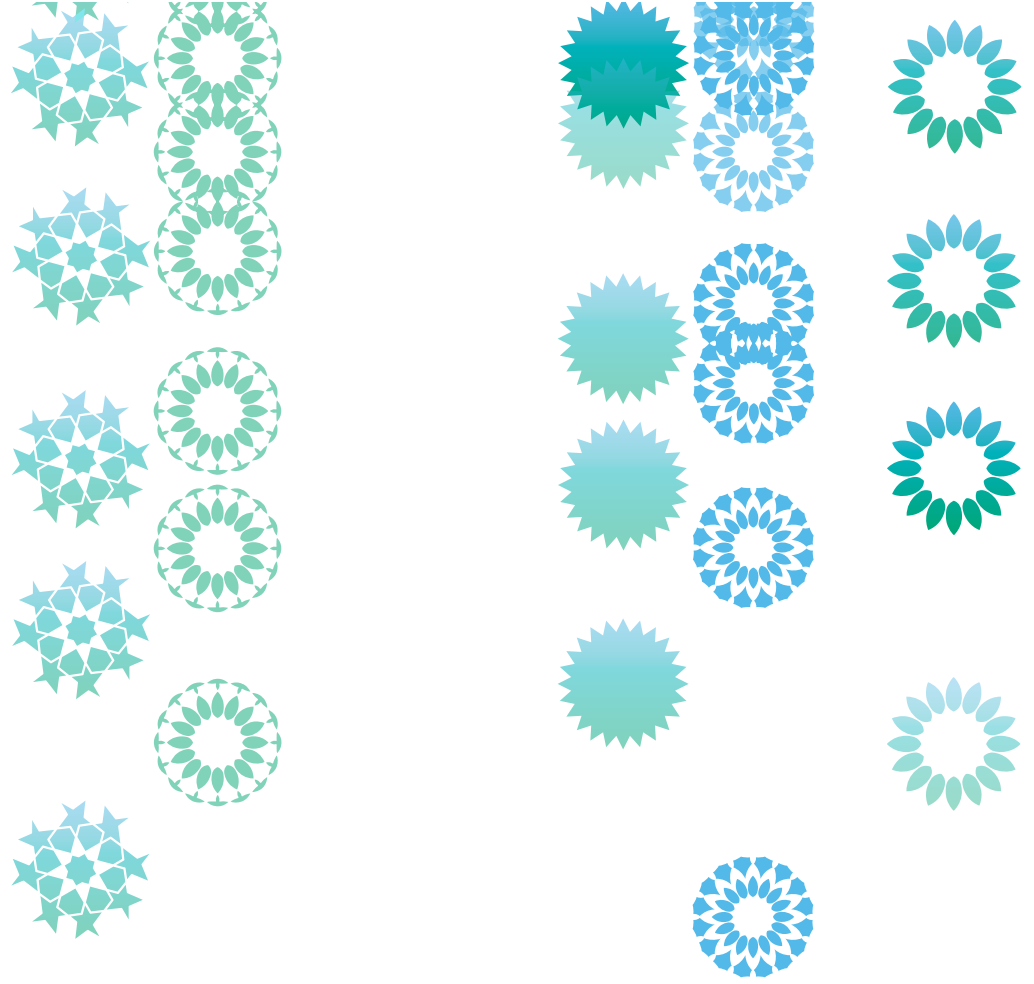




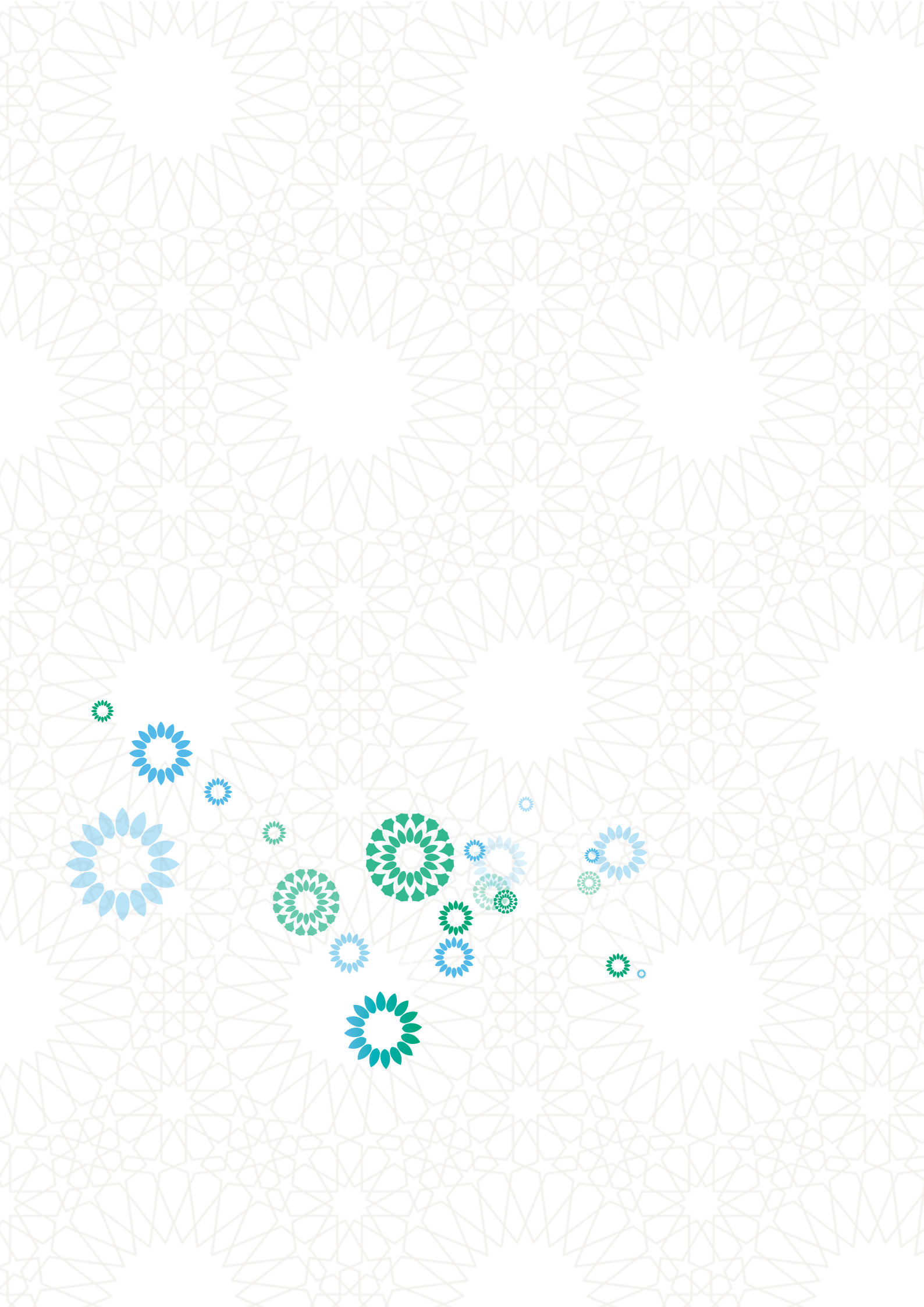
TOWARDS A WONDERFUL

DIGITAL WORLD

■ ANNUAL REPORT 2014 ■



**TOWARDS A WONDERFUL
DIGITAL WORLD**





■ H.H. SHEIKH SABAH AL-AHMAD
AL-JABER AL-SABAH

AMIR OF THE STATE OF KUWAIT



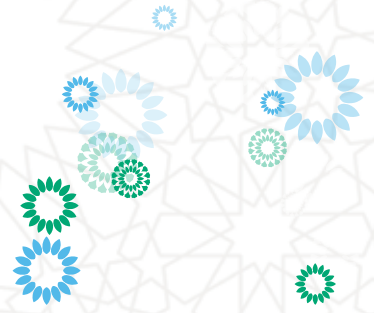
■ H.H. SHEIKH NAWAF AL-AHMAD
AL-JABER AL-SABAH

CROWN PRINCE



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

PRIME MINISTER



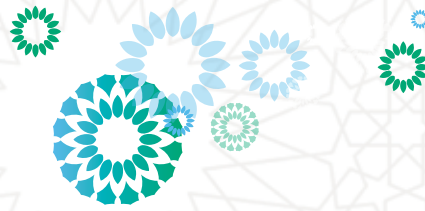


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BOARD OF DIRECTORS

▶ **MR. ASAAD AHMED
AL-BANWAN**

CHAIRMAN



▶ **MR. BADER NASSER
AL-KHARAFI**

VICE CHAIRMAN



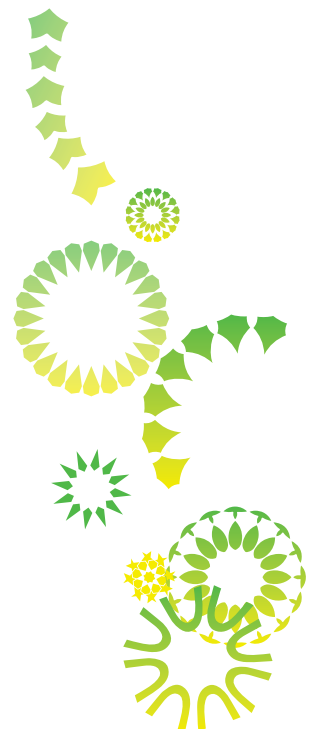
▶ **MR. ABDULAZIZ
YAQOUB AL-NAFISI**

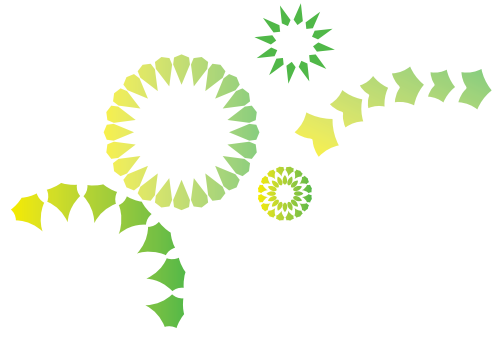
BOARD MEMBER



▶ **MR. WALEED ABDULLAH
AL-ROUDAN**

BOARD MEMBER

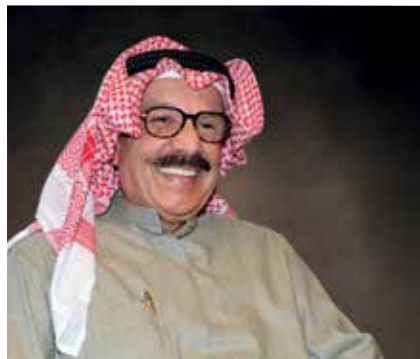




■ **MS. SHAIKHA
KHALED AL-BAHAR**
BOARD MEMBER



■ **MR. ABDULMOHSEN
IBRAHIM AL-FARES**
BOARD MEMBER



■ **MR. JAMAL AHMED
AL-KANDARY**
BOARD MEMBER



■ **MR. JAMAL SHAKER
AL-KAZEMI**
BOARD MEMBER





CHAIRMAN'S MESSAGE

It is my pleasure to welcome you to the annual general meeting; at which I will have the opportunity to elaborate on Zain Group's activities and key operations for the fiscal year ending 31 December, 2014.

The year represented a start of a new era for our operational and commercial activities as the Group exhibited a strong commitment to the latest technologies and services through the upgrade and expansion of our networks, which served 44.3 million customers in total at the end of the year.

Through well-conceived strategies and astute investment decisions, Zain has performed reasonably considering the major economic hardships and regional conflicts in several of our markets that have had an adverse effect on our financials. Iraq is a prime example of such challenges; a market in which several million people were displaced and a significant portion of our network suffered from interrupted functionality, negatively impacting Zain Iraq's operations and thus the Group's overall financial performance.

Despite such challenges, Zain's ability to manage and maintain a competitive edge within its markets allowed the company to navigate the year constructively and continue to innovate, catering to our customers' needs and aspirations.

INVESTMENT IN INFORMATION TECHNOLOGY

The increased investment in information technology (IT) has significantly reinforced the essential role that IT plays in improving the way people conduct their day-to-day lives and subsequently in shaping the way they utilize mobile services.

