencies. Zain is also able to use the Vodafone brand, one of the world's most recognizable brands, where deemed appropriate and beneficial.

As a reciprocal benefit, Vodafone's multinational customers served by Vodafone Global Enterprise, benefit by being able to add Zain's operating countries to their existing contracts for international managed services, while continuing to be serviced via a single point of contact. Zain similarly benefits from Vodafone's footprint. Vodafone Passport in Saudi Arabia is one example of the benefit of the relationship, allowing preferable roaming for many of Zain's traveling customers and the service is set to be expanded to include other Zain markets.

Plans are in the pipeline to launch enterprise services initiatives with Vodafone as well.



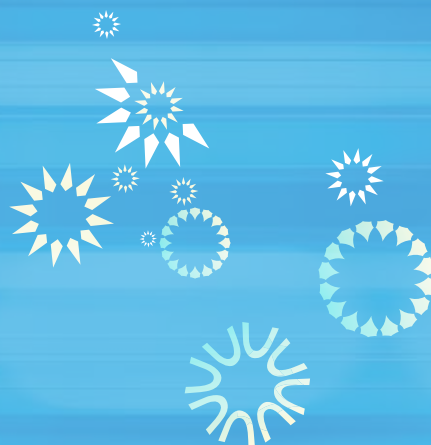
▶ Zain Lebanon's touch launches high-speed Internet 3.9G HSPA+ services, contributing to the country's economic and social well-being.

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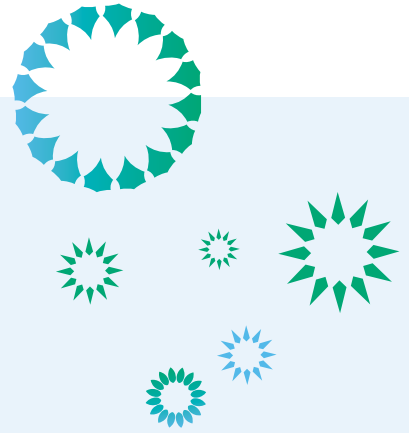
11



# CORPORATE SOCIAL RESPONSIBILITY



# CORPORATE SOCIAL RESPONSIBILITY



2013 was a year of growth and further development for CSR. The Zain Group launched its second consolidated Sustainability Report, which highlights the key CSR and sustainability initiatives that were launched during 2012. In the report, relevant topics, such as gender disparity in the workplace, environmental stewardship, corporate governance and the various sustainability risks are discussed as they are of outmost importance for us at Zain.

The year also brought a major milestone in the area of Corporate Governance as a whole with the Capital Markets Authority (CMA) introducing its new set of rules and regulations for companies in Kuwait. We consider this to be a significant step towards compliance and transparency in Kuwait. As with major listed companies in Kuwait, Zain submitted the required disclosure in the areas of governance, CSR and others.

Throughout the year, our various Operations continued to focus on capacity building programs, environmental initiatives and community development efforts. Significant partnerships flourished with tremendous impacts for the surrounding communities. Zain South Sudan in partnership with the Vodafone Foundation provided much needed mobile coverage to a UNHCR refugee camp in Yida, which happens to be one of the most difficult camps in the world due to the many challenging conditions in providing for more than 70,000 refugees. The operation also continued to support the Forest Whitaker Peace Initiative by also

providing much needed connectivity. In Kuwait, greater emphasis was given to supporting awareness programs such as the breast cancer awareness. The operation also focused on capacity building programs such as the Zain Great Idea and the PIN2 programs in partnership with PwC.

Zain Sudan, Zain Bahrain and Zain Jordan continued to focus on back to school programs and assisting students from less fortunate circumstances. Zain Iraq also maintained the ongoing widows programs and continued to support in community development. Zain Saudi Arabia, also focused on areas related to capacity building as this is crucial towards the nation's development.

As we embark in a new year, we will continue with our sustainability journey as we feel that we have a firm commitment towards all our stakeholders.



Zain Kuwait and BreastCare spreading awareness about breast cancer



Taalieb portal links 170,000 parents with more than 40,000 teachers in Kuwait

## ZAIN KUWAIT

Zain's operation in Kuwait during 2013 expanded its previous success in supporting improved education and employment opportunities for the nation's youth. The collaboration of Zain Kuwait with Price Waterhouse Coopers (PwC) in sponsoring and supporting the globally acclaimed Pin2 Challenge proved to be a success in bringing outstanding students from 16 private schools in the country together in a business startup competition that strengthens their entrepreneurial, critical thinking and creative skills. Through the Challenge, more than 100 students took part in presenting their business proposals and competed for the honor of being named the most promising entrepreneurial project by a group of acclaimed judges.

Zain Kuwait also expanded the use of technology to promote its educational objectives for society. This year, the award-winning Taaleb portal, which links students, parents and teachers through an online portal to improve educational quality, grew to include over 290 schools, linking some 170,000 parents with more than 40,000 teachers in the country.

In another of the operator's efforts to support youth development, it continued to carry out the Zain Great Idea initiative, a competition initiated by Zain Kuwait, the IE Business School in Madrid and Brilliant Lab (a Startup Accelerator Service firm in Kuwait) to assist local entrepreneurs in building successful startup businesses.

Aspiring entrepreneurs compete through the initiative, and the most favorable contestants are given an opportunity to present their ideas to investors. This year, a total of 102 exceptional students took part in the initiative, with 35 participants reaching the final stages of the competition.

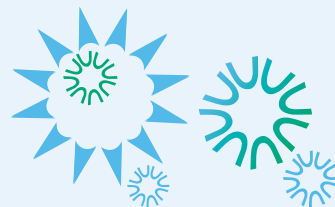


The "Great Idea" yearly initiative from Zain Kuwait

In addition, as part of its continued emphasis on promoting environmental stewardship, Zain Kuwait continued its fruitful partnership with REUSE, an organization dedicated to promoting environmental education and awareness to the public. The operator also expanded the promotion of more environmentally friendly business practices, sourcing products such as biodegradable bags to reduce the environmental footprint.

The health initiatives undertaken by Zain Kuwait in 2013 included a widening of its partnership with BreastCare Kuwait through the Breast Cancer Awareness initiative, where information on all aspects of the disease were communicated to more than 400 women through social media and public information booths.

In 2013, Zain Kuwait also took part in several humanitarian initiatives. In support for World Humanitarian Day, Zain Kuwait partnered with the United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA) to educate the public on how they can support the office's many assistance initiatives by sending out promotional messages through social media and through bulk messaging to one million people. Zain Kuwait also distributed around 150 bags of clothing to those in need through the Ma3a Hamad Warda initiative. Zain Kuwait is committed to developing the nation's youth and promoting healthier, more environmentally friendly lifestyles for Kuwait's society in order to foster a more prosperous future.





Zain Bahrain is committed to the promotion of education through its Back to School annual program



The Zain family visits the Muharraq social welfare center in Bahrain



The Scrabble Tournament, a charity fundraising event from Zain Bahrain

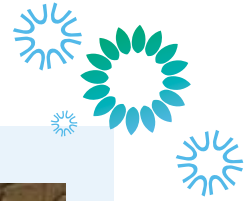
## ZAIN BAHRAIN

In 2013, Zain Bahrain maintained its commitment to youth development and the promotion of education. The operator continued implementing the successful Back to School initiative, distributing 20,000 school bags to children at the beginning of the 2013 scholastic year. This brings the total number of impacted students since the program's launch in 2004, to just under 300,000. Similarly, the annual Go Green initiative, which takes place in schools to raise environmental awareness, also had a significant impact, involving 50 schools every year.

Zain Bahrain has also been at the forefront of supporting sports and a healthy lifestyle for the community. In 2013, the Operation continued its strong support to the Bahrain Basketball Association's championship league. Zain Bahrain also sponsored the International Tennis Federation's Junior Championship, which was held in Bahrain, as well as the Bahrain Racing team. In addition, the Royal Charity children's football tournament was supported by Zain with the aim of giving orphans in the country the opportunity to play football against other children.

The CSR team at Zain Bahrain is very active in the community, making several visits to various charities to support its efforts, including the Muharraq Social Welfare Center. Through various fundraising events, the team was also able to raise 5,000 BD (USD 13,260) for the Center as well as for the Bahrain Down Syndrome Society and the Cerebral Palsy Society. Zain Bahrain continues its direct involvement and collaboration with all of its stakeholders in order to improve its standing in the Kingdom's community.





Widows Center trained 3,000 Iraqi women in 2013



Zain & the Red Crescent distribute food packages to 21,000 people

### ZAIN IRAQ

Zain Iraq undertook a multitude of capacity building, health and wellbeing, as well as environmental initiatives in 2013, as part of its efforts to make the organization more sustainable.

In line with its efforts to continue to develop the capacity of Iraqis, Zain Iraq continued its support for the Widows Development Center in 2013, supporting the training and development of around 3000 women over the year. In addition, as part of its annual Summer Training Program, Zain Iraq sponsored professional training for a total of approximately 40 university students in fields including telecommunications, computer and electric engineering, and information technology. Support for education also extended to a continuation of the Back to School Program in Iraq, providing a total of 16,000 students with necessary school supplies to start off their academic year.

The concern for marginalized sections of society is of particular concern to Zain Iraq. The continued partnership with the Red Crescent Society in the country allowed Zain Iraq to distribute dry food packages to needy families across 18 of Iraq's provinces, reaching a total of 21,000 people. In 2013, Zain also began the Color Life of an Orphan project on the occasion of Eid Al-Adha to provide more than 40 orphans with items such as clothes and toys to ease their hardships.

Zain Iraq began several initiatives in 2013 to improve its environmental performance. The Ruaya Project, which was launched in 2013, is an internal initiative aimed at creating a cleaner, more environmentally friendly work environment for Zain employees. As such, all electricity generators and heavy pollutants were relocated to ensure a healthier and safer work area and a process of greening and beautifying the Zain compound was started. Zain Iraq also began the process of ensuring that Zain's tower sites in the country adhere to all existing environmental codes, achieving 70% compliance in 2013.

And as part of its efforts to engage with stakeholders to achieve common goals, Zain Iraq partnered with the United States Agency for International Development (USAID) in their conference centered on the theme 'Sustainability Beyond 2015.' Through this collaboration, Zain Iraq provided various workshops and shared expertise on successful CSR practices in the country.



Back to School initiative, providing 16,000 Iraqi students with school kits



## ZAIN JORDAN

The efforts by Zain Jordan to create positive impacts on society extend to various community outreach initiatives, including those that support capacity-building, youth development and poverty alleviation.

One such example is the Zain Relief Fund, a program established in 2004 in collaboration with the Ministry of Social Development to improve living standards for underprivileged families facing emergencies. Between its establishment in 2004 and 2013, 1,943 families have received assistance through the program. Similarly, the Al Khair Campaign highlights Zain's social solidarity by providing around 2,000 aid packages per year that include food and other essentials to needy families across the country. In addition, the Zain Al Khair Fund, a program through which Zain Jordan employees are able to direct their personal funds towards the entrepreneurial projects of needy families, has provided support to 120 families to date.



Since 2002, over 150,000 kids have been treated thanks to Zain Jordan's Mobile Children Clinic



Distributing heaters, spreading warmth among deprived families in Jordan

Zain Jordan's ongoing support for education and training in 2013 continues to create greater learning and job opportunities for the community. The Zain Education Fund continues to provide 50 scholarships per year, which has helped 134 individuals in fulfilling their university degrees to date. Zain Jordan's Shine Awards Program, which provides an opportunity for private school students to showcase their music, arts, sports and academic talent, has impacted a total of 40,000 students over the last decade. And the employment opportunities which Zain Jordan provides to university students have generated 1,308 jobs between 2008 and the present.

Zain Jordan's 'Mobile Children Clinic', launched in 2002, continues to provide health services for children living in remote areas and lacking adequate access with free medical and dental treatment. The Mobile Clinic has been successful in providing this much-needed access, treating an estimated 150,000 children to date.