Zain invested significantly in its infrastructure during 2014, launching state-of-the-art networks as well as focusing on the rollout of new products and services to maintain the loyalty of our customer base. Our capital expenditure (CAPEX) for the year saw us invest USD 730 million or 17% of our revenues, reflecting Zain's commitment to innovation and quality of service. Additionally, in Saudi Arabia the management there oversaw the investment of USD 211 million in CAPEX for the year. Zain also committed to invest USD 307 million in Iraq as a license fee for 3G spectrum, of which we have already paid an installment of USD 76.75 million, as well as a USD 270 million license fee for 4G LTE spectrum and additional 3G frequencies for our operation in Jordan.

Throughout 2014, Zain Group was agile in implementing and offering the latest technologies and services to our customers, exploiting developments in the industry. Given the ever-growing adoption of smart phones and tablets along with data services, competition has become more aggressive than ever. Industry competition last year was so intensive that Zain operating companies had to become more inventive in the launch of marketing campaigns and bundles for voice and data offerings, while the Group leveraged the benefits of its people, brand, networks, synergies, and regional experience to excel.

For example, Zain has been successful in the deployment of 4G LTE services across a number of its markets, with revenues from non-voice services (excluding SMS and value added services) witnessing growth of 13% during the course of the year, representing 16% of total revenues in 2014.

4G LTE services are deeply entrenched and popular in our Kuwait and Saudi Arabian operations, justifying our large and continual investments in their respective networks. We expect further growth from both operators in this area of our business. Our operations in Bahrain, Jordan, and Lebanon are still at early stages of their deployment of the high-speed service, however; we expect these countries to also witness exceptional growth rates in due course.

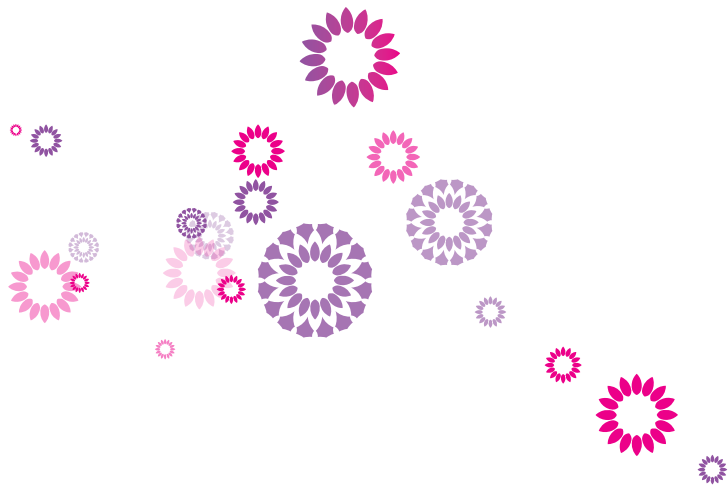
In Iraq, the recent granting of 3G spectrum will see the rollout of 3.9G services in 2015 and we are confident of substantial growth in data revenues in this key market. To maintain our dominant market position in our countries of operation, Zain has had to rely on several key elements; namely, efficiency and quality in everything we offer and do, and we expect such an approach to serve us well going forward.

FINANCIAL INDICATORS

As mentioned earlier, several of our operations faced unique challenges during 2014; which in turn had an adverse effect on Zain's overall performance for the year and the targets we set. The Group reported consolidated revenues of USD 4.3 billion (KD 1.2 billion), representing a 2% decrease year-on-year (Y-o-Y), and EBITDA of USD 1.8 billion (KD 507 million), down 6% Y-o-Y. Zain's EBITDA margin remained strong though, at 41.8% for the year.

One of the main challenges faced by the company during 2014 was the acute currency exchange rate fluctuations that resulted in the Group's net profits being impacted by severe local currency depreciations.

The recent appreciation of the USD against the KD, along with



foreign currency revaluation losses predominantly in the Republic of Sudan and Iraq, cost the Group USD 152 million (KD 43 million) in net income for the full year 2014, substantially higher than USD 88 million (KD 25 million) for the full year 2013. Excluding the currency variance and FX translation impact, net income would have been relatively stable for the full-year 2014.

Accordingly Zain Group recorded net income of USD 685 million (KD 194 million) for the fiscal year; with earnings per share amounting to USD 0.18 (50 fils).

Regional and international financial institutions have always shown confidence in the Group's proficiency and this trust was further substantiated by Zain's success in rescheduling several loans from short-term to long-term, in support of its strategic initiatives to focus on data growth areas through vast investment in 3G and 4G networks.

OPERATIONS

Zain's operation in Kuwait continues to be the Group's flagship business. In spite of the fierce competition and high penetration rates that reached 221% in Kuwait at the end of 2014, the operation grew its base by 6% during the year to serve 2.7 million customers, and remains the most profitable Zain Group mobile operation.

In the Kingdom of Saudi Arabia, Zain is currently focused on expanding its network as well as undergoing a significant restructuring and transformation in many areas. It entered into agreements worth USD 1.2 billion to expand and upgrade its network.

In November 2014, Zain KSA Board recommended a reduction of the company's capital and awaits final approval by the general assembly and respective authorities. This proposed capital reduction is one of several positive steps being taken by Zain KSA to improve its financial position as part of a comprehensive transformation plan, which has been ongoing since the beginning of 2014.

The Group's operation in Sudan continues to retain a leading position in this market. Furthermore, financial indicators (in local currency terms) achieved decent growth rates in 2014; even though the collapse of the local currency against the US dollar continues to impact Zain's accumulated financial results adversely. There is hope and expectation that the local currency in Sudan will stabilize or appreciate in time, resulting in a stronger operational performance there.

With regards to Zain Iraq, the year marked one of the most challenging times in the country's and company's recent history given the escalating conflicts that plagued vast areas within the country, which caused a massive relocation of civilians and made portions of the company's network unreachable for repairs. Accordingly Zain Iraq witnessed a significant decline in revenues and net profit affecting the Group as a whole.



In Jordan, Zain continues to maintain its leadership position in one of the most competitive telecom markets in the Middle East. With the attainment of a 4G license and additional 3G frequencies in the country, we expect to record significant growth in data revenues in the coming years from the Kingdom.

In Bahrain, Zain invested USD 101 million to totally revamp its network and now offers customers a superlative mobile experience on its nationwide 4G network. We expect to see impressive data growth revenue figures attained in the years ahead. It was also pleasing to see Zain Bahrain undertake the first Initial Public Offering in the Kingdom since 2010, fulfilling its license agreement.

OUR EMPLOYEES

The current make-up of the executive management team of the Group, which has been enriched by the hiring of highly qualified staff, will help in opening broader horizons for more synergies between Zain Group subsidiaries on the one hand and the Group itself on the other.

Zain realizes the pivotal role human resources plays in driving change and we perceive the human resources factor as a cornerstone of our operation, as it is responsible for not only steering business processes but also for implementing effective business strategies.

CORPORATE SOCIAL RESPONSIBILITY

Zain Group strongly believes that success in business continuity stems from the capability to actively react and deal with developments and changes. Through its ability to look beyond the business operations and into the eyes and lives of the communities it serves, Zain managed to become a leader in corporate social responsibility. Creating loyal partnerships with different stakeholders in our community, Zain adopted a clear stand in 2014 in terms of supporting business continuity and assuming a dynamic role in social responsibility.

APPRECIATION

On behalf of my colleagues, I would like to express my genuine appreciation for the trust given to us by our shareholders, which represents a true inspiration for us to implement our plans. Furthermore, I would like to extend my sincere thanks to my fellow Board members and the executive management team for their commendable efforts during this period, which have helped Zain Group fulfill its aspirations and operational ambitions.

Finally, 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 as we continue to benefit from their vision and guidance.



Asaad Ahmed Al-Banwan
Chairman, Board of Directors



7,000+ EMPLOYEES

\$1.8 BILLION IN EBITDA

4G LTE NETWORK IN SAUDI ARABIA, KUWAIT, BAHRAIN AND LEBANON THE LARGEST IN THE REGION

\$4.3 BILLION IN REVENUES

815 TB OF DAILY DATA USAGE

47 MILLION DAILY TOTAL SMS



2014 AT A GLANCE

44.3 MILLION ACTIVE CUSTOMERS

\$685 MILLION IN NET INCOME

124 MILLION PEOPLE UNDER LICENSE

5.2 MILLION KM² UNDER LICENSE

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

BEST TELECOM BRAND IN THE MIDDLE EAST

158 MILLION DAILY TOTAL CALLS

KEY MILESTONES

Established Mobile Telecommunications Company (MTC) in Kuwait

Awarded management agreement in Lebanon

Acquired the remaining 61% of Mobitel in Sudan

Acquired 65% of V-mobile in Nigeria

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

1983

2003

2004

2005

2006

2007

2008

Acquired Fastlink in Jordan

Awarded 2nd GSM license in Bahrain

Awarded GSM license in Iraq

Acquired Celtel in 13 African nations

Acquired Madacom in Madagascar

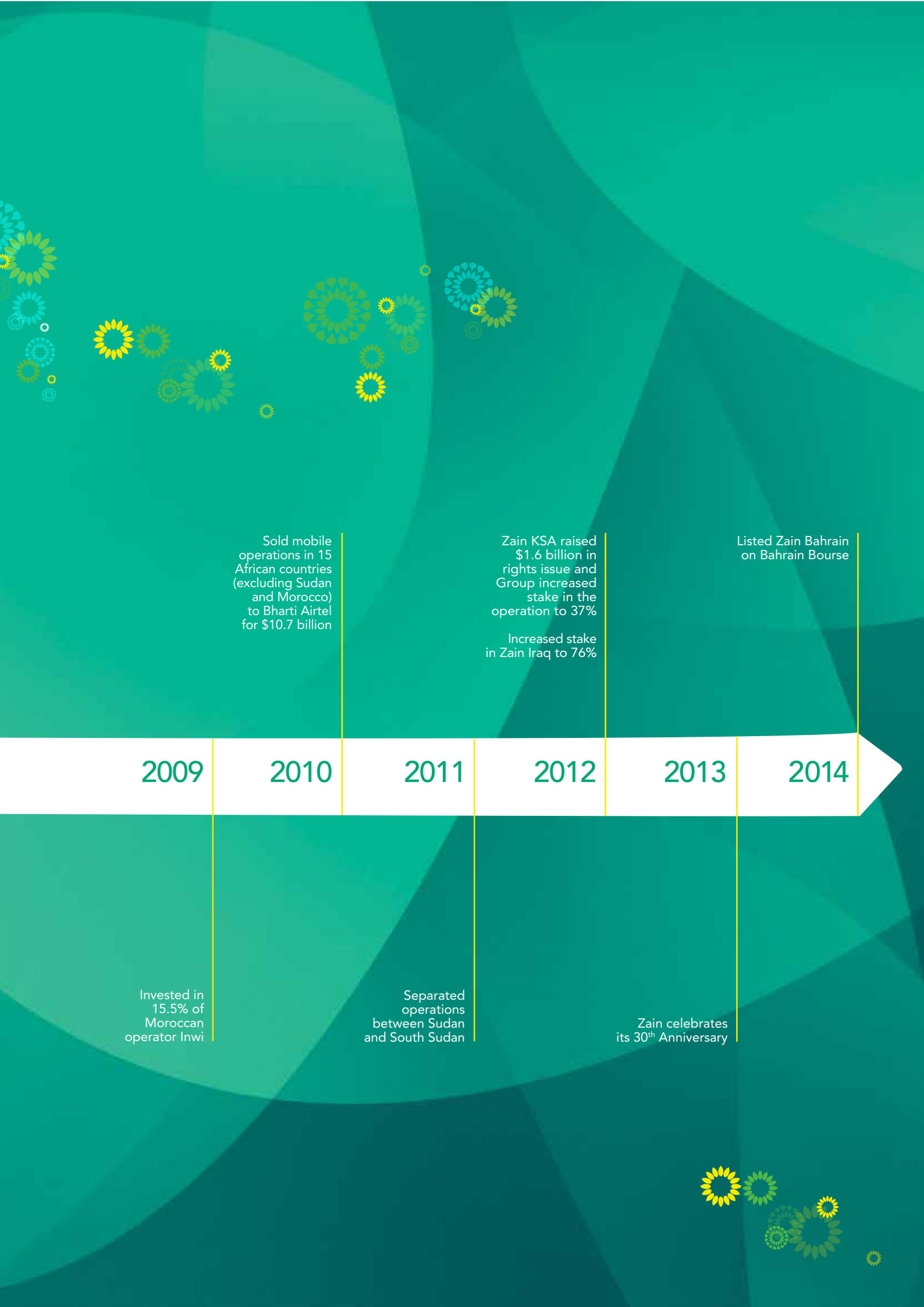
Won bid for 3rd GSM license in KSA

Rebranded to Zain in 4 markets

Acquired a 15-year nationwide license in Iraq

Acquired 75% of Westel Ghana

Acquired Iraqna in Iraq



2009

Invested in 15.5% of Moroccan operator Inwi

2010

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

2011

Separated operations between Sudan and South Sudan

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%

2013

Zain celebrates its 30th Anniversary

2014

Listed Zain Bahrain on Bahrain Bourse

CEO STATEMENT

INTERVIEW WITH THE GROUP CEO

SCOTT GEGENHEIMER REVIEWS 2014 RESULTS, OPERATIONAL CHALLENGES AND THE FUTURE STRATEGIC DIRECTION OF ZAIN.

SUMMARY OF KEY POINTS

- Intense competition and social unrest in several markets impact revenues
- Adverse currency fluctuations have substantial bearing on revenues and net income
- Large-scale investment in networks yielding significant growth in data revenues
- Core voice business is saturating, seeking new growth opportunities
- Company transforming into a more agile digital communications provider

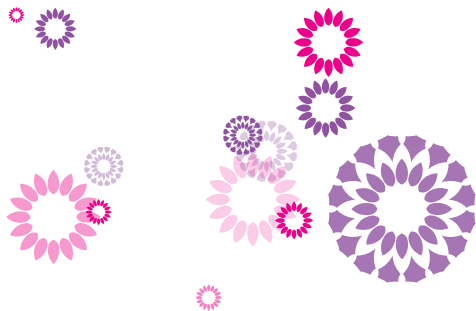
ZAIN 2014 KEY FINANCIAL RESULTS

FOR THE FULL-YEAR 2014, ZAIN GROUP GENERATED CONSOLIDATED REVENUES OF USD 4.3 BILLION, DOWN 2% FROM 2013. CONSOLIDATED EBITDA FOR THE PERIOD REACHED USD 1.8 BILLION, DOWN 6%, REFLECTING AN EBITDA MARGIN OF 41.8%. CONSOLIDATED NET INCOME AMOUNTED TO USD 685 MILLION, DOWN 10%, AND REFLECTING EARNINGS PER SHARE OF USD 0.18.

THE COMPANY'S OVERALL TWELVE-MONTH FINANCIAL RESULTS WERE MATERIALLY AFFECTED BY CURRENCY TRANSLATION IMPACTS, EFFECTIVELY SLASHING REPORTED NET INCOME BY USD 152 MILLION (KD 43 MILLION), SUBSTANTIALLY HIGHER THAN USD 88 MILLION (KD 25 MILLION) FOR THE FULL YEAR 2013. EXCLUDING THE CURRENCY VARIANCE AND FX TRANSLATION IMPACT, NET INCOME WOULD HAVE BEEN RELATIVELY STABLE.

OUR CUSTOMER BASE REACHED 44.3 MILLION AT THE END OF 2014, REFLECTING A 4% REDUCTION YEAR-ON-YEAR, PREDOMINANTLY DUE TO A CHANGE IN THE DEFINITION OF AN 'ACTIVE CUSTOMER' IMPLEMENTED BY IRAQ'S REGULATOR AND THE NEW SIM REGISTRATION POLICY IN SUDAN, WHICH TOGETHER SAW APPROXIMATELY THREE MILLION CUSTOMERS REMOVED FROM THE BASE.





THE YEAR PROVED TO BE CHALLENGING ON MANY FRONTS. HOW WOULD YOU SAY ZAIN FAIRED IN 2014?

The global telecom sector during 2014 continued to be impacted by changes in telecom operators' business models primarily due to the presence of over-the-top services (OTT), which have led to consumers adopting new ways of communicating and running their businesses through smart phones and online services.

From a financial standpoint for Zain, there is no doubt that 2014 proved to be a challenging year across all our operating companies due to the intensive competition in key markets resulting in lower margins, which was further exacerbated given the relatively high penetration rates in many of the markets in which we operate. Adverse currency devaluations for the year did not help matters either as it impacted all our key financials substantially, especially the bottom line. Additionally, there were a number of external circumstances beyond our control that hit several of our operations hard, and as a result had a negative impact on Zain Group's overall operational and financial performance.

In both Iraq and South Sudan for example, the escalation of social instability during the year saw several million people displaced and parts of the network were rendered inaccessible for maintenance at times, creating additional operational costs.

In addition, the recent appreciation of the USD against the KD, along with foreign currency revaluation losses predominantly in the Republic of Sudan and in Iraq, had a negative impact on Zain Group's financials.

Part of our success over the years is in being able to overcome challenges, and we are confident this is precisely what we will do in due course. In other parts of the Group, there were a number of positive signs and developments.

Our 4G network in Kuwait has continued to deliver on the promise of offering new and compelling services, and our flagship operation in Kuwait witnessed growth in all its key financial indicators, which is even more impressive considering the highly penetrated market conditions that exist in the country. Kuwait's healthy ARPU of USD 36 and high EBITDA margin of 48% vindicates the continual investment in the network.

In 2014, the operation in Saudi Arabia continued to show a healthy growth, narrowing net losses by 23% and significantly increasing its EBITDA by 24% to reflect a 17% EBITDA margin. Data consumption and its subsequent revenue growth of 37% for the year has also been a source of encouragement in the Kingdom, becoming an important contributor to the operator's overall service revenue.

Although the lower growth in key financials was not what we expected, our operation in Jordan continues to deliver healthy results and the future looks brighter for that operation given the impending launch of 4G services in early 2015.

Despite a difficult year in overall financial terms, it is pleasing that we remained the market leader by customer numbers in Kuwait, Iraq, Jordan, Sudan, South Sudan, and Lebanon.

THE TELCO INDUSTRY IS CHANGING RAPIDLY. WHAT ARE THE MEASURES ZAIN IS TAKING TO PROTECT ITS REVENUE STREAMS AND ACHIEVE GROWTH?

Over our more than 30 years of operation, Zain has consistently sustained itself as a pioneer in regional innovative products and services, and 2014 was no different as we took immediate action in adapting to market forces.

In 2014, we devised a clear strategy that we intend to implement over the next five years that will take advantage of our competencies, which include our people, networks, and geographic coverage, while looking to develop new areas and becoming an innovative and diversified operator.

We are looking to evolve from being a mobile operator to becoming an integrated digital life-style company that also has a strong enterprise sector focus. We took this vision further by detailing our five-year transformation agenda based on the adoption of a strategy comprising of fixing the basics within the Group, differentiation, and revenue diversification on one side, and customer experience, operational effectiveness, business growth, and people development on the other.

Six strategic initiatives have been defined within Zain Group, namely customer experience; cost optimization; talent development; Zain Digital Frontier and Innovation (ZDFI); customer value management and enterprise, all with the aim of supporting the company's target of capturing a significant market share from this new line of business that will substantially lead to generating billions of dollars of additional revenues.

We also took proactive steps to future-proof our networks. Our flagship operation in Kuwait continues

to push technology innovation of its nationwide 4G service by testing both LTE-Advanced services and VoLTE (Voice over LTE) during the year, with plans to launch these state-of-the-art technologies in 2015.

In Saudi Arabia where data usage is already high, but growing all the time, we took the unprecedented step of signing network expansion and upgrade agreements totaling SAR 4.5 billion (USD 1.2 billion) with five leading global technology companies. The agreements aim to enhance Zain Saudi Arabia's customer experience and to improve and expand Zain's network capacity, coverage, and speed. The operator aims to provide 4G LTE coverage to over 90% of the population, providing existing and new customers with real high-speed mobile Internet connectivity.

In Bahrain, we undertook and completed a USD 101 million network modernization program with including the launch of 4G services that will support the operator's aggressive marketing strategy to capture greater market share.

In Jordan, we announced the commencement of a 4G LTE network deployment following a USD 270 million investment to acquire an exclusive 4G license and additional 3G spectrum, where investments in excess of USD 100 million will be made towards the rollout of the 4G network.

In addition, on December 31, 2014, Zain Iraq made the nation's first third generation phone call to the Iraqi Minister of Telecommunications, marking a new era of enriched communications technology in the country. The rolling out of the 3.9G service by Zain Iraq will offer the Iraqi people unprecedented access to mobile data and connectivity, and will enable the socio-economic progress linked to its provision.

Zain's investments in improving network service are just one aspect of the company's drive to provide an optimal customer experience. To ensure it is on the right track, Zain continuously engages with and listens to its customers in order to measure their satisfaction with the company's performance and offerings.

COULD YOU EXPLAIN WHAT ZAIN DIGITAL FRONTIER AND INNOVATION (ZDFI) INVOLVES?

The ZDFI business unit was established in 2014 growing the business through new innovative business streams adding to Zain's financial viability and market capitalization. The unit focuses on the areas of innovation; digital services; corporate venturing; and smart cities, with the ultimate aim of transforming Zain into a regional innovation trendsetter. It is estimated that potential revenue streams from such activities are huge, with Zain having already identified substantial potential revenues in the smart cities space alone.

ZAIN OPERATES IN SOME PRETTY DIVERSE MARKETS. WHAT WERE SOME OF THE MAJOR HIGHLIGHTS – POSITIVE OR CHALLENGING – IN THE MAIN MARKETS OF OPERATION DURING 2014?

We benefit from having over 30 years of experience in the telecom industry in the Middle East. There is a reason why we have survived through to this day, and this is our ability to adapt and extract value from our operations. There are very definite challenges – our industry is moving at a rapid pace, and our value chain is becoming more complex; however, there are also great opportunities.

The progress towards licensing 3G in Iraq in 2014 was momentous given the latent potential for mobile broadband in the country. We have already invested almost USD 5 billion in our network in Iraq during our time of operation in the country, and many of our base stations are 3G-ready. Therefore, we expect substantial new revenue streams from the era of 3G in Iraq.

The positive impact of the introduction of high-speed mobile data is evident in Bahrain where the launch of 4G LTE in the Kingdom in 2014 made an immediate positive impact on revenues and data usage.

In December 2014, Zain Bahrain also took the significant step of listing 15% of its shares on the Bahrain Bourse, in fulfilment of its licensing conditions, and allowing a wider base of investors to participate in the shareholding. This milestone was the first IPO in Bahrain since 2010.

WHAT HAVE BEEN THE FACTORS DRIVING THE BUSINESS IN 2014 AND DO YOU EXPECT THEM TO PERSIST IN THE YEAR AHEAD?

Zain has been investing heavily in mobile broadband networks, having already launched 4G LTE in Saudi Arabia, Kuwait, and Bahrain as well as advanced 3G networks in Jordan, Sudan and South Sudan. Even in countries such as Iraq, where the company had not introduced the latest mobile broadband networks in 2014, demand for digital services remained enormous and continues to grow, boding well for Zain's future growth opportunities.

CAPEX in 2014 for the Group (excluding Saudi Arabia) reached USD 730.3 million for the year reflecting 17% of revenues. Saudi Arabia invested an additional USD 211.4 million in CAPEX, thus our total expenditure reached USD 942 million for the year.

Regarding new business opportunities, Zain is seeking such on two fronts; strengthening its presence within the enterprise domain through the establishment or acquisition of ISPs, data centers, fiber plays, cross-border international connectivity companies, or digital services. Zain is also pursuing adjacent opportunities in the machine-to-machine (M2M) space, mobile money, and strategic partnerships with OTT players, as outlined in the description of the activities of the ZDFI.

Data-related services as a revenue stream were a clear positive trend in 2014 especially after Zain Group reported that revenue from non-voice data services (excluding SMS and VAS) rose 13% during the year, while non-voice revenues represented 16% of the Group's total revenues at the end of December, 2014. Kuwait and Saudi Arabia are the major drivers of this data growth, given their superlative data offerings on their 4G LTE networks.



LOOKING TO THE YEAR AHEAD AND BEYOND, WHAT GENERAL EXPECTATIONS DO YOU HOLD FOR THE MANNER IN WHICH THE INDUSTRY AND THE BUSINESS WILL DEVELOP?