CSR efforts by Zain Jordan have also sought to improve environmental stewardship and awareness within its community. The operator collaborated with the Ministry of Environment and the Higher Council for Science and Technology to establish a GPRS-enabled monitoring and quality control system for 13 water field stations across Jordan. The system, which was established in 2006 and is ongoing, ensures greater efficiency of water use as well as quality-control for Jordan's most scarce and vital natural resource. And in an effort to boost environmental awareness, Zain Jordan has promoted recycling programs in 80 public schools across the country, educating students on the value of the environmental preservation and providing them with opportunities to send their waste to the Jordan Environment Society to be recycled.



## TOUCH LEBANON

Touch has maintained its commitment in 2013 to supporting Lebanon's communities and addressing the key developmental challenges they face. This year, Touch entered the second phase of the widely successful 'Don't Text and Drive' Campaign, initiated in 2012, with the goal of raising awareness on the need to adopt responsible use of mobile phones and to discourage distracted driving among the public.

Touch also continued its support for Lebanon's youth, focusing its efforts on improving the quality of life for disenfranchised and disabled children and facilitating greater educational access in the country. For the second consecutive year, Touch supported the St. Vincent Monastery summer camp organized to provide educational and leisure activities to over 100 marginalized children and orphans. The operator also supported an annual event in collaboration with KidzMondo, which involved around 500 orphans and deprived children during the Holy month of Ramadan, providing them with an activities-filled day as well as gifts and an Iftar meal. Touch also entered its seventh year in supporting the annual walk organized by the Al Younbouh Association, the objective of which is to raise funds for improving the quality of life for disabled students and ensuring their integration within the community.

2013 also witnessed the launch of several key environmental initiatives in Lebanon. Touch commenced its 2013 activities with an initiative which involved the participation of 100 employees in planting wild evergreens in Baabda's protected forest. The initiative, undertaken in collaboration with Terre Liban Association, led to the planting of around 100 trees. Touch also initiated its Carbon Neutral Car Project in 2013, a program also undertaken with Terre Liban Association whereby the emissions of automobiles by Touch employees is calculated followed by efforts to offset those emissions by planting and protecting trees in the country.



Touch Lebanon launches the second phase of its "Don't text and drive" campaign



For the 2<sup>nd</sup> year in a row, Touch supports the St. Vincent camp which organizes activities to over 100 marginalized children & orphans



Touch & Terre Liban, together planting around 100 trees in Baabda's protected forest

Through the project, Touch has contributed to saving and protecting 13,246 mature trees.

Touch will also continue to support the initiative undertaken by the Ministry of Telecommunication to install free Wi-Fi internet connections in all public gardens. Touch has agreed to sponsor four public gardens by co-funding the equipment, installation and maintenance costs needed. This support grows out of recognition of the significant value in providing improved connectivity to Lebanon's wider public.

## ZAIN SAUDI ARABIA

Zain's CSR initiatives in the Kingdom of Saudi Arabia (KSA) are centered on the education and socio-economic empowerment of the nation's youth. As a burgeoning country with a young and growing population, Zain KSA considers it essential to find ways of enabling the continued prosperity of the country for upcoming generations. This year, Zain KSA continued with the successful Shabab Tamouh program (meaning Ambitious Youth); an initiative whereby exceptional local students receive education and training on various general and telecom-specific subjects, improving their future employment opportunities.

Zain KSA also sponsored the prestigious event, "Startup Weekend," where aspiring entrepreneurs are provided with a forum through which they share ideas and seek feedback on their entrepreneurial projects. A panel of judges from different business backgrounds also took part in selecting the best idea among the participants, with Zain providing telecom devices as prizes for the winners.

And across three cities, Zain KSA participated and provided key support for raising local awareness on World Blood Donor Day, receiving special honors from the King Faisal Specialist Hospital in Riyadh for its support for various awareness campaigns that were held by the hospital.



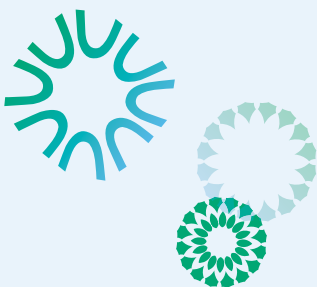
*Shabab Tamouh program, educating Saudi students on various general and telecom-related topics*



*Zain KSA supports "Startup Weekend", where young entrepreneurs share and learn ideas*



*Zain KSA employees give back to society during World Blood Donor Day*



## ZAIN SOUTH SUDAN

Zain South Sudan participated in the 8th meeting of the UN Broadband Commission for Digital Development as well as the Millennium Development Goals Innovation Forum held in New York to highlight Zain's acknowledgment of the particular relevance for supporting sustainable development in emerging markets. In less developed countries such as South Sudan, the role of telecommunications can facilitate the attainment for the community of basic and often unavailable socio-economic necessities. Sustainability is not just a theory for South Sudan, it is a real concept from which we require real results as the company believes ICT development is one of the key and most effective ways in which to drive development in the country and improve the quality of living of all its inhabitants.

Zain's CSR initiatives in South Sudan are geared heavily towards providing access to education, training and information technology in an effort to develop the capacity of the South Sudanese public and to provide them with a brighter future. In 2013, several initiatives were carried out that contributed to these significant goals. The ongoing support provided by Zain to the Yida Refugee Camp, implemented in collaboration with the Vodafone Instant Network Foundation and the United Nations High Commissioner for Refugees was one such project. Through the efforts of Zain and its partners, mobile telecommunications coverage was extended to more than 70,000 refugees and aid workers stationed at the camp; allowing for improved coordination in providing essential supplies as well as the ability for refugees to contact their loved ones.



*8<sup>th</sup> Broadband Commission for Digital Development Meeting, New York City, 21<sup>st</sup> September, 2013*



*Zain South Sudan & the Vodafone Foundation provided substantial mobile coverage to a UNHCR refugee camp in Yida*

Zain South Sudan also maintained its successful collaboration with the Forest Whitaker Initiative, the United Nations Educational, Scientific and Cultural Organization (UNESCO) and Ericsson in supporting the Youth Peace Network Initiative in the Jonglei State. Through the Youth Peace Network, community youth leaders from across ten states of the country are trained in the use of ICT and in soft skills such as negotiations and conflict resolution. Zain cooperated in the initiative by providing mobile connectivity to those involved. Through the Youth Peace Network, Zain and its partners hope to develop the necessary skills to foster a more productive and prosperous society. A highlight of this collaboration was the visit of Forest Whitaker to the offices of Zain South Sudan.

And in 2013, Zain South Sudan began working with Huawei on developing computer labs and community centers for schoolchildren in the country. Through the project, excess energy from network towers will be used to power computers and other electronics, creating an opportunity for the South Sudanese youth to develop their knowledge and capabilities of ICT. The project will involve four schools in the initial phase.

## ZAIN SUDAN

Zain Sudan's CSR initiatives are constantly seeking to improve the socio-economic well-being of the community. In 2013, Zain Sudan continued the Back to School initiative which has been ongoing since 2006, this year providing essential educational materials to more than 20,000 students across six states. In 2013, the initiative specifically targeted the provision of supplies for low-income students, students suffering from HIV and orphans. Its support for education also extended to the construction and maintenance of several schools. Over the course of the year, Zain Sudan sponsored the complete construction of six schools and the partial construction of three other schools across impoverished areas of the country.

The efforts of Zain Sudan to provide marginalized sections of society with employment opportunities included an initiative whereby people with disabilities were offered vocational training in a variety of employable skills. Through the program, a total of 90 people were trained in 2013.

Zain Sudan continues its ongoing sponsorship of the Zain Laboratory at the Abdaal Eledrissi Psychiatric Hospital. Its fully equipped lab provides patients with care related to physical therapy and addictions that they might not necessarily be able to receive through public hospitals.

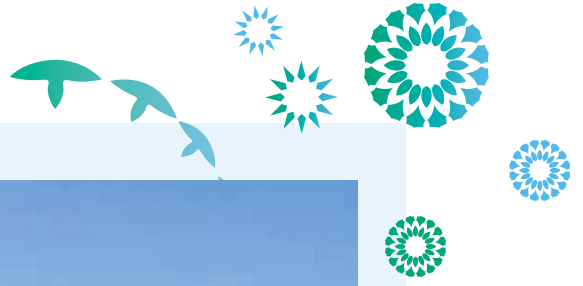
And when heavy rains and floods afflicted large areas of the country, the Zain Sudan CSR team reached out to those low income communities which were most affected by the natural disaster to provide food, clothes and shelter to more than 1,000 families.

Zain Sudan also regards environmental stewardship as a vital aspect in its CSR activities. In conjunction with its efforts to continue to move towards cleaner sources of energy, the operator continued its tree-planting initiative in 2013 by planting another 200,000 trees over the course of the year in line with the goal of eventually planting more than 1 million trees.

Through these and other initiatives, Zain Sudan is constantly seeking new ways to improve the lives of the people of Sudan and provide them with a more prosperous future.



*The Back to School initiative provided essential educational materials to more than 20,000 Sudani students.*

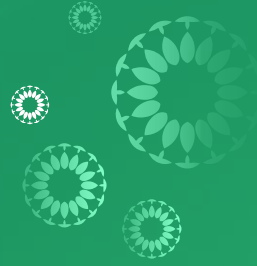


Zain Sudan sponsors the construction of six schools



200,000 were planted in 2013, as part of Zain Sudan's tree planting initiative

▶ 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 impacts of its business operations.



2012

# CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT 31 DECEMBER 2013

MOBILE TELECOMMUNICATIONS COMPANY K.S.C. KUWAIT

**94**

- ▶ INDEPENDENT  
AUDITORS' REPORT

**95**

- ▶ CONSOLIDATED  
STATEMENT OF  
FINANCIAL POSITION

**96**

- ▶ CONSOLIDATED  
STATEMENT OF  
PROFIT OR LOSS

**97**

- ▶ CONSOLIDATED  
STATEMENT OF PROFIT  
OR LOSS AND OTHER  
COMPREHENSIVE  
INCOME

**98**

- ▶ CONSOLIDATED  
STATEMENT OF  
CHANGES IN  
SHAREHOLDERS'  
EQUITY

**100**

- ▶ CONSOLIDATED  
STATEMENT OF  
CASH FLOWS

**101**

- ▶ NOTES TO THE  
CONSOLIDATED  
FINANCIAL  
STATEMENTS



# 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.P. ("the Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of profit or loss, profit or loss and other 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 2013, 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 the information that is required by the Companies Law No. 25 of 2012, as amended, and by the Parent Company's Memorandum of Incorporation and 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, as amended or of the Parent Company's Memorandum of Incorporation and Articles of Association have occurred during the year ended 31 December 2013 that might have had a material effect on the business of the Group or on its consolidated financial position.

Kuwait, 27 January 2014

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# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

(IN THOUSANDS KD)	NOTE	2013	2012
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	4	399,242	302,609
Trade and other receivables	5	350,300	319,109
Inventories	6	14,922	11,906
Investment securities at fair value through profit or loss	7	1,930	2,693
		<b>766,394</b>	<b>636,317</b>
<b>Non-current assets</b>			
Investment securities available for sale	7	46,363	48,659
Investments in associates and joint ventures	8,9	265,197	300,842
Dues from associates	10	271,952	231,875
Other assets	11	18,726	16,186
Property and equipment	12	734,641	699,030
Intangible assets	13	993,667	998,082
		2,330,546	2,294,674
<b>Total Assets</b>		<b>3,096,940</b>	<b>2,930,991</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	14	542,566	535,114
Due to banks	15	198,402	270,656
		<b>740,968</b>	<b>805,770</b>
<b>Non-current liabilities</b>			
Due to banks	15	557,319	381,136
Other non-current liabilities	16	35,451	33,331
		<b>592,770</b>	<b>414,467</b>
<b>Equity</b>			
<b>Attributable to Parent Company's shareholders</b>			
Share capital	17	432,268	431,527
Share premium	17	1,706,779	1,705,387
Treasury shares	17	(567,834)	(567,834)
Legal reserve	17	216,134	215,764
Foreign currency translation reserve		(684,716)	(694,184)
Treasury shares reserve		1,967	1,967
Investment fair valuation reserve		2,445	(987)
Share-based compensation reserve		5,482	8,808
Hedge reserve		(1,164)	-
Retained earnings		509,296	490,189
		1,620,657	1,590,637
<b>Non-controlling interests</b>		<b>142,545</b>	<b>120,117</b>
<b>Total equity</b>		<b>1,763,202</b>	<b>1,710,754</b>
<b>Total Liabilities and Equity</b>		<b>3,096,940</b>	<b>2,930,991</b>

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

Asaad Ahmed Al Banwan  
Chairman



M. Scott Gegenheimer  
Chief Executive Officer



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2013

(IN THOUSANDS KD)	NOTE	2013	2012
Revenue	18	1,240,035	1,281,903
Cost of sales		(351,569)	(365,783)
<b>Gross profit</b>		<b>888,466</b>	<b>916,120</b>
Operating and administrative expenses		(342,923)	(337,191)
Depreciation and amortization	12,13	(194,566)	(193,047)
Provision for impairment – trade and other receivables	5	(7,722)	(8,187)
<b>Operating profit</b>		<b>343,255</b>	<b>377,695</b>
Interest income		18,095	16,994
Investment income	19	1,972	(8,811)
Share of results of associates and joint ventures	8,9	(36,159)	(31,574)
Other (expense)/income		(7,860)	14,588
Finance costs		(23,548)	(26,384)
Loss from currency revaluation		(24,911)	(8,517)
Board of Directors' remuneration		(430)	(430)
Contribution to Kuwait Foundation for Advancement of Sciences		(1,467)	(2,611)
National Labour Support Tax and Zakat	20	(7,250)	(10,151)
Profit for the year before income tax		261,697	320,799
Income tax expenses	21	(17,756)	(40,607)
<b>Profit for the year</b>		<b>243,941</b>	<b>280,192</b>
<b>Attributable to:</b>			
Shareholders of the Parent Company		216,445	252,145
Non-controlling interests		27,496	28,047
		<b>243,941</b>	<b>280,192</b>
<b>Earnings per share (EPS)</b>			
	<b>22</b>		
Basic – Fils		56	65
Diluted – Fils		56	65

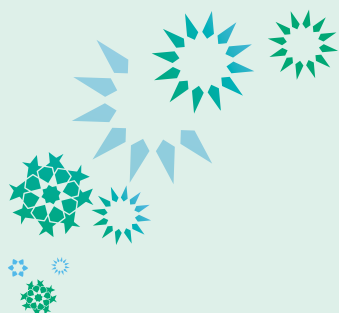
The accompanying notes are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2013

(IN THOUSANDS KD)	2013	2012
<b>Profit for the year</b>	<b>243,941</b>	<b>280,192</b>
<b>Other comprehensive income:</b>		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	10,028	(479,057)
Net unrealized gain/(loss) on available-for-sale investments	3,655	(2,076)
Net (gain)/loss transferred to consolidated statement of profit or loss on sale of available-for-sale investments (net of impairment losses)	(223)	11,135
Cash flow hedges	(1,164)	849
<b>Total comprehensive income for the year</b>	<b>256,237</b>	<b>(188,957)</b>
<b>Total comprehensive income attributable to:</b>		
<b>Shareholders of the Parent Company</b>	<b>228,181</b>	<b>(218,067)</b>
Non-controlling interests	28,056	29,110
	<b>256,237</b>	<b>(188,957)</b>

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



# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

YEAR ENDED 31 DECEMBER 2013

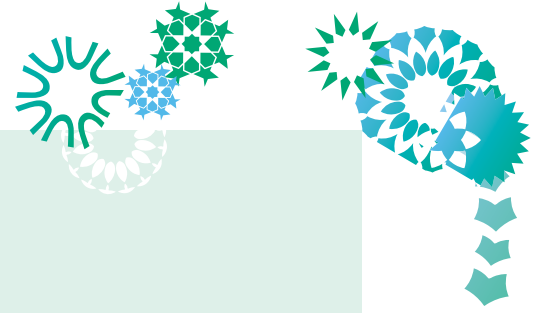
(IN THOUSANDS KD)

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 2013	431,527	1,705,387	(567,834)	215,764	(694,184)	1,967
Transfer to reserves	-	-	-	370	-	-
Purchase of non-controlling interest (note 3)	-	-	-	-	-	-
Exercise of share options	741	1,392	-	-	-	-
Cash dividends (2012)	-	-	-	-	-	-
Equity issue transaction costs	-	-	-	-	-	-
Share-based compensation	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	9,468	-
<b>Balance at 31 December 2013</b>	<b>432,268</b>	<b>1,706,779</b>	<b>(567,834)</b>	<b>216,134</b>	<b>(684,716)</b>	<b>1,967</b>
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)	-	-	-	-	-	-
Equity issue transaction costs	-	-	-	-	-	-
Share-based compensation	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(480,120)	-
<b>Balance at 31 December 2012</b>	<b>431,527</b>	<b>1,705,387</b>	<b>(567,834)</b>	<b>215,764</b>	<b>(694,184)</b>	<b>1,967</b>

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





EQUITY ISSUE TRANSACTION COSTS	INVESTMENT FAIR VALUATION RESERVE	SHARE-BASED COMPENSATION RESERVE	HEDGE RESERVE	RETAINED EARNINGS	NON- CONTROLLING INTERESTS	TOTAL
-	(987)	8,808	-	490,189	120,117	1,710,754
-	-	-	-	(370)	-	-
-	-	-	-	-	-	-
-	-	(108)	-	-	-	2,025
-	-	-	-	(194,789)	(3,297)	(198,086)
(7,375)	-	-	-	-	(2,331)	(9,706)
-	-	1,978	-	-	-	1,978
7,375	-	(5,196)	-	(2,179)	-	-
-	3,432	-	(1,164)	216,445	28,056	256,237
-	<b>2,445</b>	<b>5,482</b>	<b>(1,164)</b>	<b>509,296</b>	<b>142,545</b>	<b>1,763,202</b>
(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)
(3,834)	-	-	-	-	-	(3,834)
-	-	4,852	-	-	-	4,852
5,594	-	(3,185)	-	(2,409)	-	-
-	9,059	-	849	252,145	29,110	(188,957)
-	<b>(987)</b>	<b>8,808</b>	-	<b>490,189</b>	<b>120,117</b>	<b>1,710,754</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2013

(IN THOUSANDS KD)	2013	2012
<b>Cash flows from operating activities</b>		
<b>Profit for the year before income tax</b>	<b>261,697</b>	<b>320,799</b>
Adjustments for:		
Depreciation and amortization	194,566	193,047
Interest income	(18,095)	(16,994)
Investment income	(1,972)	8,811
Share of results of associates and joint ventures	36,159	31,574
Finance costs	23,548	26,384
Loss from currency revaluation	24,911	8,517
Gain on sale of property and equipment	(432)	(457)
<b>Operating profit before working capital changes</b>	<b>520,382</b>	<b>571,681</b>
Increase in trade and other receivables	(28,945)	(69,785)
(Increase)/decrease in inventories	(3,235)	5,181
Provisions used	(12,832)	(7,524)
Increase in trade and other payables	15,252	34,895
<b>Cash generated from operations</b>	<b>490,622</b>	<b>534,448</b>
<b>Payments</b>		
Income tax	(14,098)	(36,419)
Board of Directors' remuneration	(430)	(430)
Kuwait Foundation for Advancement of Sciences (KFAS)	(5,058)	(5,058)
National Labour Support Tax and Zakat	(4,646)	(4,983)
<b>Net cash from operating activities</b>	<b>466,390</b>	<b>487,558</b>
<b>Cash flows from investing activities</b>		
Deposits maturing after three months and bank balances blocked (note 4)	(2,867)	(95,071)
Investments in subsidiaries	-	(28,531)
Proceeds from sale of investment securities	6,443	21,063
Investments in securities	(545)	(4,753)
Investments in associates/joint ventures	-	(97,696)
Acquisition of property and equipment (net)	(171,078)	(161,532)
Acquisition of intangible assets	(55,450)	(28,422)
Interest received	5,358	16,994
Dividends received	539	1,288
<b>Net cash used in investing activities</b>	<b>(217,600)</b>	<b>(376,660)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	596,069	484,060
Repayment of bank borrowings	(494,578)	(380,949)
Loan to associates	(24,230)	(70,883)
Capital contribution including share premium – employees stock option	2,025	2,809
Dividends paid	(194,005)	(252,884)
Dividends paid to non-controlling interests	(3,274)	(18,838)
Finance costs paid	(36,597)	(20,774)
<b>Net cash used in financing activities</b>	<b>(154,590)</b>	<b>(257,459)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>94,200</b>	<b>(146,561)</b>
Effects of exchange rate changes on cash and cash equivalents	(434)	(50,665)
Cash and cash equivalents at beginning of year	188,921	386,147
Cash and cash equivalents at end of year (note 4)	282,687	188,921

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

## 1. INCORPORATION AND ACTIVITIES

Mobile Telecommunications Company K.S.C.P (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 8 other countries (31 December 2012 - Kuwait and 8 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.

These consolidated financial statements were authorized and approved for issue by the Board of Directors of the Parent Company on 27 January 2014 and are subject to approval of the shareholders at their forthcoming Annual General Meeting.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These consolidated financial statements are prepared under the historical cost basis of measurement as modified by the revaluation at fair value of financial assets held as "at fair value through profit or loss", "available for sale" and "derivative financial instruments". 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 these consolidated financial statements are disclosed in note 31.

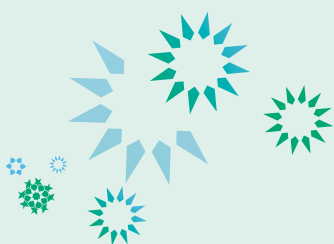
### 2.2 NEW AND REVISED ACCOUNTING STANDARDS

#### EFFECTIVE FOR THE CURRENT YEAR

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

#### IFRS 7: DISCLOSURES — OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (AMENDMENTS)

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 recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

The adoption of these amendments has not resulted in any material impact on the consolidated financial statements of the Group.

## **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 adoption of this Standard has not resulted in any material impact on the financial position or performance of the Group.

## **IFRS 11: JOINT ARRANGEMENTS**

IFRS 11 replaces IAS 31: Interest in Joint Ventures, and the guidance contained in a related interpretation SIC -13 Jointly Controlled Entities –Non monetary Contribution by Ventures, has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under IFRS 11, there are only two types of arrangement-joint

operations and joint ventures. The classification of joint arrangements under IFRS 11 is determined based on the rights and obligations of the parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant other factors and circumstances. The adoption of this standard has not resulted in any material impact on the financial position or performance of the Group.

## **IFRS 12: DISCLOSURE OF INVOLVEMENT WITH OTHER ENTITIES**

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries, for example, where a subsidiary is controlled with less than a majority of voting rights. The adoption of this Standard has not resulted in any material additional disclosures.

## **IFRS 13: FAIR VALUE MEASUREMENT**

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values. IFRS 13 also requires additional disclosures.

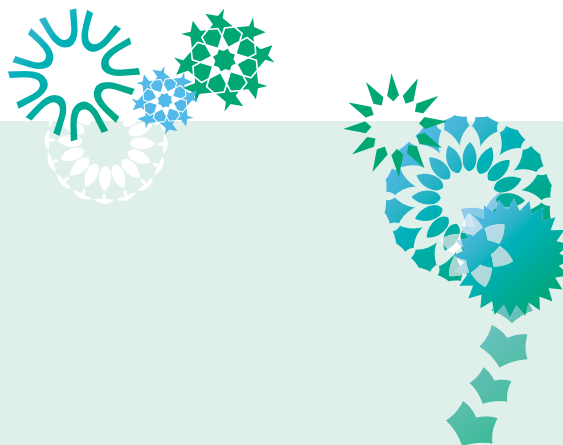
Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

## **IAS 1: FINANCIAL STATEMENT PRESENTATION - PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME (AMENDMENT)**

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that will be reclassified ('recycled') to profit or loss at a future point in time have to be presented separately from items that will not be reclassified. The adoption of this Standard has no effect on the financial position or performance of the Group.