Zain's enthusiasm to be a technology leader is driven by the company's ambition to remain relevant and create value within the fast-evolving telecom eco-system.

Our regional telecom industry is in the middle of a transitional period from deploying networks, to acquiring new customers, and adapting to heightened penetration in saturated markets where the focus has to be to expand into new business areas and services.

Looking to the future, we believe the traditional revenue side of the business is going to have less incremental growth; however, this doesn't mean that the core network business would no longer be important for us. It obviously is and shall remain so, and we need to continue to invest in it, which we are and this can be seen in our ongoing projects such as our 4G LTE launch in Jordan and 3G launch in Iraq and 4G LTE expansion in Saudi Arabia to name a few.

If we consider today's mobile consumers, they are utilizing more and more mobile services in their lives, and smartphones are becoming smarter. If we look at Small Office Home Office or Small Medium Enterprises or larger enterprises, they are utilizing cloud services and finding new ways to consume and offer Information Technology. As a leading operator, we are in a key position to be able to leverage our network connectivity assets to create and enable new services for our customers and enable growth for us as a company.

This means the company and the industry need to change their focus to customers, and to service and business model innovation. Zain is focused on improving the way we serve our customers, and introducing a transactional Net Promoter Score, for example, enabling us to see how well our customer touch points

are performing and to respond to issues faster.

On the innovation and business model side of things, we need to explore new areas, and this requires investments into new skills and capabilities. One of the things we do not want to become is a dumb pipe but rather a smart pipe that adds services on top of the connectivity we offer. We need to continue to grow our business and we are considering opportunities in our industry as well as in adjacencies to our core operations, and this may take the form of an ISP, data center, or a smart city specialist. We need to be open-minded and nimble.

Additionally, we are actively looking to diversify into the enterprise and M2M markets, and the move into other vertical markets is an opportunity for us to generate strong incremental revenue growth.

Having experienced an increase in consolidated mobile data revenues for the Group of around 13% in 2014, and with non-voice data accounting for between 15% to 30% of revenues in most operations, one of the secrets to the company's success has been its ability to bring new technologies to markets first.

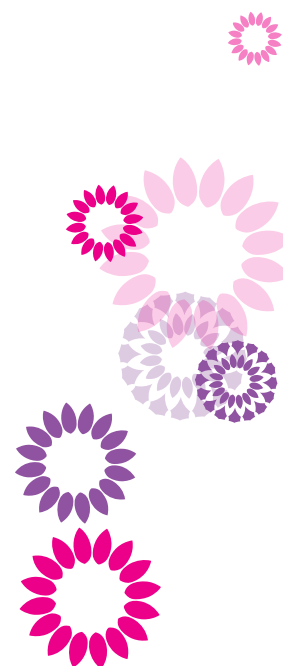
On a longer-term it is likely that we will see the telecom sector consolidate, given the regulatory environment and the evolving business model. Regulation needs to help the telecom industry to adopt OTT and VoIP-type services, and legislation needs to guide the development of the sector.

The period ahead is both challenging and exciting for mobile operators. On one level our core business is evolving rapidly through OTT services and market saturation and on another we see many new opportunities that we can bolt on top of our world-class networks and IT systems.

I believe that telecom remains one of the key drivers in shaping our societies and lives well into the future.

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 OVER THE LAST 12 MONTHS. I WOULD ALSO LIKE TO THANK MY 7,000 COLLEAGUES FOR MAKING ZAIN THE WONDERFUL TELECOM COMPANY IT IS TODAY.

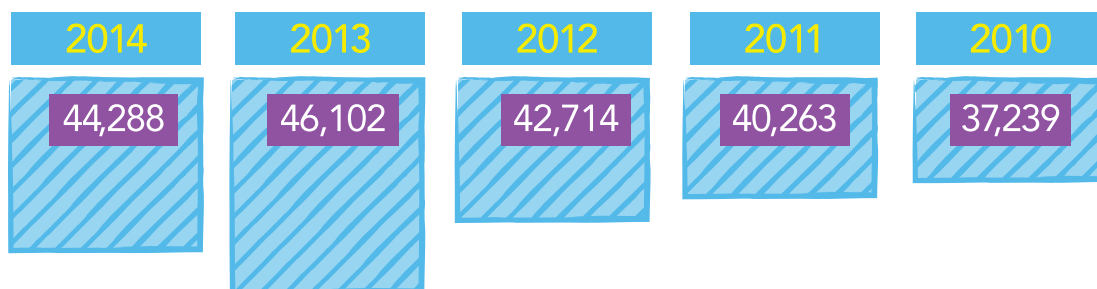




KEY PERFORMANCE INDICATORS

CUSTOMERS (000s)

CAGR: 4.4%



REVENUES (USD m)*

CAGR: (2.5%)



EBITDA (USD m)*

CAGR: (4.6%)



NET INCOME (USD m)

CAGR: (9.5%)



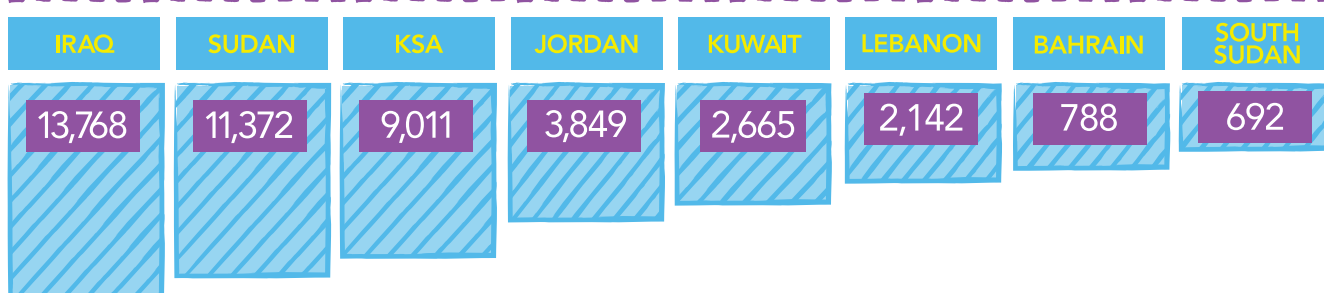
*Zain Saudi Arabia is an associate company (not consolidated).

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

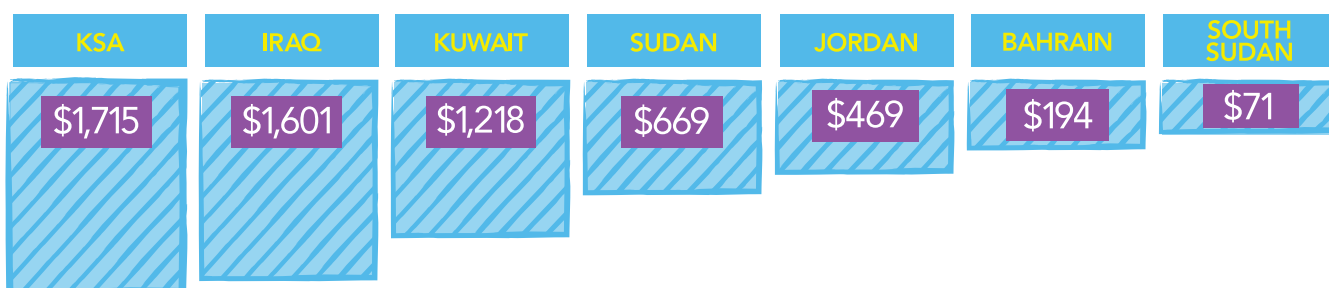


GROUP OVERVIEW

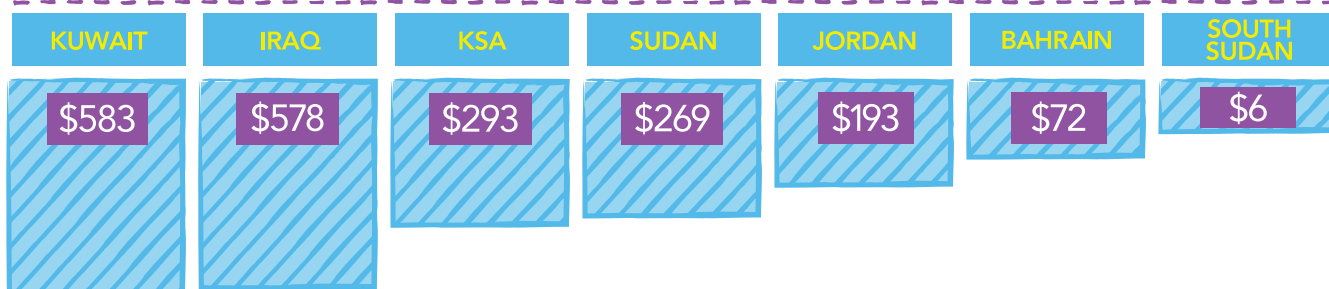
CUSTOMERS (000s)



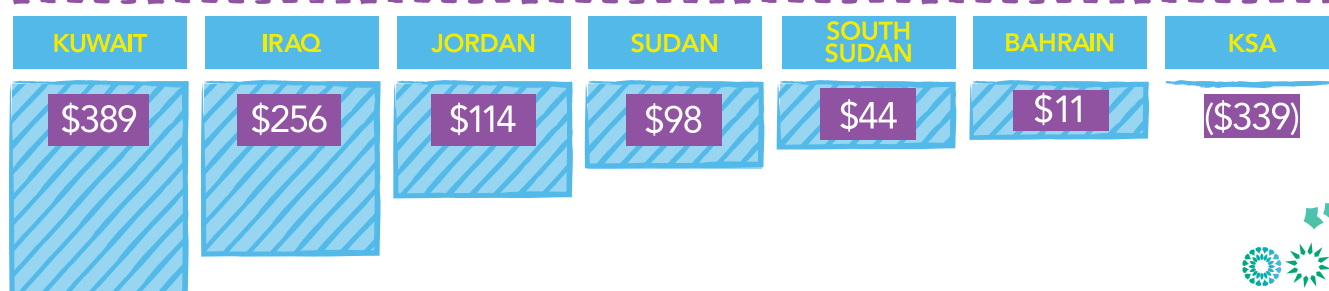
REVENUES (USD m)



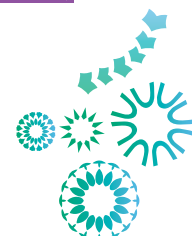
EBITDA (USD m)



NET INCOME (USD m)



- Zain Saudi Arabia is an associate company (not consolidated).
- Management contract of touch Lebanon



A YEAR IN REVIEW

JANUARY

- Zain Iraq celebrates its 10-year anniversary with a campaign titled '10 Years and you are our Wonderful World'.

FEBRUARY

- Zain Group launches 'Drive Zain', the road safety Corporate Social Responsibility campaign, at Mobile World Congress 2014 in Barcelona. The campaign targets social media users, and aims at promoting the responsible use of mobile phones while driving.
- Zain Group releases a study on 'The Socio-Economic Impact of Mobile Telecommunication in the MENA Region' in partnership with PwC Middle East.
- Zain Sudan hosts the fourth round of the Eltayeb Salih International Award for creative writing. The award ceremony gained regional publicity and drew 587 participants from 17 countries.

MARCH

- Refugees United, Zain, and Ericsson launch mobile service to reconnect Syrian families.
- Zain Group enters into a MoU with ARBooster to launch a Personal Premium Number service enabling mobile customers to benefit from inbound calls.
- Zain Bahrain launches its USD 101 million 4G LTE network, expanding the coverage area and introducing additional features and services to Zain Bahrain's portfolio, such as HD voice.

APRIL

- Zain Group secures a USD 250 million four-year Murabaha facility led by Boubyan Bank. The facility will be used to support Zain Group's operational and expansion financing needs.
- Zain Bahrain's Self-Care App wins the 'Best Application for Smart Devices Award' at the seventh edition of the e-Government Excellence Awards.
- Zain Iraq and UNICEF, in cooperation with the Iraqi Ministry of Health and WHO, launch a nation-wide polio vaccination campaign.