## **IAS 1: CLARIFICATION OF THE REQUIREMENT FOR COMPARATIVE INFORMATION (AMENDMENT)**

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. As a result, the Group has not included any additional voluntarily comparative information in its consolidated financial statements. The amendments have no impact on the Group's financial position or performance.



#### **IAS 19: EMPLOYEE BENEFITS (AMENDMENT)**

IAS 19 includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognized in other comprehensive income and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognized in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognized in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognized. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. The adoption of this Standard has no material effect on the financial position or performance of the Group.

#### **IAS 27: SEPARATE FINANCIAL STATEMENTS (AS REVISED IN 2011)**

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements.

#### **IAS 32: TAX EFFECTS OF DISTRIBUTIONS TO HOLDERS OF EQUITY INSTRUMENTS (AMENDMENT)**

The amendment to IAS 32 Financial Instruments: Presentation clarifies

that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the consolidated financial information for the Group, as there are no tax consequences attached to cash or non-cash distribution.

#### **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 9: FINANCIAL INSTRUMENTS: CLASSIFICATION AND MEASUREMENT**

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but is not expected to have on financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final Standard including all phases is issued. The mandatory effective date of the standard has been deferred until the issue date of the completed version of IFRS 9 is known.

#### **INVESTMENT ENTITIES (AMENDMENTS TO IFRS 10, IFRS 12 AND IAS 27)**

These amendments are effective for annual periods beginning on or after 1 January 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

#### **IAS 32: FINANCIAL INSTRUMENTS: PRESENTATION - OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (AMENDMENT)**

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and 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 which become effective from annual periods beginning on or after 1 January 2014 are not expected to impact the Group's financial position or performance.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

## IAS 36: IMPAIRMENT OF ASSETS - RECOVERABLE AMOUNT DISCLOSURES FOR NON-FINANCIAL ASSETS (AMENDMENT)

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied.

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.

When a business combination is achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition-date's fair value and the resulting gain or loss is recognized in the consolidated statement of profit or loss. 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's fair value is recognized as an indemnification asset at the acquisition date at its acquisition-date's 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 twelve months from the acquisition date.

## 2.4 CONSOLIDATION

The Group consolidates the financial statements of the Parent Company and subsidiaries (i.e. investees that it controls) and investees controlled by its subsidiaries.

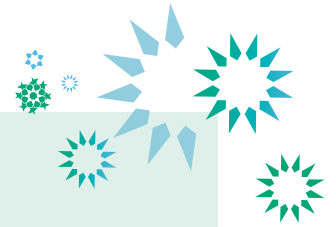
The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- Voting rights and potential voting rights;

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 when 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 profit or loss. 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 profit or loss.

## 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 profit or loss 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 which require delivery of assets within the time frame generally established by regulations or conventions in the market place.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

## 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 profit or loss 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 risk management or 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 amortized 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 profit or loss 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 present value of the amount required to settle any financial obligation arising as a result of the guarantee.

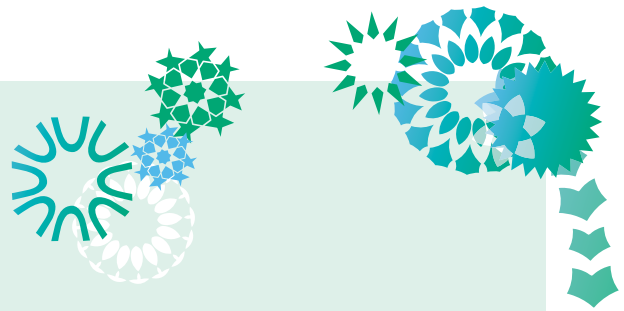
## DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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 (unrealized gains) are included in other receivables and derivatives with negative fair values (unrealized 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 profit or loss. 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 re-measuring the hedging instrument to fair value is recognized in 'Other receivables' or 'Other payables' and in the consolidated statement of profit or loss. 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 profit or loss.

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 amortized cost, using the effective interest rate method, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the consolidated statement of profit or loss.



### *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 profit or loss.

When the hedged cash flow affects the consolidated statement of profit or loss, the gain or loss on the hedging instrument is 'recycled' in the corresponding income or expense line of the consolidated statement of profit or loss. 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 profit or loss. 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 profit or loss.

### *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 which 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 twelve months and as a current asset or liability if less than twelve 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 recognized in the consolidated statement of profit or loss. 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 which 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

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 utilized. 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 utilized.

## 2.9 INVESTMENTS IN ASSOCIATES

Associates are those entities over which the Group has significant influence but not control, generally accompanying a direct or indirect shareholding of more than 20% 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 recognized as Goodwill. Goodwill on acquisition of associates is included in the carrying values of investments in associates. Investments in associates are initially recognized 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 recognizes in the consolidated statement of profit or loss, 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 recognizes 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, amortization 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 recognize further losses unless it has incurred obligations or made payments on behalf of the associate.

## 2.10 INTERESTS IN JOINT VENTURES

A joint arrangement is a contractual arrangement that gives two or more parties joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decision about the relevant activities require unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have the joint control of the arrangement have rights to the net assets of the arrangement. The Group recognizes its interests in joint ventures as an investment and accounts for it using the equity method.

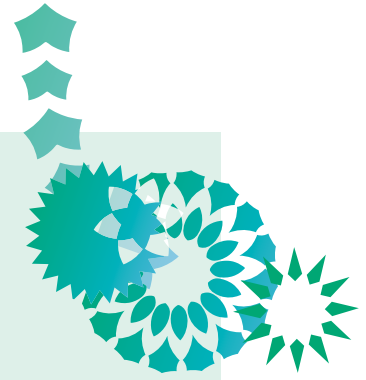
## 2.11 PROPERTY AND EQUIPMENT

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:

	<b>YEARS</b>
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 profit or loss. 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, IRUs, 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 amortization period is determined primarily by reference to the unexpired license period and the conditions for license renewal. Telecom license fees are amortized on a straight line basis over the life of the license. 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 amortized over a period of 4 to 5 years. To the extent handsets are provided below cost as part of the telecom service connection, it is treated as a subscriber acquisition cost and recognized as an intangible asset and amortized over the period of the contract.

### INDEFEASIBLE RIGHTS OF USE (IRU)

IRU corresponds to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognized at cost as an asset when the Group has the specific indefeasible right to use an

identified portion of the underlying asset, generally optical fibers or dedicated wavelength bandwidth and the duration of the right is for the major part of the underlying asset's economic life. They are amortized on a straight line basis over the shorter of the expected period of use and the life of the contract with ranges between 10 to 20 years.

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 profit or loss.

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 which 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 and in the same geographical region.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

## 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 which 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 profit or loss, 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*

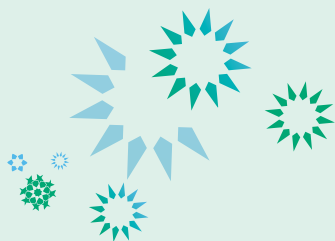
Leases of property and equipment under which, all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the period of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

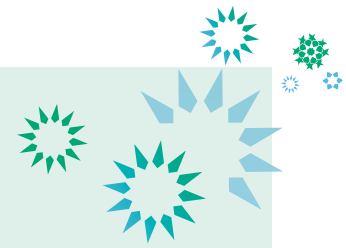
#### *Finance leases*

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 recognized when incurred, i.e. upfront while the airtime costs are recognized as and when the revenue is being recognized. Prepaid income collected in advance is deferred and recognized based on actual usage or upon expiration of the usage period, whichever comes first.

Specific customer acquisition costs other than those recognized as intangible assets are charged to the consolidated statement of profit or loss 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 that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset.

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are capitalized.

### **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 profit or loss.

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 profit or loss 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 realization 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.

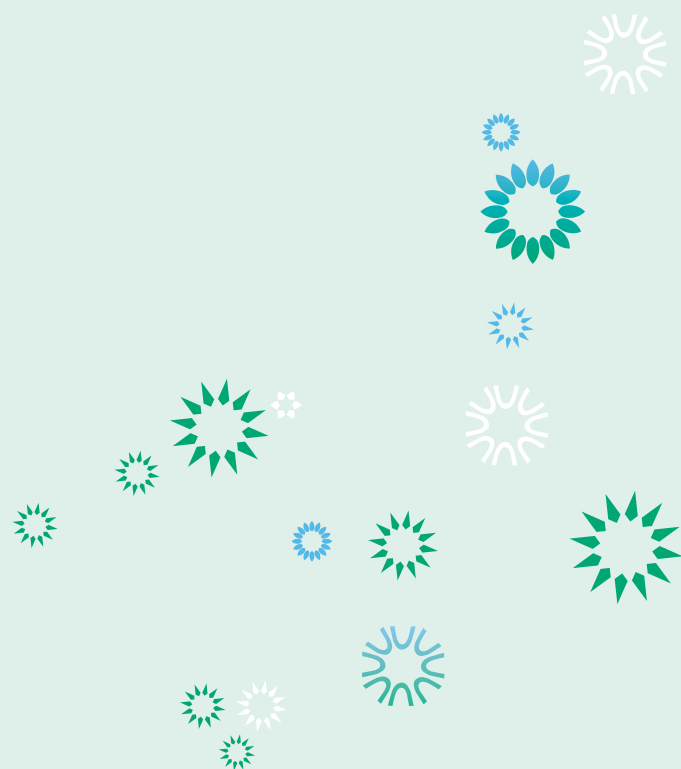
# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

## 3. SUBSIDIARIES AND ASSOCIATES

The principal subsidiaries and associates are:

SUBSIDIARY	COUNTRY OF INCORPORATION	PERCENTAGE OF OWNERSHIP	
		2013	2012
Zain 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%
Al Khatem Telecom Company – (Al Khatem)	Iraq	76%	-
Atheer Telecom Iraq Limited – “Atheer”	Cayman Islands	76%	76%
Al Mouakhaa Lil Kadamat Al-Logistya Wal Al-Itisalat	Jordan	99.1%	99.1%
<b>ASSOCIATE</b>			
Mobile Telecommunications Company (“SMTC”)	Saudi Arabia	37.045%	37.045%
Wana Corporate S.A (associate of a joint venture, Zain Al Ajial S.A)	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.

#### **AL KHATEM/ATHEER**

Under the terms of the telecom license agreement with the Iraqi telecom regulator CMC, Atheer 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. For this purpose, Al Khatem Telecom Company was incorporated as an Iraqi Private Shareholding Company in 2013

and became the direct parent company of Atheer through a share swap arrangement.

In 2012, 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 BAHRAIN**

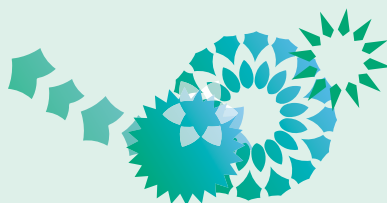
In accordance with the terms of the telecom license agreement with the Telecommunications Regulatory Authority of the Kingdom of Bahrain, Zain Bahrain is required to make an IPO of its shares in Bahrain and the process is now ongoing.

#### **ZAIN SOUTH SUDAN**

The Group provides telecom services in South Sudan through Zain South Sudan and is awaiting the issue of a formal telecom license. In the opinion of Group management the political developments which took place in the year are not likely to have an adverse impact, as there has been no significant disruptions to its operations, and has relied on its management information for consolidation of Zain South Sudan in these consolidated financial statements.

#### **FINANCIAL SUPPORT TO GROUP COMPANIES**

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

## 4. CASH AND BANK BALANCES

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

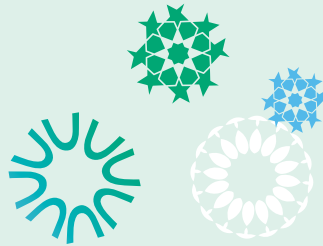
(IN THOUSANDS KD)	2013	2012
Cash on hand and at banks	242,983	182,485
Short-term deposits with banks	155,753	116,102
Government certificates of deposits held by subsidiaries	506	4,022
	<b>399,242</b>	<b>302,609</b>
<b>Less:</b>		
Bank balances blocked (refer note 26)	(112,068)	(107,319)
Cash at bank under lien	(3,981)	-
Government certificates of deposits held by subsidiaries	(506)	(4,022)
Deposits with maturities exceeding three months	-	(2,347)
	<b>282,687</b>	<b>188,921</b>

The effective interest rate on deposits as of 31 December 2013 was 0.28% to 16.5% (2012 – 0.3% to 10%) per annum.

## 5. TRADE AND OTHER RECEIVABLES

(IN THOUSANDS KD)	2013	2012
<b>Trade receivables</b>		
Customers	77,964	71,090
Distributors	8,230	10,406
Other operators (interconnect)	24,885	23,106
Roaming partners	12,091	11,464
Provision for impairment	(40,845)	(34,810)
	<b>82,325</b>	<b>81,256</b>
<b>Other receivables</b>		
Accrued income	5,310	2,680
Staff	2,703	1,853
Prepayments, advances and other deposits	126,921	100,942
Others (refer note below)	133,632	132,969
Provision for impairment	(591)	(591)
	<b>267,975</b>	<b>237,853</b>
	<b>350,300</b>	<b>319,109</b>

In 2011, the Group paid US\$ 473 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 is pursuing legal action for its recovery.



As of 31 December 2013, trade receivables of KD 32,619,000 (2012 - KD 36,770,000) were neither past due nor impaired. Trade receivables of KD 49,706,000 (2012 - KD 43,301,000) 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:

<b>(IN THOUSANDS KD)</b>	<b>2013</b>	<b>2012</b>
Up to 3 months	17,953	11,051
3 – 6 months	10,110	14,856
6 – 12 months	9,379	3,273
More than 12 months	12,264	14,121
	<b>49,706</b>	<b>43,301</b>

As of 31 December 2013, trade and other receivables of KD 40,845,000 (2012 - KD 35,995,000) were impaired against which the Group carries a provision of KD 40,845,000 (2012- KD 34,810,000). The individually impaired receivables mainly relate to post paid 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:

<b>(IN THOUSANDS KD)</b>	<b>2013</b>	<b>2012</b>
Kuwaiti dinar	47,326	50,791
US dollar	163,000	169,636
Euro	2,916	3,157
Bahraini dinar	12,741	22,574
Sudanese pound	19,645	24,648
Jordanian dinar	27,658	13,873
Others	77,014	34,430
	<b>350,300</b>	<b>319,109</b>

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

<b>(IN THOUSANDS KD)</b>	<b>2013</b>	<b>2012</b>
Opening balance - 1 January	35,401	32,450
On acquisition of a subsidiary	-	177
Write off (net)	(1,687)	(5,413)
Charge for the year	7,722	8,187
Closing balance – 31 December	<b>41,436</b>	<b>35,401</b>

## **6. INVENTORIES**

<b>(IN THOUSANDS KD)</b>	<b>2013</b>	<b>2012</b>
Handsets and accessories	16,800	13,130
Provision for obsolescence	(1,878)	(1,224)
	<b>14,922</b>	<b>11,906</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

## 7. INVESTMENT SECURITIES

(IN THOUSANDS KD)	2013	2012
<b>Current investments at fair value through profit or loss</b>		
Quoted equities	1,930	2,693
<b>Non-current investments</b>		
Available for sale		
Quoted equities	27,104	27,285
Funds	11,511	13,640
Unquoted equities	7,748	7,734
	<b>46,363</b>	<b>48,659</b>

Investment securities are denominated in the following currencies:

(IN THOUSANDS KD)	2013	2012
Kuwaiti dinar	35,616	39,222
US dollar	4,080	4,365
Other currencies	8,597	7,765
	<b>48,293</b>	<b>51,352</b>

## 8. INVESTMENTS IN ASSOCIATES

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

SUMMARIZED FINANCIAL INFORMATION OF SMTC (IN THOUSANDS KD)	2013	2012
Current assets	249,599	328,052
Non-current assets	1,726,419	1,770,364
Current liabilities	288,105	1,153,499
Non-current liabilities	1,178,986	311,872
Net asset of SMTC	508,927	633,045
Revenue	491,151	462,183
Loss	(124,723)	(130,485)
Total comprehensive income	(3,142)	-
Proportion Group's ownership interest in SMTC	37.045%	37.045%
Group's share of SMTC's net assets	188,533	234,513
Goodwill	11,569	11,510
<b>Carrying amount of Group' interest in SMTC</b>	<b>200,102</b>	<b>246,023</b>





As at 31 December 2013, the fair value of the Group's investment in SMTC, being its quoted market share price on the Saudi Stock Exchange, was KD 280,204,000 (2012 – KD 236,758,000).

Goodwill arises from the acquisition in 2012 of additional 12.045% equity shares during the rights issue and capital restructuring.

The Parent Company's shareholding in SMTC is pledged to the associate's murabaha lenders as continuing security for the payment and discharge in full by SMTC of the US\$ 2.3 billion syndicated murabaha debt that fully matures in 2018. Under the murabaha financing agreement, SMTC must also 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.

SMTC's independent auditor's modified review report dated 19 January 2014 draws attention to its net loss for the year and the accumulated deficit and states that its financial statements for the year ended 31 December 2013 have been prepared on a going concern basis as its management believes it will be successful in meeting its target business plans and its obligations in the normal course of operations.

## 9. INTEREST IN A JOINT VENTURE

The Group incorporated a joint venture, 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). The Group's share of profit for the year in the joint venture amounting to KD 10,045,000 (2012 - KD 9,479,000) has been recognized in the consolidated statement of profit or loss.

The carrying value of this joint venture and its results for the year are determined by Group management using the equity method based on management information provided by Wana Corporate.

## 10. DUES FROM ASSOCIATES

(IN THOUSANDS KD)	2013	2012
Loans	170,478	145,832
Others	101,474	86,043
	<b>271,952</b>	<b>231,875</b>

These amounts are due from SMTC. Loans are denominated in United States Dollar - KD 133.638 million (2012 - KD 108.99 million) and KD 36.84 million (2012 – KD 36.84 million) at an effective interest rate of 6.75% and 4.25% per annum over six and three months Saudi Inter-Bank Offered Rate (SIBOR) respectively. These amounts, which include management fees and the interest on the loans, are subordinate to SMTC's borrowings from banks (refer note 8).

## 11. OTHER ASSETS

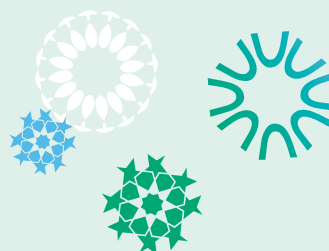
This includes US\$ 40 million; equivalent to KD 11 million (2012 – KD 11 million) receivable from a founding shareholder in SMTC secured by an agreement to transfer to the Group, the founding shareholder's shares in SMTC. In 2013 the Group won a legal action for its recovery and is pursuing further legal action for its implementation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

## 12. PROPERTY AND EQUIPMENT

(IN THOUSANDS KD)	LAND, BUILDINGS AND LEASEHOLD IMPROVEMENTS	CELLULAR AND OTHER EQUIPMENT	PROJECTS IN PROGRESS	TOTAL
<b>COST</b>				
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)
<b>As at 31 December 2012</b>	<b>70,097</b>	<b>1,353,955</b>	<b>121,023</b>	<b>1,545,075</b>
Additions	10,854	126,455	61,713	199,022
Transfers	2,723	85,389	(88,112)	-
On acquisition of a subsidiary	-	-	-	-
Adjustments	-	-	-	-
Disposals	(11)	(167,243)	(4)	(167,258)
Write off	-	(43,463)	-	(43,463)
Exchange adjustment	433	3,743	1,768	5,944
<b>As at 31 December 2013</b>	<b>84,096</b>	<b>1,358,836</b>	<b>96,388</b>	<b>1,539,320</b>
<b>ACCUMULATED DEPRECIATION</b>				
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)
<b>As at 31 December 2012</b>	<b>35,597</b>	<b>810,448</b>	<b>-</b>	<b>846,045</b>
Charge for the year	2,966	125,608	-	128,574
On acquisition of a subsidiary	-	-	-	-
On disposals	(8)	(126,964)	-	(126,972)
Write off	-	(43,414)	-	(43,414)
Adjustments	(221)	-	-	(221)
Exchange adjustment	192	475	-	667
<b>As at 31 December 2013</b>	<b>38,526</b>	<b>766,153</b>	<b>-</b>	<b>804,679</b>
<b>NET BOOK VALUE</b>				
<b>As at 31 December 2013</b>	<b>45,570</b>	<b>592,683</b>	<b>96,388</b>	<b>734,641</b>
<b>As at 31 December 2012</b>	<b>34,500</b>	<b>543,507</b>	<b>121,023</b>	<b>699,030</b>



### 13. INTANGIBLE ASSETS

(IN THOUSANDS KD)	GOODWILL	LICENSE FEES	OTHERS	TOTAL
<b>Cost</b>				
As 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)
<b>At 31 December 2012</b>	<b>699,972</b>	<b>447,163</b>	<b>105,537</b>	<b>1,252,672</b>
Other additions	-	-	55,001	55,001
Exchange adjustments	3,709	3,482	416	7,607
<b>As at 31 December 2013</b>	<b>703,681</b>	<b>450,645</b>	<b>160,954</b>	<b>1,315,280</b>

#### ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES

As 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)
<b>At 31 December 2012</b>	<b>11,942</b>	<b>157,462</b>	<b>85,186</b>	<b>254,590</b>
Charge for the year	-	29,330	36,662	65,992
Exchange adjustments	-	707	324	1,031
<b>As at 31 December 2013</b>	<b>11,942</b>	<b>187,499</b>	<b>122,172</b>	<b>321,613</b>

#### NET BOOK VALUE

As at 31 December 2013	691,739	263,146	38,782	993,667
As at 31 December 2012	688,030	289,701	20,351	998,082

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	2013	2012
Pella Investment Company, Jordan	February 2026	79,516	79,516
Zain Bahrain B.S.C (Closed), Bahrain	September 2028	-	-
Sudanese Mobile Telephone Company Limited (Zain, Sudan)	February 2029	179,645	178,075
Atheer Telecom Iraq Limited, Cayman Islands	September 2022	426,177	424,063
Al Mouakhah Lil Khadamat Al-Logisteih Wa Al-Itisalat	December 2021	6,401	6,376
		<b>691,739</b>	<b>688,030</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

## 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	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. Average revenue in the period immediately before budget period increased each year for anticipated growth in revenue of up to 7.9% (2012 – 7.9%). Value assigned reflects past experience and changes in economic environment. Cash flows beyond the four year period have been extrapolated using a growth rate of 2% (2012 – 2%). This growth rate does not exceed the long term average growth rate of the market in which the CGU operates.
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% (2012 – 15.8% to 20.6%) 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 four-year period. The recoverable amount so obtained were higher than the carrying amount of the CGUs.-

## 14. TRADE AND OTHER PAYABLES

(IN THOUSANDS KD)	2013	2012
Trade payables	73,981	84,487
Accruals	213,065	184,635
Deferred revenue	63,360	60,006
Due to roaming partners	11,468	11,999
Due to other operators (interconnect)	14,372	8,539
Due to Government of Jordan	14,060	14,072
Taxes – foreign subsidiaries	44,213	38,703
Kuwait Foundation for the Advancement of Sciences	7,041	10,414
National Labour Support Tax and Zakat	6,307	6,489
Dividend payable	14,404	13,595
Provisions	62,785	75,617
Directors' remuneration	430	430
Other payables	17,080	26,128
	<b>542,566</b>	<b>535,114</b>