MAY

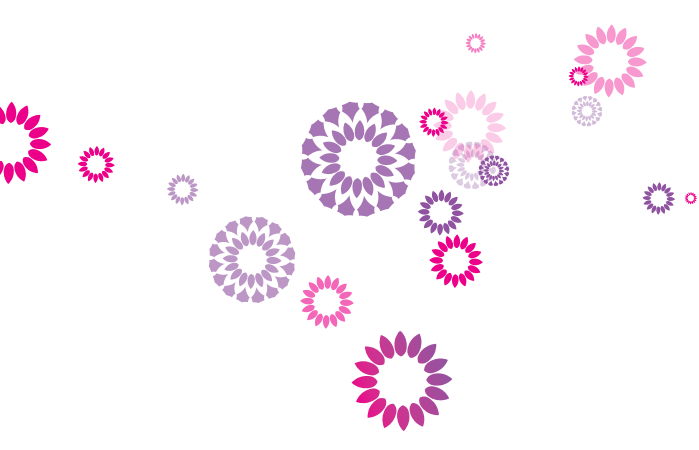
- Zain Group CEO Scott Gegenheimer honored as the 'Middle East CEO of the Year' at the TMT Finance MENA awards.
- Zain Group increases its equity stake in Zain Bahrain to 63%.

JUNE

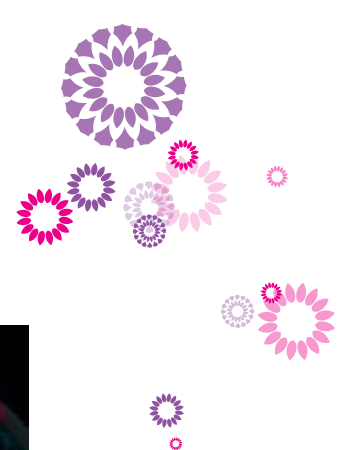
- Zain Group announces the expansion of the Youth Peacemaker Network (YPN) to South Sudan's Equatorias region, in association with UNESCO Special Envoy, humanist and artist Forest Whitaker, and Irina Bokova, Director-General of UNESCO. YPN offers a series of programs including peace-building, conflict resolution, life-skills, technology, and vocational skills training.
- Zain Saudi Arabia enters network expansion and upgrade agreements worth 4.5 billion SAR (USD 1.2 billion) with five leading global technology companies that will see it roll-out more 4G LTE sites across the Kingdom.



Pull the brakes
on social media
Don't text and drive



- ▶ Zain Group organizes 'Zain Innovation Day' in Lebanon, a workshop on innovation in ICT, in the presence of the Lebanese Minister of Telecommunications, Boutros Harb.
- ▶ Zain Group tops the list of Kuwait's most transparent companies in a study published by the Kuwait Transparency Society.
- ▶ Zain Kuwait and Huawei inaugurate a first-of-its-kind Joint Innovation Center in the Middle East, to serve as a research hub from which Zain will be able to further advance its mobile broadband network, services, and applications offered to customers in Kuwait and across the region.
- ▶ Zain Bahrain launches #zaindonate, a continuous outreach program aimed at supporting the community at large.



JULY

- Zain Group pledges USD 500,000 worth of medical supplies and food to help alleviate the plight of the Palestinians in Gaza.

AUGUST

- Zain South Sudan and UNESCO launch a YouthMobile Applications Development Initiative to train young South Sudanese on how to develop mobile applications based on the App Inventor curriculum from the globally renowned Massachusetts Institute of Technology (MIT, USA).
- Zain launches 'Hassa', Sudan's first Mobile Financial Service with Bank of Khartoum. The easy, instant, and secure service allows all Zain customers in Sudan to complete a wide range of financial transactions and operations without the requirement of opening a bank account.
- Zain Group selects Response TekListening Platform™ to power its multi-channel, multi-country customer experience program throughout its eight countries of operations. The platform collects and analyzes feedback and sentiment in real-time from customers interacting with a company's website, call centers, retail or branch locations, and mobile/social platforms.
- Zain Bahrain wins a Gold Stevie Award in the 'Communications PR Campaign/Program of the Year - Social Media Focused - Middle East' category at the 11th Annual

International Business Awards for its #zweetup campaign. Social media enthusiasts and bloggers were invited to attend the launch event, allowing the attendees to interact directly with Zain Bahrain's Customer Care, and introducing bloggers to the various aspects of the company.

SEPTEMBER

- Zain South Sudan and Huawei team up with UNESCO to provide Internet access to a number of schools in South Sudan, powered via Zain base stations.
- Zain crowned 'Best Brand' at prestigious Telecom World Middle East Awards.
- In recognition of its continuous network development and upgrade, Zain Jordan receives the 'Best Operator Network' plaudit at the Telecoms World Middle East Awards held in Dubai.
- For the second consecutive year, Zain Kuwait receives the 'Best Telecom Operator in Kuwait' Award for 2014 from the Middle East business publication Arabian Business.
- As mandated by its mobile operating licence, Zain Bahrain completed its Initial Public Offering (IPO) of 15% of its share capital on 30 September, 2014, which saw 48 million ordinary shares offered at 190 fils per share. This milestone was the first IPO in Bahrain since 2010.

OCTOBER

- Zain Group releases its third Sustainability Report entitled, 'Transparency: The Key to a Wonderful World'.
- In cooperation with Microsoft and Vodafone, Zain Saudi Arabia launches 'Office 365' services, to the business sector, with a specific focus on SMEs. These services enable businesses to enhance productivity, increase efficiency, and reduce costs. Zain Saudi Arabia became the first 'Office 365' syndicator in the Kingdom and the GCC region.
- Socialbakers awards Zain Iraq's Facebook page the 'socially devoted' certificate for Q3 2014 for a 100% total response rate.

NOVEMBER

- Zain Group hosts its fourth annual Zain Technology Conference (ZTC) between November 17-19, 2014, in the vibrant city of Istanbul.
- HM King Abdullah II of Jordan launched the first phase of the establishment of Zain's 4G LTE network during His Majesty's visit to the Zain Innovation Campus (ZINC), accompanied by Her Majesty Queen Rania Al-Abdullah.
- Zain Jordan receives the 'Best Customer Brand Award' during The Customer Festival Middle East Awards held in Dubai.



- ▶ Zain Jordan launches 'Zain Fiber' services in Amman, which is driven by (FTTH – Fiber-To-The-Home) technology providing premium quality and stable Internet with high speed that reaches up to 1 GB per second.
- ▶ Zain KSA wins the 'Best Customer Service Provider' award at the 2014 Telecom Review Summit Awards.

DECEMBER

- ▶ On 1 December, 2014, Zain Bahrain listed on the Bahrain Stock Exchange under stock ticker symbol ZainBH.
- ▶ Five Zain executives feature prominently amongst CommsMEA's notable female telecom professionals.
- ▶ Zain Kuwait voted as 'Middle East Operator of the Year' at annual CommsMEA Awards.
- ▶ Touch Lebanon (managed by Zain) inaugurates 'touch LAB,' a pioneering concept store in the heart of Beirut. This new and unique service center enables customers to experience firsthand Telco products and services via interactive service demos and tech installations.



THE WORLD OF ZAIN

OVER 44.3 MILLION ACTIVE CUSTOMERS IN 8 COUNTRIES*
THE NUMBERS SHOW ACTIVE CUSTOMERS YEAR END 2014

1•KUWAIT

Ownership: 100%
Revenues: \$1,218 m
Customers: 2.7M
Prepaid: 74%
Market Share: 35%

4•IRAQ

Ownership: 76%
Revenues: \$1,601 m
Customers: 13.8M
Prepaid: 99%
Market Share: 42%

7•SOUTH SUDAN

Ownership: 100%
Revenues: \$71 m
Customers: 692K
Prepaid: 99%

2•JORDAN

Ownership: 96.52%
Revenues: \$469 m
Customers: 3.8M
Prepaid: 84%
Market Share: 40%

5•REPUBLIC OF SUDAN

Ownership: 100%
Revenues: \$669 m
Customers: 11.4M
Prepaid: 99%
Market Share: 42%

8•LEBANON

Ownership: Management Contract
of touch
Customers: 2.1M
Prepaid: 86%
Market Share: 53%

3•BAHRAIN

Ownership: 55%
Revenues: \$194 m
Customers: 788K
Prepaid: 72%

6•SAUDI ARABIA

Ownership: 37%
Revenues: \$1,715 m
Customers: 9.0M
Prepaid: 94%
Market Share: 17%

9•MOROCCO

Ownership: 15.5%

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







OPERATIONS

SNAPSHOT

OPERATIONS SNAPSHOT

ZAIN KUWAIT

MOBILE TELECOMMUNICATIONS COMPANY "ZAIN" WAS FOUNDED IN 1983 IN KUWAIT. THE GROUP'S FLAGSHIP OPERATION HAS ENJOYED A PROUD HISTORY OF ACHIEVEMENTS SINCE THEN, INCLUDING IN 1994 WHEN IT BECAME 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 8 BILLION CLOSING AT FILS 530 AS OF 31 DECEMBER, 2014.

With a leading customer market share in Kuwait of 35% as of 31 December, 2014, the operator was able to improve its market position reporting year-on-year (Y-o-Y) customer growth of 6% in 2014 to reach 2.7 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 26% of Zain Kuwait's customers at the end of 2014, 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 36, which in turn generated total revenue of USD

1.2 billion and EBITDA of USD 583 million in 2014, up 2% and 1% respectively, mainly from the increase in data revenues. Net income for the year grew by 3% Y-o-Y to USD 389 million due to better top line performance.

Notably, for the full-year 2014, data revenues (excluding SMS & VAS) formed 31% of total revenues, reflecting an annual growth of 11%. Zain's nationwide 4G LTE network covered the entire population via 1,830 network sites.

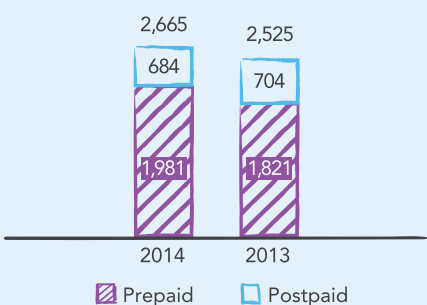
Zain Kuwait was awarded the 'Best Middle East Operator of the Year' accolade at a gala awards ceremony held in Dubai and hosted by respected regional telecom publication CommsMEA. This award marks a significant period for Zain Kuwait as it was also awarded the

'Best Telecom Operator in Kuwait' accolade at the prestigious Arabian Business Achievement Awards 2014.

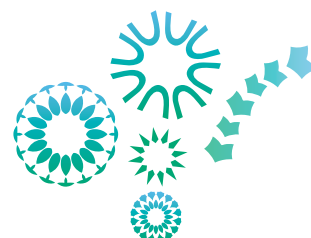
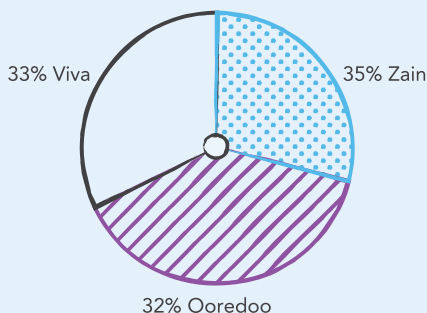
Throughout the course of the year, Zain introduced a wide array of appealing offers on all popular smartphone devices (iPhone 6 & 6 Plus, Samsung Note 4 & Sony Xperia Z3, etc.) supported by a wide selection of promotions that included Zain Booster; one week free eeZee Internet; Eid Gift for Palestine; 300 GB for KD 19; Ramadan Offers, and Trade-in device (where customers could trade in a used device in return for credit towards a new device when committing to a new contract with Zain).

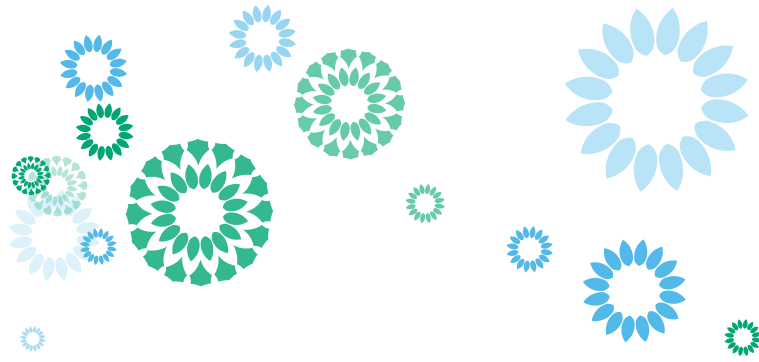
Looking ahead, Zain Kuwait is following several strategic objectives, namely to consistently exceed customer expectations while focusing on attracting and retaining customers at all touch points, and further enhancing its data 4G LTE networks nationwide with the view to improving the user experience.

CUSTOMERS (000s)



MARKET SHARE



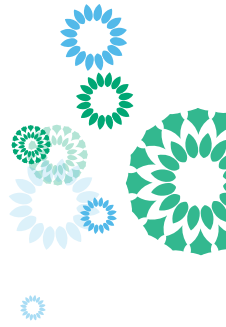


OPERATIONAL & FINANCIAL PERFORMANCE	2014	2013	2012	YOY GROWTH (2014 VS 2013)
Customers (000s)	2,665	2,525	2,252	6%
Revenues (USD m)	1,218.1	1,199.0	1,186.7	2%
EBITDA (USD m)	583.2	579.8	584.1	1%
EBITDA %	48%	48%	49%	-
Net Profit (USD m)	389.0	377.9	408.3	3%
ARPU	\$36	\$39	\$42	-
Capex (USD m)	136.7	93.6	161.2	46%

FINANCIALS: P&L (USD M)	2014	2013	2012	YOY GROWTH (2014 VS 2013)
Gross Revenues	1,218.1	1,199.0	1,186.7	2%
Cost of Sales	337.7	338.8	343.3	0%
Gross Margin	880.5	860.2	843.4	2%
Opex	297.2	280.4	259.2	6%
EBITDA	583.2	579.8	584.1	1%
Net Profit/(Loss)	389.0	377.9	408.3	3%

CAPEX BREAKDOWN (USD M)	2014	2013
Network	103.7	75.5
IT	31.8	15.8
Others	1.2	2.3
Capex	136.7	93.6

NETWORK KPIS	
Daily Data Volume (TB)	236
Cumulative Number of Sites	1,830
2G Population Coverage	100%
3G Population Coverage	100%
LTE Population Coverage	100%
Contact Centre 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 42% market share, and counting a customer base of over 13.8 million at the end of 2014, Zain Iraq represents the Group's largest overall customer base, accounting for 31% of the Group's total base at the end of December 2014. Zain Iraq's prepaid segment accounted for 99% of the operator's total customer base in 2014, with just 1% accounted for by the postpaid segment.

The escalation of social and political instability in Iraq last year has led several million people to relocate. In addition, Zain Iraq endured frequent temporary network shutdowns and associated higher network operational costs. Despite these exceptional circumstances that adversely affected the operation's financial performance specifically for the second half of 2014, Zain Iraq's revenues reached USD 1.6 billion in 2014, down 8% Y-o-Y, with EBITDA amounting to USD 578 million, down 19% and net income amounting to USD 256 million, down 29% Y-o-Y. The instability referred to above impacted Zain Group's overall results negatively. However, Zain Iraq's revenue represented a valuable 38% of Zain Group's total consolidated revenues for the year.

ARPU stood at USD 9 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 voice ARPU generated through developing mobile data and value added services in the northern Iraq region of Kurdistan.

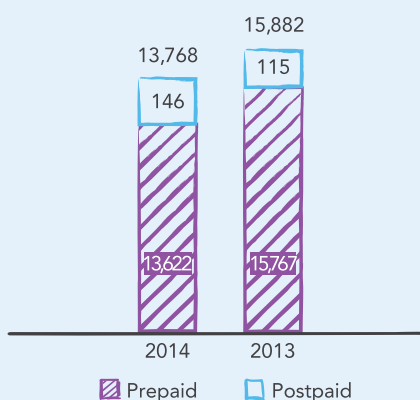
The operator is preparing for its regulatory requirement to undertake an IPO in Iraq in the near future at an appropriate time that is conducive to its business operations.

Zain Iraq is also actively working at increasing its geographical presence within the country as well as coverage and capacity. The operator invested USD 208 million in CAPEX during the

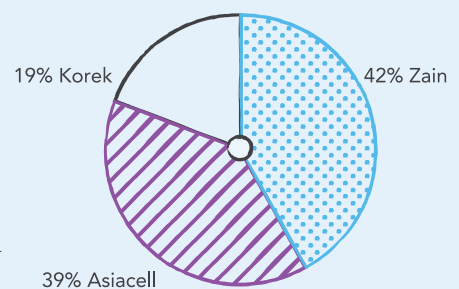
course of the year. Zain Iraq counted 4,076 sites across Iraq, with population coverage of 98%. Data revenues (excluding SMS & VAS) represent only 4% of total revenues, reflecting an annual growth of 10%.

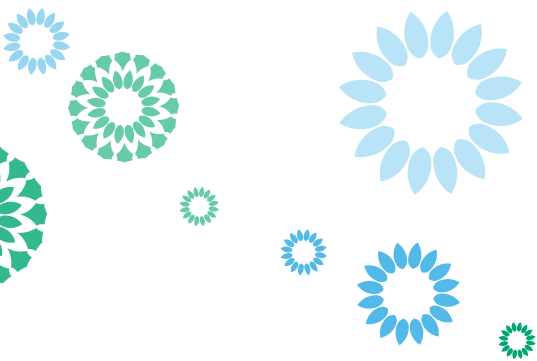
In November, Zain Iraq concluded an agreement with Iraq's Communication and Media Commission (CMC), earning the right to utilize 3G spectrum following and installment payment of USD 76.75 million, representing 25% of the USD 307 million spectrum fee. Zain Iraq went on to complete its first 3G call on New Year's Eve 31 December, 2014.

CUSTOMERS (000s)



MARKET SHARE



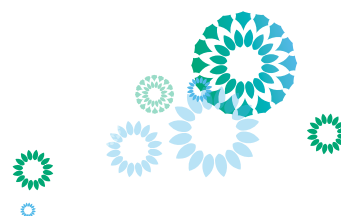


OPERATIONAL & FINANCIAL PERFORMANCE	2014	2013	2012	YOY GROWTH (2014 VS 2013)
Customers (000s)	13,768	15,882	13,707	(13%)
Revenues (USD m)	1,601.2	1,744.1	1,732.6	(8%)
EBITDA (USD m)	578.3	714.2	766.0	(19%)
EBITDA %	36%	41%	44%	-
Net Profit (USD m)	256.2	360.9	369.1	(29%)
ARPU	\$9	\$10	\$11	-
Capex (USD m)	208.0	293.5	152.0	(29%)

FINANCIALS: P&L (USD M)	2014	2013	2012	YOY GROWTH (2014 VS 2013)
Gross Revenues	1,601.2	1,744.1	1,732.6	(8%)
Cost of Sales	541.0	566.5	551.6	(5%)
Gross Margin	1,060.2	1,177.6	1,181.0	(10%)
Opex	481.9	463.4	415.0	4%
EBITDA	578.3	714.2	766.0	(19%)
Net Profit/(Loss)	256.2	360.9	369.1	(29%)

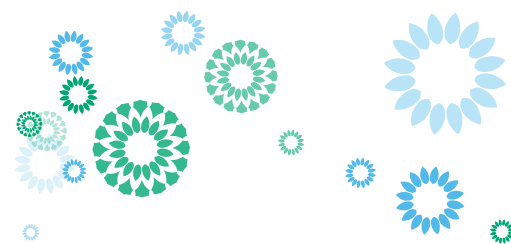
CAPEX BREAKDOWN (USD M)	2014	2013
Network	197.4	283.0
IT	9.0	8.1
Others	1.7	2.4
Capex	208.0	293.5

NETWORK KPIS	
Daily Data Volume (TB)	4
Cumulative Number of Sites	4,076
2G Population Coverage	98%
3G Population Coverage	NA
Contact Centre Availability	98.18%



OPERATIONS SNAPSHOT

ZAIN SUDAN



IN FEBRUARY 2006, ZAIN ACQUIRED THE OUTSTANDING 61% STAKE OF MOBITEL, SUDAN'S FIRST MOBILE OPERATOR, IN A DEAL VALUED AT USD 1.3 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 42% market share. 99% of its base is comprised of prepaid customers. The operator's customer base is the second largest within the Group, numbering 11.4 million at the end of 2014. This represented 26% of Zain Group's total customer base, while Zain Sudan contributed 16% of the Group's overall revenues in 2014 with an ARPU of USD 5.

In local currency (SDG) terms, the operator continues to perform well, where revenues surged by 14% Y-o-Y to reach SDG 4.0 billion for the full year 2014, mainly coming from the increase in voice, data, and interconnect revenues. EBITDA increased by 13% to reach SDG 1.6 billion, mainly on account of the healthy top line performance. Net

income for the year was stable at SDG 586 million, affected by the currency variance. Excluding the forex loss variance, net income would have been higher by 27%.

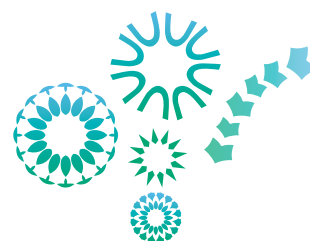
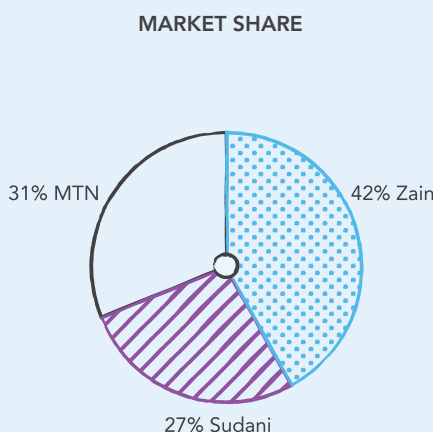
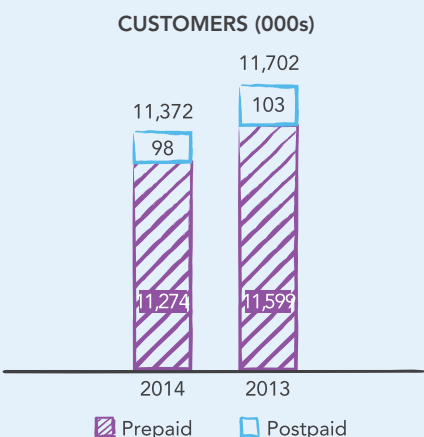
Accordingly, when translated in USD terms, revenues and EBITDA increased by 7% and 6% respectively to reach USD 669 million and USD 269 million, while net income decreased 5% Y-o-Y to reach USD 98 million. Excluding the forex loss variance, net income would have been higher by 18%.

In order to compete with the increased market pressure, Zain Sudan managed to offer more competitive products, namely Huawei handset bundles; M-Commerce service; and Omra offers and rewards based on number of calls.

Notably the operator launched the country's first ever Mobile Financial Service called 'Hassa', in partnership with the Bank of Khartoum. The easy, instant and secure service

allows all Zain customers in Sudan to complete a wide range of financial transactions and operations, including money transfers and various other transactions, including paying bills and withdrawal of cash from Automated Teller Machines (ATM) without the requirement of opening a bank account. 'Hassa' also permits easy and fast payment means that assist electronic government projects and can be a tool in paying salaries for both governmental and private sectors.

By the end of 2014, the operator covered 89% of the population through 2,367 network sites. Data revenues (excluding SMS and VAS) formed only 6% of total revenues, with a remarkable growth of 62% Y-o-Y.