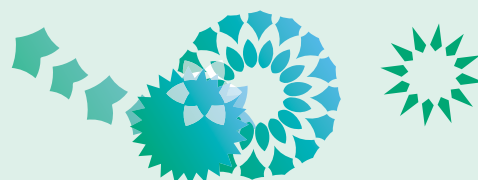
## 15. DUE TO BANKS

(IN THOUSANDS KD)	2013	2012
<b>MTC (the Parent Company)</b>		
Short term loan	33,876	146,068
Long term loans	526,023	291,200
	<b>559,899</b>	<b>437,268</b>
<b>JMTS – Jordan</b>		
Long term loan	-	12,381
<b>Zain – Bahrain</b>		
Bank overdraft	-	6,907
Long term loans	14,978	-
	<b>14,978</b>	<b>6,907</b>
<b>Zain – South Sudan</b>		
Long term loan	669	-
<b>Al Mouakhah Lil Khadamat Al-Logisteih Wa Al-Itisalat- Jordan</b>		
Long term loan	-	1,426
<b>Atheer – Iraq</b>		
Bank overdraft	-	11,236
Short term loan	84,690	84,270
Long term loans	95,485	98,304
	180,175	193,810
	<b>755,721</b>	<b>651,792</b>

The current and non-current amounts are as follows:

(IN THOUSANDS KD)	2013	2012
Current liabilities	198,402	270,656
Non-current liabilities	557,319	381,136
	<b>755,721</b>	<b>651,792</b>

The Group's borrowings reprice within six months.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

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

(IN THOUSANDS KD)	2013	2012
US dollar	720,744	593,624
Saudi Arabian Riyal	-	37,454
Jordanian dinar	-	13,807
Others	34,977	6,907
	<b>755,721</b>	<b>651,792</b>

The effective interest rate as at 31 December 2013 was 1.49% to 6.15% (2012 – 1.61% to 8.71%) 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 Amortization (EBITDA);
- adjusted consolidated EBITDA to adjusted consolidated net interest payable;
- equity to total assets;
- net debt to EBITDA.

#### MTC

During the year, the Parent Company:

- obtained long term loans amounting to US\$ 1.563 billion (equivalent to KD 445.092 million) which includes:
  - revolving credit facility of US\$ 800 million (KD 227.800 million) from a consortium of foreign banks repayable in March 2016;
  - US\$ 400 million from a foreign bank (as of 31 Dec 2013, US\$ 64.496 million – KD 18.188 million was drawn down);
  - US\$ 698.852 million (KD 199.104 million) from local commercial banks.

- extended the maturity of a short term loan of US\$ 120 million (KD 33.708 million) to 2014;
- repaid the short term loan of US\$ 400 million (KD 113.984 million) availed in 2012.

As of 31 December 2013, US\$ 140 million (KD 39.522 million) (31 December 2012 - KD 243.447 millio ) was outstanding from the revolving credit facility availed in March 2011. This facility matures in March 2014.

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

#### ZAIN – BAHRAIN

During the year, Zain Bahrain availed long term Bahraini Dinar denominated facilities at a fixed margin over Bahrain Inter Bank Overnight rate (BIBOR). These are amortizing facilities with maturities of four to five years. The Bank overdraft was repaid during the year.

#### ZAIN SOUTH SUDAN

During the year, Zain South Sudan availed a US\$ denominated loan at a fixed margin over LIBOR. This facility amortizes over twenty months.

#### ATHEER

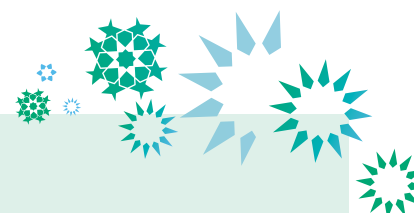
During the year, Atheer availed a US\$ denominated long term loan amounting to US\$ 55 million (KD 15.527 million), guaranteed by the Parent Company.

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 twenty four equal installments by January 2018. As of 31 December 2013, US\$ 283.24 million (KD 79.959 million) (2012 – KD 98.303 million) was outstanding from this facility

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

The overdraft facility was repaid during the year.

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



## 16. OTHER NON-CURRENT LIABILITIES

(IN THOUSANDS KD)	2013	2012
Customer deposits	5,506	5,244
Post employment benefits	29,532	26,284
Refundable deposits and others	413	1,803
	<b>35,451</b>	<b>33,331</b>

## 17. SHARE CAPITAL AND RESERVES

SHARE CAPITAL (PAR VALUE OF KD 0.100 PER SHARE)	2013 NO OF SHARES	2012 NO OF SHARES
<b>Authorized</b>		
Opening balance	4,322,574,895	4,331,982,637
Net increase/(decrease) during the year	4,484,014	(9,407,742)
	<b>4,327,058,909</b>	<b>4,322,574,895</b>
<b>Issued and fully paid up</b>		
Opening balance	4,315,274,866	4,307,534,661
Shares issued for 2009 ESOP	-	2,202,064
Shares issued for 2010 ESOP	3,418,612	3,823,187
Shares issued for 2011 ESOP	1,195,362	1,714,954
Shares issued for 2012 ESOP	2,795,439	-
	<b>4,322,684,279</b>	<b>4,315,274,866</b>

Shareholders approved the share capital changes in 2013 and 2012 for which regulatory approvals have also been obtained.

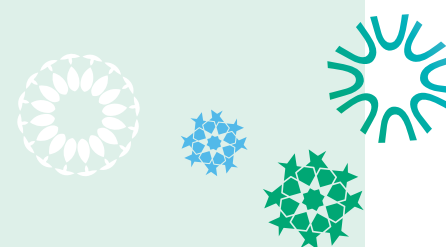
### SHARE PREMIUM

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

### TREASURY SHARES

	2013	2012
Number of shares	425,711,648	425,711,648
Percentage of issued shares	9.85%	9.87%
Market value (KD '000)	293,741	332,055
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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

## 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 towards 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 (2012 - Nil).

## DIVIDEND – 2012

The Annual General Meeting of shareholders for the year ended 31 December 2012, held on 7 April 2013, approved distribution of cash dividends of 50 fils per share for the year 2012.

## PROPOSED DIVIDEND

The Board of Directors, subject to the approval of shareholders, recommends distribution of a cash dividend of 50 fils per share (2012 - 50 fils per share) to the registered shareholders as of the date of the Annual General Meeting.

## 18. REVENUE

(IN THOUSANDS KD)	2013	2012
Airtime, data and subscription	1,215,684	1,258,113
Trading income	24,351	23,790
	<b>1,240,035</b>	<b>1,281,903</b>

## 19. INVESTMENT INCOME

(IN THOUSANDS KD)	2013	2012
(Loss)/gain on investments at fair value through profit or loss	(272)	139
Realized gain/(loss) from available for sale investments	1,341	(1,683)
Impairment loss on available for sale investments	-	(8,555)
Dividend income	903	1,288
	<b>1,972</b>	<b>(8,811)</b>

## 20. NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT

(IN THOUSANDS KD)	2013	2012
NLST- Kuwait	3,126	4,459
Zakat - Kuwait	1,250	1,784
Zakat- Sudan	2,874	3,908
	<b>7,250</b>	<b>10,151</b>

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

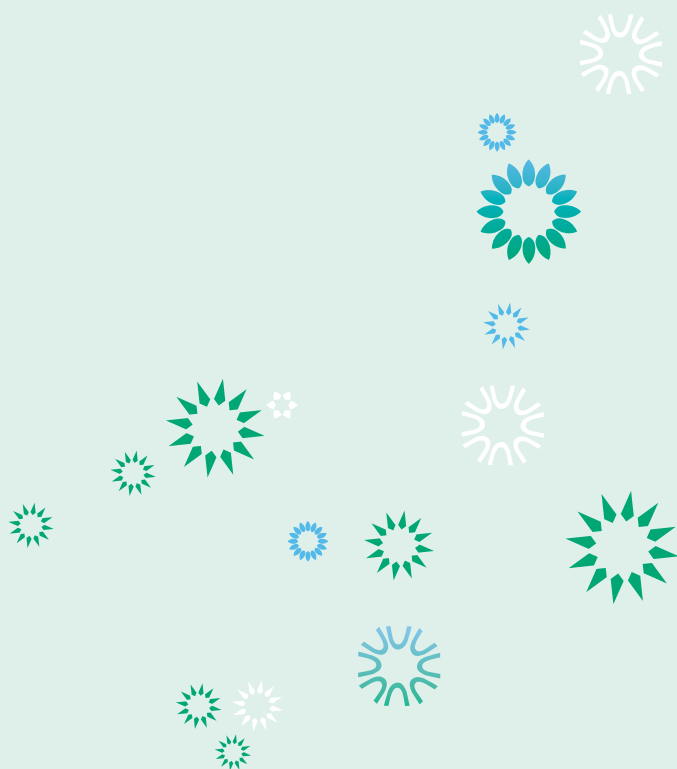
## 21. INCOME TAX EXPENSES

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:

<b>(IN THOUSANDS KD)</b>	<b>2013</b>	<b>2012</b>
Profit for the year	216,445	252,145
	<i>Shares</i>	<i>Shares</i>
Weighted average number of shares in issue	3,896,972,631	3,889,563,218
Effect of dilution (ESOP - note 23)	2,766,901	6,700,513
Weighted average number of shares in issue outstanding during the year adjusted for the effect of dilution	3,899,739,532	3,896,263,731
	<i>Fils</i>	<i>Fils</i>
Basic earnings per share	56	65
Diluted earnings per share	56	65



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

## 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 ten 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:

	2010 PLAN		2011 PLAN		2012 PLAN	
	NUMBERS	WEIGHTED AVERAGE EXERCISE PRICE (KD)	NUMBERS	WEIGHTED AVERAGE EXERCISE PRICE (KD)	NUMBERS	WEIGHTED AVERAGE EXERCISE PRICE (KD)
Granted	14,076,900	0.816	4,502,949	0.295	5,609,092	0.295
Exercised in 2010	-	-	-	-	-	-
Additional shares granted	-	-	-	-	-	-
Stock options forfeited	(1,500)	-	-	-	-	-
Stock options outstanding at 31 Dec 2010	14,075,400	0.816	-	-	-	-
Additional shares granted/option regranted	275,900	-	-	-	-	-
Exercised in 2011	(4,636,972)	0.658	-	-	-	-
Stock options forfeited	(1,888,775)	-	-	-	-	-
Stock options outstanding at 31 Dec 2011	7,825,553	0.470	-	-	-	-
Exercised in 2012	(3,823,187)	-	(1,714,954)	-	-	-
Stock options forfeited	(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
Exercised in 2013	(3,418,612)	-	(1,195,362)	-	(2,795,439)	-
Stock options forfeited (net)	(115,124)	-	(344,707)	-	(314,254)	-
Stock options outstanding at 31 Dec 2013	-	-	1,236,714	0.188	2,499,399	0.188
Stock options exercisable as at 31 Dec 2013	-	-	1,236,714	-	2,499,399	-
Weighted average remaining contractual life (in years)	-	-	1	-	1	-
Weighted average share price of options exercised during the year	0.725	-	0.725	-	0.725	-



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.

#### *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 3 years and an annual interest rate of 5%.

During the year, the Group recognized total expenses of KD Nil (2012 – KD 506,000) 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. During the year, the terms of the plan were amended to accelerate the remaining vesting to 1 January 2014. 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 3 years and an annual interest rate of 1.93%.

During the year, the Group recognized total expenses of KD 962,000 (2012 – KD 1,704,000) 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 3 years and an annual interest rate of 1.93%. During the year, the terms of the plan were amended to accelerate the remaining two vesting to 1 January 2014. The Parent Company also issued in 2012 an additional 1,080,000 shares at exercise price of KD Nil which vested on the date of approval.

During the year, the Group recognized total expenses of KD 1,016,000 (2012 - KD 2,642,000) related to this plan.

The average market price per share of the Parent Company for the year ended 31 December 2013 was KD 0.725 (2012 - KD 0.760).