IN USD				
OPERATIONAL & FINANCIAL PERFORMANCE	2014	2013	2012	YOY GROWTH (2014 VS 2013)
Customers (000s)	11,372	11,702	12,535	(3%)
Revenues (USD m)	669.2	623.0	864.2	7%
EBITDA (USD m)	269.2	253.4	355.6	6%
EBITDA %	40%	41%	41%	-
Net Profit (USD m)	97.5	102.6	48.8	(5%)
ARPU	\$5	\$4	\$6	-
Capex (USD m)	182.8	102.9	200.7	78%

FINANCIALS: P&L (USD M)	2014	2013	2012	YOY GROWTH (2014 VS 2013)
Gross Revenues	669.2	623.0	864.2	7%
Cost of Sales	153.8	134.5	204.1	14%
Gross Margin	515.4	488.5	660.1	6%
Opex	246.2	235.1	304.5	5%
EBITDA	269.2	253.4	355.6	6%
Net Profit/(Loss)	97.5	102.6	48.8	(5%)

IN LOCAL CURENCY TERMS (SDG)				
OPERATIONAL & FINANCIAL PERFORMANCE	2014	2013	2012	YOY GROWTH (2014 VS 2013)
Customers (000s)	11,372	11,702	12,535	(3%)
Revenues (SDG m)	4,025.1	3,538.0	2,999.2	14%
EBITDA (SDG m)	1,619.1	1,439.0	1,223.8	13%
EBITDA %	40%	41%	41%	-
Net Profit (SDG m)	585.8	580.4	(175.1)	1%

FINANCIALS: P&L (SDG M)	2014	2013	2012	YOY GROWTH (2014 VS 2013)
Gross Revenues	4,025.1	3,538.0	2,999.2	14%
Cost of Sales	925.5	763.6	717.6	21%
Gross Margin	3,099.6	2,774.3	2,281.7	12%
Opex	1,480.5	1,335.3	1,057.8	11%
EBITDA	1,619.1	1,439.0	1,223.8	13%
Net Profit/(Loss)	585.8	580.4	(175.1)	1%

CAPEX BREAKDOWN (SDG M)	2014	2013
Network	142.2	95.8
IT	3.7	4.5
Others	36.8	2.6
Capex	182.8	102.9

NETWORK KPIS	
Daily Data Volume (TB)	57
Cumulative Number of Sites	2,367
2G Population Coverage	89%
3G Population Coverage	46%
Contact Centre Availability	99.85%

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 KINGDOM.

Significant price competition and falling voice prices characterize the telecom market in Jordan, though Zain Jordan maintained its market share leadership of 40% by the end of 2014. The operator counted 3.8 million customers, representing 9% of Zain's total customer base at the end of 2014.

Zain Jordan recently acquired additional 3G frequencies and 4G spectrum for USD 270 million and expects to launch commercial 4G services in early 2015. This is an exclusive license and as the only operator offering such, it is expected that all the financial metrics from Zain Jordan will be enhanced substantially.

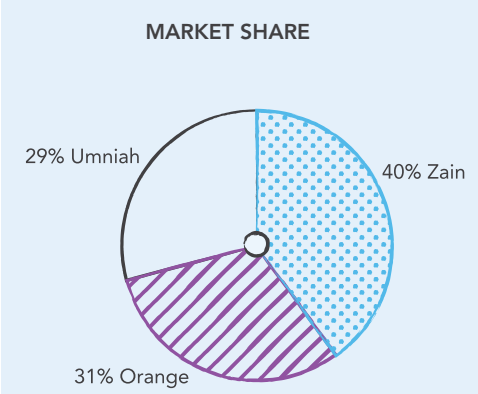
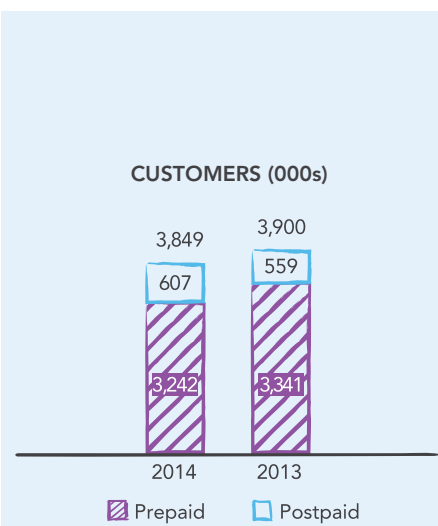
For the full year 2014, revenues, EBITDA and net income decreased by 5%, 8% and 5% respectively Y-o-Y to reach USD 469 million USD 193 million and USD 114 million, mainly due to lower voice revenues. Data revenues (excluding SMS & VAS) represented 23% of total revenues, and grew by 11% as compared with last year.

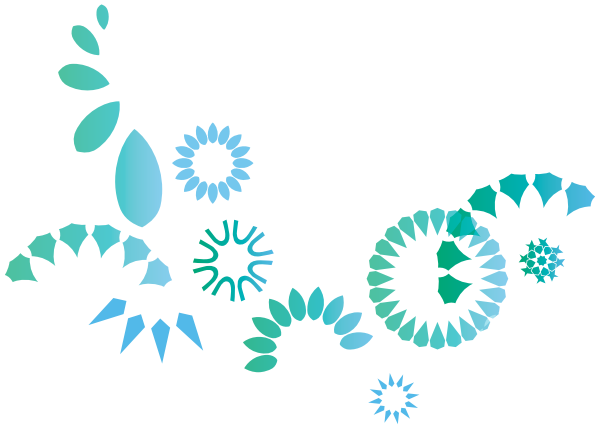
Zain's strategy is to become a one-stop-shop for its customers, where all communication services can be purchased. This is being done by creating products accompanied with lifestyle benefits, such as Zain Camera, and Zain Track and it is therefore

important to educate customers about such services that are offered at Zain shops across the country.

The fourth quarter witnessed the launch of many promotions including, Mini Mish Tabe3ee; Social line for youth for a monthly subscription of JD 6; new notification service to enhance customer experience; Khalik Areeb: and Zain Harat.

November saw the inauguration of the Zain Innovation Campus (ZINC), the first of its kind in the Kingdom in the realm of supporting entrepreneurs and startups and providing them with an environment equipped with the latest technologies. ZINC is equipped with cutting edge technologies providing startups with the opportunity to connect with international experts in the entrepreneurship field hence saving them the effort, cost and time. Additionally, ZINC provides working spaces, high speed internet, multipurpose meeting room, 3D printers, scanners, Robotics corner, Simulation lab, virtual reality lab, smart screens, tele-presence room that bridges startups with 500 Startups in USA and Coventry University in London. Zain Jordan's network covered the entire population, increasing its total number of network sites to 2,083.



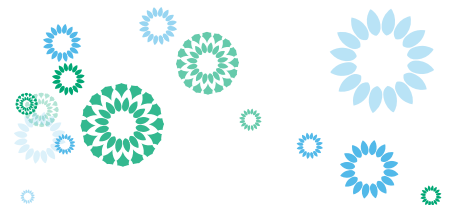


OPERATIONAL & FINANCIAL PERFORMANCE	2014	2013	2012	YOY GROWTH (2014 VS 2013)
Customers (000s)	3,849	3,900	3,489	(1%)
Revenues (USD m)	468.7	494.3	509.3	(5%)
EBITDA (USD m)	192.9	210.6	225.7	(8%)
EBITDA %	41%	43%	44%	-
Net Profit (USD m)	113.8	119.7	121.6	(5%)
ARPU	\$9	\$10	\$12	-
Capex (USD m)	58.8	107.3	31.8	(45%)

FINANCIALS: P&L (USD M)	2014	2013	2012	YOY GROWTH (2014 VS 2013)
Gross Revenues	468.7	494.3	509.3	(5%)
Cost of Sales	110.7	126.7	140.9	(13%)
Gross Margin	358.0	367.6	368.4	(3%)
Opex	165.1	157.0	142.7	5%
EBITDA	192.9	210.6	225.7	(8%)
Net Profit/(Loss)	113.8	119.7	121.6	(5%)

CAPEX BREAKDOWN (USD M)	2014	2013
Network	53.3	102.0
IT	-	-
Others	5.4	5.4
Capex	58.8	107.3

NETWORK KPIS	
Daily Data Volume (TB)	76
Cumulative Number of Sites	2,083
2G Population Coverage	100%
3G Population Coverage	99%
Contact Centre Availability	99.95%



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 3.5G, 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 REACHED USD 19 FOR THE YEAR-END 2014. ZAIN BAHRAIN IS LISTED ON THE BAHRAIN BOURSE (ZAINBH) WITH A MARKET CAPITALIZATION CIRCA USD 200 MILLION (SHARE PRICE BD 0.200) ON 31ST DECEMBER, 2014.

During the course of 2014, Zain Bahrain's customer base grew 2% to reach 788,000 despite the 183% mobile penetration rate in the Kingdom. Bahrain's customer base represents 2% of the Group's overall base.

In May 2014, Zain Group increased its equity stake in Zain Bahrain to 63% following an acquisition from minority shareholders that included a 6.25% shareholding for a total consideration of USD 12.5 million.

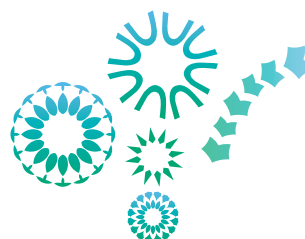
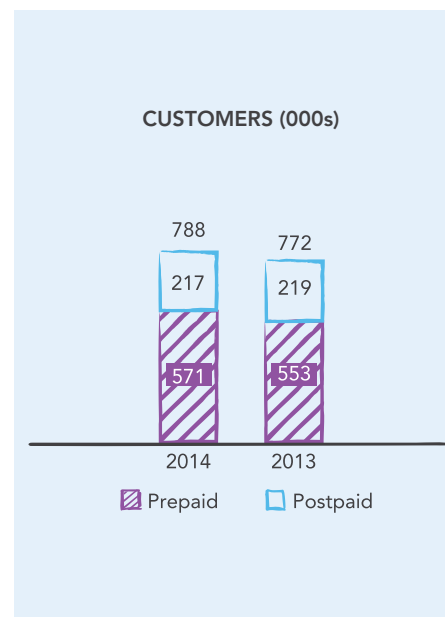
As mandated by its mobile operating license, Zain Bahrain completed an Initial Public Offering of 15% of its share capital and listed on the Bahrain bourse on 4 December, 2014. This milestone was the first IPO in Bahrain since 2010. Additionally Zain Bahrain completed its USD 101 million revamp of the network and now offers nationwide 4G LTE services across the Kingdom.

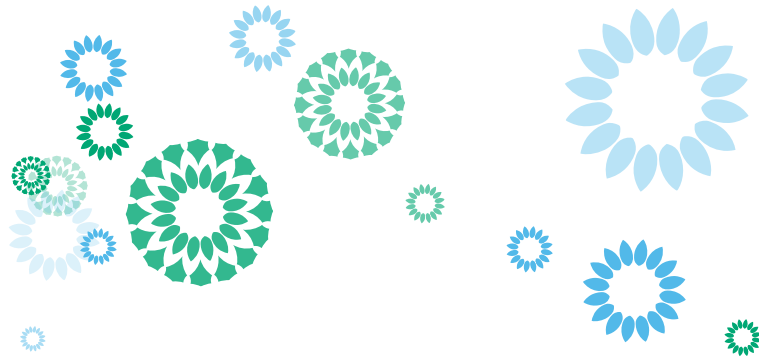
For the full year 2014, Zain Bahrain generated revenues of USD 194 million, a decrease of 9% as compared with USD 213 million in 2013. EBITDA for the period reached USD 72 million, reflecting an EBITDA margin of 37%, which decreased by 8% Y-o-Y mainly due to the negative top line

performance. Net income amounted to USD 11 million, a decrease of 23% Y-o-Y, a result of the negative EBITDA performance. Earnings Per Share amounted 13 fils for the twelve months ending 31 December, 2014.

Data revenues (excluding SMS & VAS) represented 31% of overall revenues, which grew by 2% as compared with 2013. The operator's network currently covers the entire population, with a total of 417 network sites.

To deal head-on with competition, Zain Bahrain introduced a range of tailored services that include new smartphones (iPhone 6 & Note Edge) with revamped packages such as May5allis; and Zindagi (prepaid plan specifically planned for expatriates).





OPERATIONAL & FINANCIAL PERFORMANCE		2014	2013	YOY GROWTH (2014 VS 2013)
Customers (000s)		788	772	2%
Revenues (USD m)		194.2	213.0	(9%)
EBITDA (USD m)		71.8	77.8	(8%)
EBITDA %		37%	37%	-
Net Profit (USD m)		11.0	14.3	(23%)
ARPU		\$19	\$23	-
Capex (USD m)		100.9	48.7	107%

FINANCIALS: P&L (USD M)		2014	2013	YOY GROWTH (2014 VS 2013)
Gross Revenues		194.2	213.0	(9%)
Cost of Sales		41.7	49.1	(15%)
Gross Margin		152.5	163.9	(7%)
Opex		80.8	86.1	(6%)
EBITDA		71.8	77.8	(8%)
Net Profit/(Loss)		11.0	14.3	(23%)

CAPEX BREAKDOWN (USD M)		2014	2013
Network		83.2	41.2
IT		15.6	5.7
Others		2.1	1.8
Capex		100.9	48.7

NETWORK KPIS	
Daily Data Volume (TB)	76
Cumulative Number of Sites	417
2G Population Coverage	99%
3G Population Coverage	97%
LTE Population Coverage	99%
Contact Centre Availability	99.87%

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 NETWORKS, FINANCIAL STATEMENTS, AND ORGANIZATIONAL STRUCTURES.