## **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, South Sudan and Iraq. This forms the basis of the geographical segments.

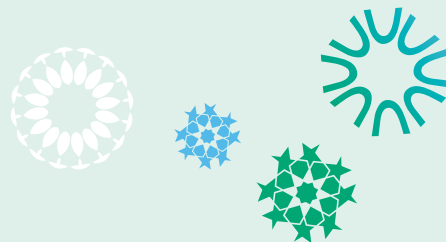
Based on the quantitative thresholds, the Group has identified its operations in Kuwait, Jordan, Sudan and Iraq as the basis for disclosing the segment information.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

(IN THOUSANDS KD)	31-DEC-13					
	KUWAIT	JORDAN	SUDAN	IRAQ	OTHERS	TOTAL
<b>SEGMENT REVENUES</b>	<b>339,725</b>	<b>140,063</b>	<b>176,533</b>	<b>494,158</b>	<b>89,556</b>	<b>1,240,035</b>
<b>Net profit before interest and tax</b>	<b>107,048</b>	<b>42,571</b>	<b>29,503</b>	<b>123,630</b>	<b>(259)</b>	<b>302,493</b>
Interest income	36	1,296	2,151	434	106	4,023
Finance cost	-	(99)	-	(16,591)	(6,936)	(23,626)
Income tax expense	-	(9,838)	(4,156)	(5,233)	2,142	(17,085)
	107,084	33,930	27,498	102,240	(4,947)	265,805
<b>Unallocated items:</b>						
Investment income						1,972
Share of results of associates and joint ventures						(36,159)
Others						12,323
<b>Profit for the year</b>						<b>243,941</b>
<b>SEGMENT ASSETS</b>	<b>241,256</b>	<b>257,479</b>	<b>430,436</b>	<b>1,052,283</b>	<b>215,106</b>	<b>2,196,560</b>
<b>Unallocated items</b>						
Investment securities at fair value through profit or loss						1,930
Investment securities available for sale						46,363
Investment in associates and joint ventures						265,197
Due from associates						271,952
Others						314,938
<b>Consolidated assets</b>						<b>3,096,940</b>
<b>SEGMENT LIABILITIES</b>	<b>92,644</b>	<b>80,831</b>	<b>38,777</b>	<b>206,747</b>	<b>172,470</b>	<b>591,469</b>
Due to banks	-	-	-	180,175	15,647	195,822
	92,644	80,831	38,777	386,922	188,117	787,291
<b>Unallocated items</b>						
Due to banks						559,899
Others						(13,452)
<b>Consolidated liabilities</b>						<b>1,333,738</b>
<b>Net consolidated assets</b>						<b>1,763,202</b>
Capital expenditure incurred during the year	58,016	36,017	29,182	83,160	37,991	244,366
Unallocated						9,657
<b>Total capital expenditure</b>						<b>254,023</b>
Depreciation and amortization	51,400	18,324	26,848	65,417	30,019	192,008
Unallocated						2,558
<b>Total depreciation and amortization</b>						<b>194,566</b>
Net increase/decrease in cash flows of subsidiaries with significant non-controlling interests	-	-	-	7,623	1,048	-

(Al Khatem, Iraq and Zain Bahrain in Others)



(IN THOUSANDS KD)	31-DEC-12					
	KUWAIT	JORDAN	SUDAN	IRAQ	OTHERS	TOTAL
<b>SEGMENT REVENUES</b>	<b>331,878</b>	<b>142,477</b>	<b>241,457</b>	<b>484,657</b>	<b>81,434</b>	<b>1,281,903</b>
<b>Net profit before interest and tax</b>	<b>114,174</b>	<b>43,623</b>	<b>19,801</b>	<b>138,265</b>	<b>1,302</b>	<b>317,165</b>
Interest income	6	982	3,957	913	68	5,926
Finance cost	-	(1,144)	(1,336)	(15,490)	(8,045)	(26,015)
Income tax expense	-	(9,445)	(12,851)	(20,427)	2,736	(39,987)
	114,180	34,016	9,571	103,261	(3,939)	257,089
<b>Unallocated items:</b>						
Investment income						(8,811)
Share of results of associates and joint ventures						(31,574)
Others						63,488
<b>Profit for the year</b>						<b>280,192</b>
<b>SEGMENT ASSETS</b>	<b>219,313</b>	<b>235,890</b>	<b>512,003</b>	<b>1,016,628</b>	<b>205,105</b>	<b>2,188,939</b>
<b>Unallocated items</b>						
Investment securities at fair value through profit or loss						2,693
Investment securities available for sale						48,659
Investment in associates and joint ventures						300,842
Due from associates						231,875
Others						157,983
<b>Consolidated assets</b>						<b>2,930,991</b>
<b>SEGMENT LIABILITIES</b>	<b>77,623</b>	<b>51,795</b>	<b>149,379</b>	<b>252,496</b>	<b>159,427</b>	<b>690,720</b>
Due to banks	-	12,381	-	193,810	8,333	214,524
	77,623	64,176	149,379	446,306	167,760	905,244
<b>Unallocated items</b>						
Due to banks						437,268
Others						(122,275)
<b>Consolidated liabilities</b>						<b>1,220,237</b>
<b>Net consolidated assets</b>						<b>1,710,754</b>
Capital expenditure incurred during the year	55,774	13,618	56,460	41,929	22,050	189,831
Unallocated						124
<b>Total capital expenditure</b>						<b>189,955</b>
Depreciation and amortization	43,265	19,770	34,645	68,833	23,110	189,623
Unallocated						3,424
<b>Total depreciation and amortization</b>						<b>193,047</b>
Net increase/decrease in cash flows of subsidiaries with significant non-controlling interests	-	-	-	(2,333)	(2,552)	-

(Al Khatem, Iraq and Zain Bahrain in Others)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

## 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:

(IN THOUSANDS KD)	2013	2012
<b>Transactions</b>		
Management fees (included in other income)	3,569	12,897
Interest income on loans to associates	11,616	8,830
<b>Key management compensation</b>		
Salaries and other short term employee benefits (refer note below)	6,904	8,393
Post-employment benefits	1,558	2,321
Share-based payments	428	1,440

## 26. COMMITMENTS AND CONTINGENCIES

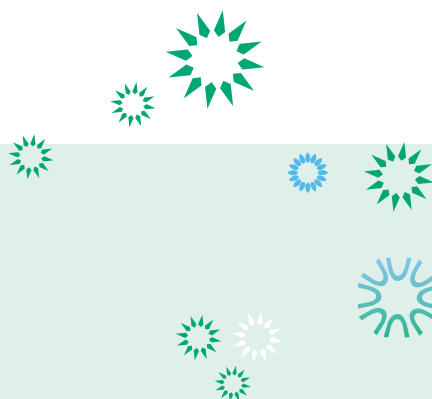
(IN THOUSANDS KD)	2013	2012
Capital commitments	81,384	61,909
Capital commitments – share of associates	7,683	20,320
Uncalled share capital of investee companies	157	156
Letters of credit	9,575	28,872
Letters of guarantee	465,009	322,931

The above include guarantees/letters of credit amounting to US\$ 1.491 billion (KD 421 million) (2012 - KD 289 million) relating to loans and other vendor financing availed by SMTC.

The Parent Company is a guarantor for credit facilities of US\$ 35 million (KD 10 million) (2012 – 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 Iraqi 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 upto 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. Based on the appeal filed by Atheer, the Ministry of Finance has instructed the Tax Authority to re-open the assessment of the aforementioned tax years. In December 2013, the Tax Authority has raised claim for income tax for the fiscal year 2008 amounting to US\$ 44 million (KD 12 million). Atheer has filed an appeal against this by paying, under protest, 25% of the amount demanded, in order to comply with taxation laws and to protect its right to appeal.

On 6 March 2011, the Iraqi Telecom Regulatory Authority, 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 2012 - 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. Furthermore, CMC has also levied a penalty of US\$ 18 Million (KD 5 million)



(31 December 2012 - 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 upto 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 upto 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). Based on the appeal filed by Atheer, the Ministry of Finance has instructed the Tax Authority to re-open the assessment of the aforementioned tax years.

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 note 4). There are also other claims against Atheer including by the Ministry of Communications, Iraq.

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:

<b>(IN THOUSANDS KD)</b>	<b>2013</b>	<b>2012</b>
Not later than 1 year	11,189	6,935
Later than 1 year and no later than 5 years	28,404	27,399
Later than 5 years	31,890	26,288
	<b>71,483</b>	<b>60,622</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

## 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 OR LOSS	AVAILABLE FOR SALE
<b>31 December 2013</b>			
Cash and bank balances	399,242	-	-
Trade and other receivables	350,300	-	-
Investment securities	-	1,930	46,363
Dues from associates	271,952	-	-
Other assets	11,357	-	-
	<b>1,032,851</b>	<b>1,930</b>	<b>46,363</b>
<b>31 December 2012</b>			
Cash and bank balances	302,609	-	-
Trade and other receivables	319,109	-	-
Investment securities	-	2,693	48,659
Dues from associates	231,875	-	-
Other assets	11,339	-	-
	<b>864,932</b>	<b>2,693</b>	<b>48,659</b>

All financial liabilities as of 31 December 2013 and 31 December 2012, 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 it to acceptable levels. The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework, and developing and monitoring the risk management policies in close co-operation with the Group's operating units. The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities. The Group through its training and management standards, and procedures aim at developing 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, recognized assets and liabilities and net investments in foreign operations.

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

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

<b>(IN THOUSANDS KD)</b>	<b>2013</b>	<b>2012</b>
US Dollar	9,880	16,624
Euro	153	1,841
SAR	166	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 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:

<b>MARKET INDICES</b>	<b>2013 (KD '000)</b>		<b>2012 (KD '000)</b>	
	<b>IMPACT ON NET PROFIT</b>	<b>EFFECT ON EQUITY</b>	<b>IMPACT ON NET PROFIT</b>	<b>EFFECT ON EQUITY</b>
Kuwait Stock Exchange	±96	±1,854	±135	±1,956

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 2013 and 2012, the Group's borrowings at variable rates were denominated mainly in US Dollar, Bahraini Dinar, Euro, SAR and Jordanian Dinar.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

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

At 31 December 2013, 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 3,870,000 (2012 - KD 2,249,000).

## 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 11.

## (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 note 3). Other than cash and bank balance of KD 72.897 million (2012 - KD 64.20 million) equivalent held in Sudanese pounds and KD 8.139 million (2012 - KD 6.4 million) held in South Sudanese pounds, all other cash and bank balance are maintained in freely convertible currencies.

The table below analyzes 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
<b>At 31 December 2013</b>				
Bank borrowings	210,470	366,743	198,275	20,717
Trade and other payables	479,206	-	-	-
Customer deposits	523	540	4,443	-
Refundable deposits and others	-	413	-	-
<b>At 31 December 2012</b>				
Bank borrowings	277,209	320,952	62,683	15
Trade and other payables	399,491	-	-	-
Customer deposits	-	628	-	4,616
Refundable deposits and others	-	1,803	-	-



## 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 analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

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

(IN THOUSANDS KD)	NOTIONAL AMOUNTS BY TERM TO MATURITY					
AT 31 DECEMBER 2013	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE	NOTIONAL AMOUNT	WITHIN 3 MONTHS	3 -12 MONTHS	OVER 1 YEAR
<b>Derivatives held for hedging</b>						
Cash flow hedges						
Profit rate swaps - share of an associate	-	(1,164)	120,378	-	-	120,378
	-	(1,164)	120,378	-	-	120,378

(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
<b>Derivatives held for hedging</b>						
Cash flow hedges						
	-	-	-	-	-	-
	-	-	-	-	-	-

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

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

(IN THOUSANDS KD)	2013	2012
Total borrowings	755,721	651,792
Less: Cash and bank balances (refer note 4)	(399,242)	(302,609)
Net debt	356,479	349,183
Total equity	1,763,202	1,710,754
Total capital	2,119,681	2,059,937
<b>Gearing ratio</b>	<b>17%</b>	<b>17%</b>

## 30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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 level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

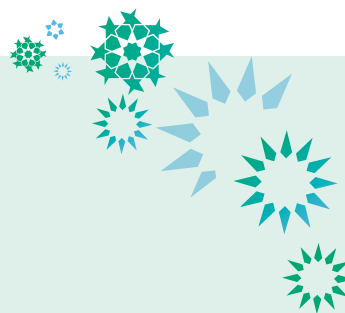
For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities. The fair value of investments in mutual funds, unit trusts or similar investment vehicles are based on the last published net assets value.

For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

Fair values of the financial instruments carried at amortized cost approximate their carrying value. This is based on Level 3 inputs, with the discount rate that reflects the credit risk of counterparties, being the most significant input.

For investments in equity instruments, where a reasonable estimate of fair value cannot be determined, the investment is carried at cost.

(IN THOUSANDS KD)	31 DECEMBER 2013			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value:				
Investments at fair value through profit or loss	1,930	-	-	1,930
Available for sale investments	27,104	19,259	-	46,363
<b>Total assets</b>	<b>29,034</b>	<b>19,259</b>	<b>-</b>	<b>48,293</b>



(IN THOUSANDS KD)	31 DECEMBER 2012			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value:				
Investments at fair value through profit or loss	2,693	-	-	2,693
Available for sale investments	27,285	21,374	-	48,659
<b>Total assets</b>	<b>29,978</b>	<b>21,374</b>	<b>-</b>	<b>51,352</b>

### 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 profit or loss or directly in equity.

##### *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 which 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2013

## *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*

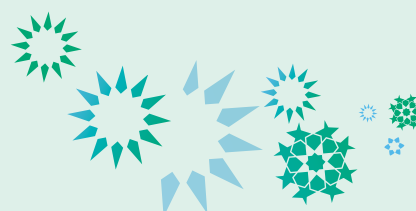
The Group annually tests whether Goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amounts of cash generating units are determined based on value-in-use calculations or at fair value less costs to sell. The fair value less cost to sell is based on recent/intended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

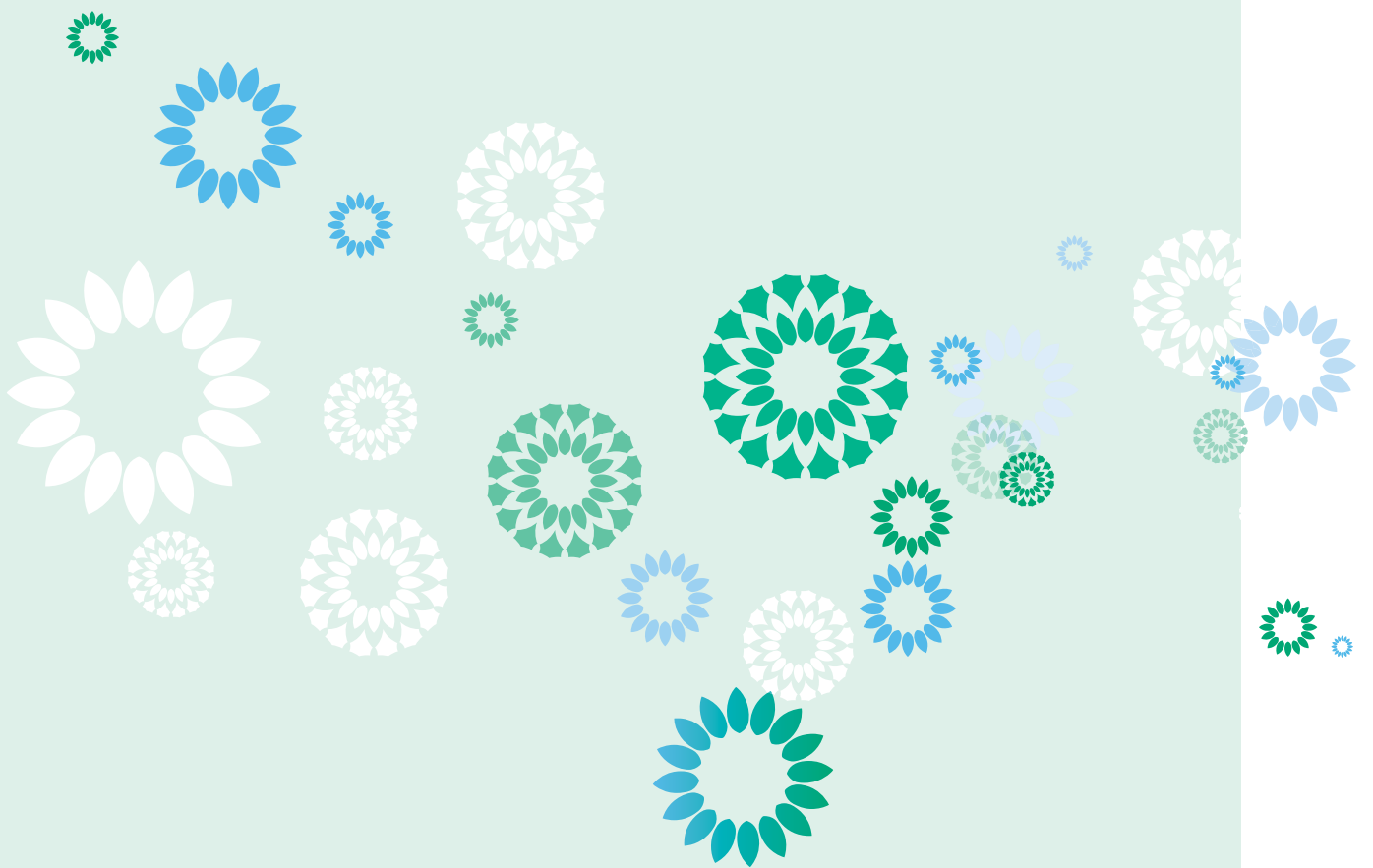
## *Share-based compensation*

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.





▶ Zain celebrates its  
30<sup>th</sup> anniversary.

2013



**30 YEARS**  
**OF GROWTH, MILESTONES**  
**AND A COMMITMENT TO**  
**A WONDERFUL WORLD.**



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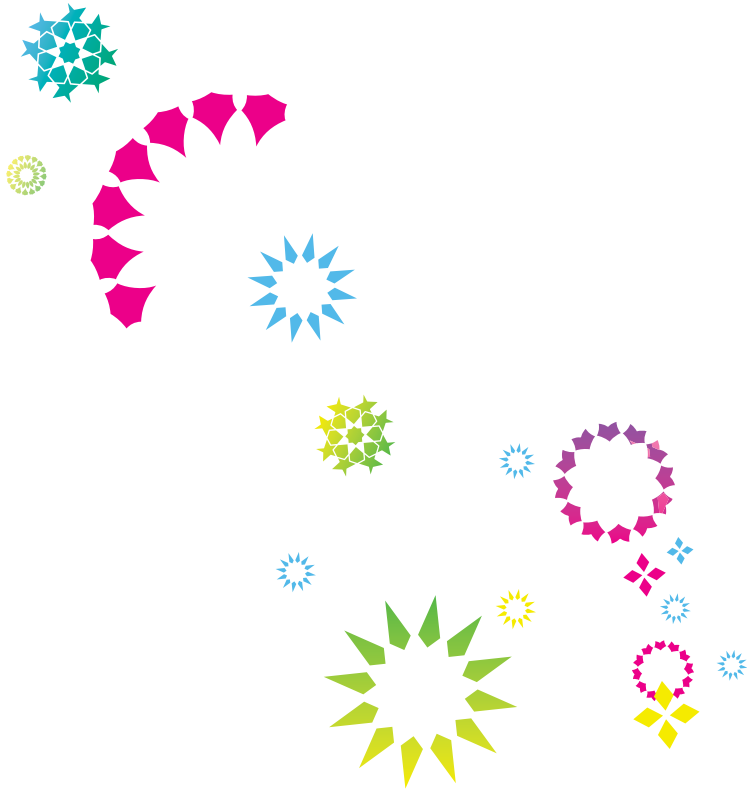
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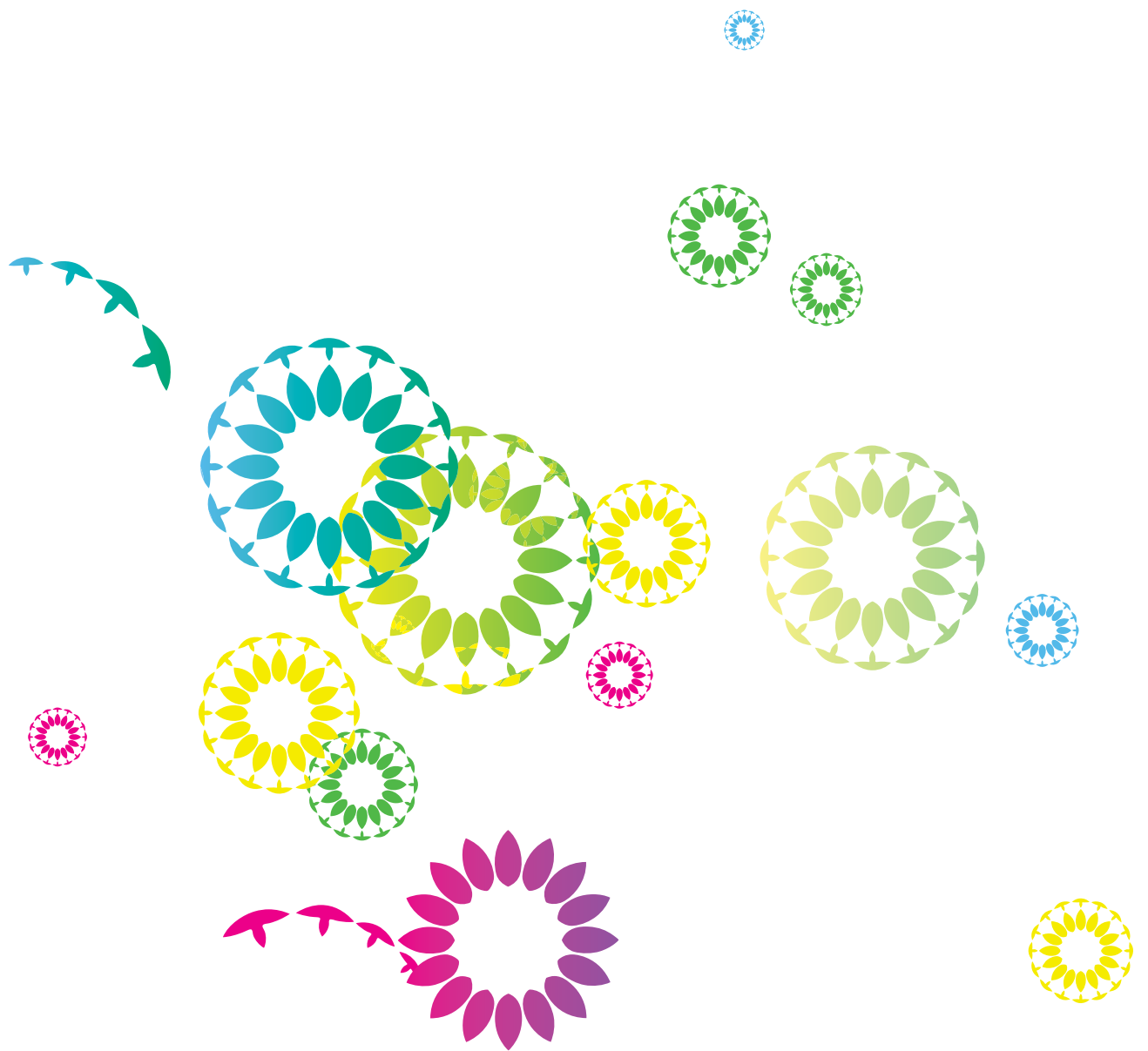
[www.touch.com.lb](http://www.touch.com.lb)

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