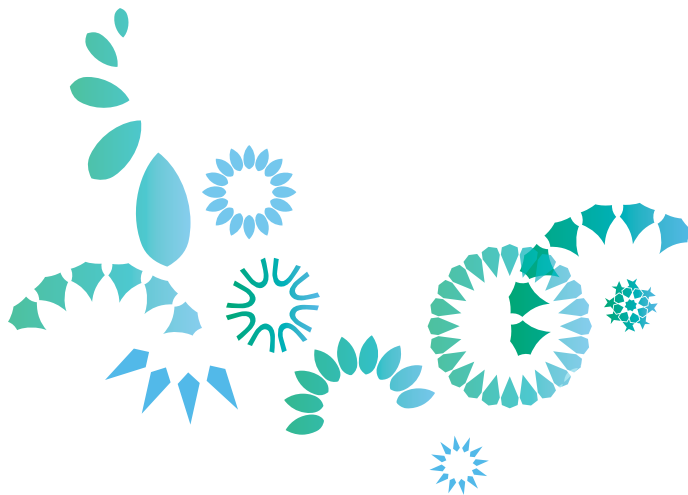
Zain operates in South Sudan as per a Memorandum of Understanding between the Republic of South Sudan and the Republic of Sudan until South Sudan issues its own license requirements. The Ministry of Telecom & Postal Services is working tirelessly to establish a Telecom Regulatory Authority in the country.

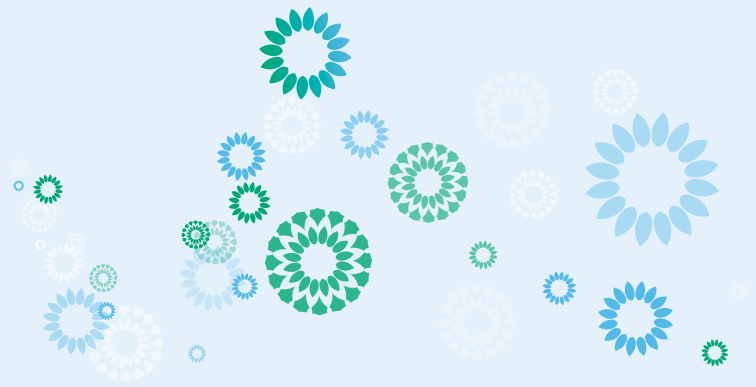
Zain maintained its leadership in the South Sudanese market, counting over 692 thousand customers, supported by the increase in its data revenues, which is a preferred service in South Sudan where data revenues (excluding SMS & VAS) continues to grow significantly by

150% Y-o-Y representing 10% of the total revenues for the full-year 2014.

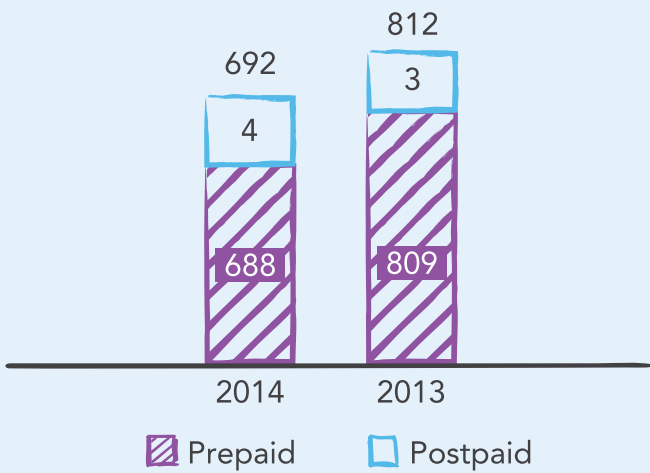
During the course of the year, Zain South Sudan teamed-up with UNESCO and Huawei to provide Internet access to a number of schools in South Sudan powered via Zain base stations. This is the first project of its type in the country, with the first phase of the initiative resulting in over 3,000 school children gaining access to the Internet for the first time.

As of 31 December 2014, the operation had a total of 274 network sites covering 50% of the population, the widest in the country.



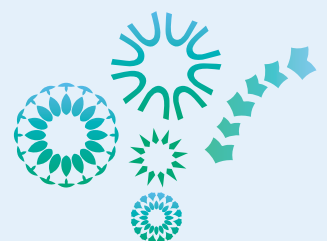


CUSTOMERS (000s)



NETWORK KPIS

Daily Data Volume (TB)	1
Cumulative Number of Sites	274
2G Population Coverage	50%
3G Population Coverage	20%
Contact Centre 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 2 BILLION (SHARE PRICE SAR 6.5) AS OF 31 DECEMBER, 2014.

Zain KSA counted 9 million customers at the end of 2014, a 7% increase on 2013 numbers, representing a market share of 17%. The operator's customer base represents 20% of the Group's overall base, with prepaid customers accounting for 94% of Zain KSA's overall base, while overall ARPU stood at USD 16.

For the full-year 2014, the operator posted improved financial results, recording a significant 24% increase in EBITDA to reach USD 293 million up from USD 237 million in 2013. Zain KSA's EBITDA margin rose to 17% in 2014 up from 13% in 2013. Net losses narrowed by 23% Y-o-Y to USD 339 million, down from USD 440 million last year.

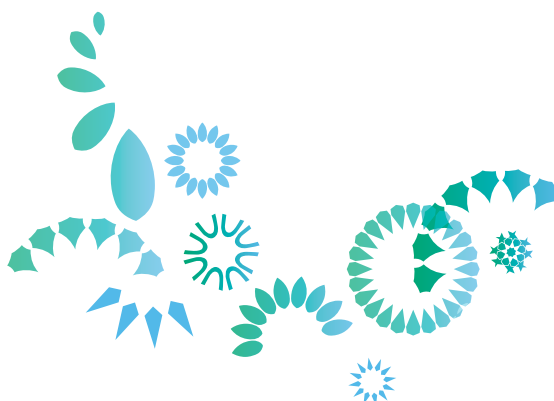
Following the Board of Directors' meeting in March 2014, Zain KSA Board appointed Eng. Farhan Bin Naif

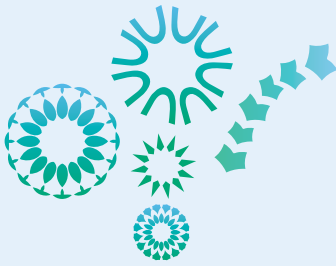
Al Faisal Al Jarbaa as Chairman of the Board, replacing Mr. Fahad Ibrahim Al Dughaiter who resigned from the position for personal reasons, but remained a Board member.

Many decisions were taken with the view to improving the company's financial and strategic position, including the Board of Directors' recommendation to assemble an Extraordinary General Meeting (EGM) to seek the approval for a reduction in the company's capital from SAR 10,801,000,000 (USD 2.880 billion) to SAR 5,837,291,750 (USD 1.557 billion), resulting in a reduction by 45.96%, which was later approved by the Capital Markets Authority. The capital reduction and the Rights Issue are subject to shareholder approval at an extraordinary general meeting of the company.

In June 2014, Zain KSA signed a series of network expansion and upgrade agreements worth SAR 4.5 billion (USD 1.2 billion) with five major international technology companies: Huawei, Nokia, NEC, Cisco, and Alcatel-Lucent. The agreements aim to enhance Zain KSA's customer experience and to improve and expand Zain's network capacity, coverage, and speed.

The operator also witnessed a 37% rise in data revenues (excluding SMS & VAS) Y-o-Y, which represents 17% of total revenues as the company expands its state-of-the-art 4G LTE network that currently covers 94% of the population through 6,158 network sites.

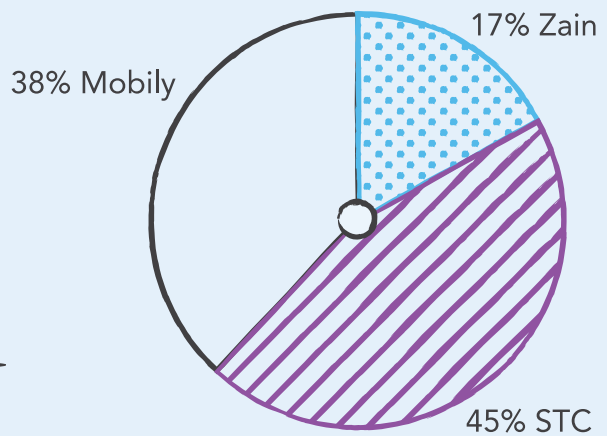




CUSTOMERS (000s)



MARKET SHARE



OPERATIONAL & FINANCIAL PERFORMANCE	2014	2013	2012	YOY GROWTH (2014 VS 2013)
Customers (000s)	9,011	8,461	7,495	7%
Revenues (USD m)	1,715.3	1,799.5	1,707.8	(5%)
EBITDA (USD m)	293.3	237.4	234.3	24%
EBITDA %	17%	13%	14%	-
Net Profit/(Loss) (USD m)	(338.5)	(440.4)	(466.5)	23%
ARPU	\$16	\$18	\$18	-
Capex (USD m)	211.4	245.2	314.5	(14%)

CAPEX BREAKDOWN (USD M)	2014	2013
Network	170.2	229.3
IT	26.4	9.4
Others	14.8	6.5
Capex	211.4	245.2

NETWORK KPIS	
Daily Data Volume (TB)	340
Cumulative Number of Sites	6,158
2G Population Coverage	93%
3G Population Coverage	86%
LTE Population Coverage	55%
Contact Centre Availability	99.96%

OPERATIONS SNAPSHOT

TOUCH LEBANON



IN JUNE, 2004, ZAIN GROUP WON A FOUR-YEAR MANAGEMENT CONTRACT TO OPERATE ONE OF LEBANON'S TWO GSM NETWORKS. 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 2014, touch counted over 2.1 million customers – an increase of 5% Y-o-Y, accounting for 5% of the Group's total customer base. With 1,206 network sites, the operator covers all the populated areas of Lebanon.

In May 2014, Wassim Mansour was appointed General Manager of touch.

Touch'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.

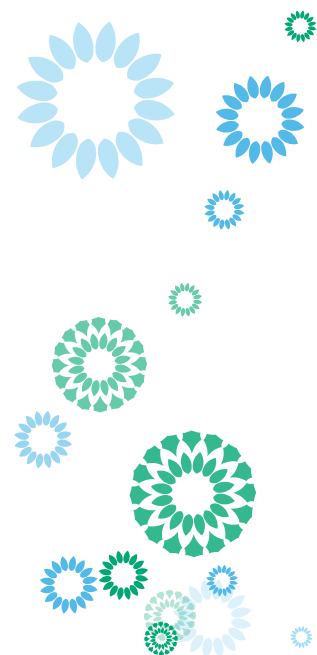
During 2014, Touch introduced a range of appealing offers and promotions that included iPhone 6 Promo; Bil Khidme Line for General Security members; Ma3ak Line (tailored for people with special needs) and VPN discounts (35% discount when talking to colleagues within the same company).

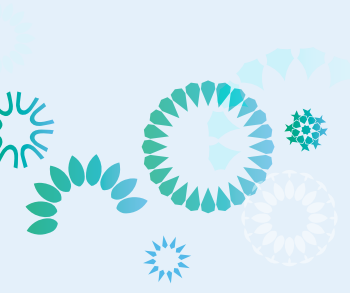
December saw the operator inaugurate 'touch LAB', a pioneering concept store in Lebanon located at the heart of Beirut Central District

area. With innovative design and functionalities, this new and unique service center enables customers to experience first-hand Telco products and services via interactive service demos and tech installations. Users can test advanced technological equipment varying from high-speed data, including 4G coverage, speed test and a data calculator, mobile TV, roaming and other content applications, online number booking, in addition to self-care facilities such as activation and payment services.

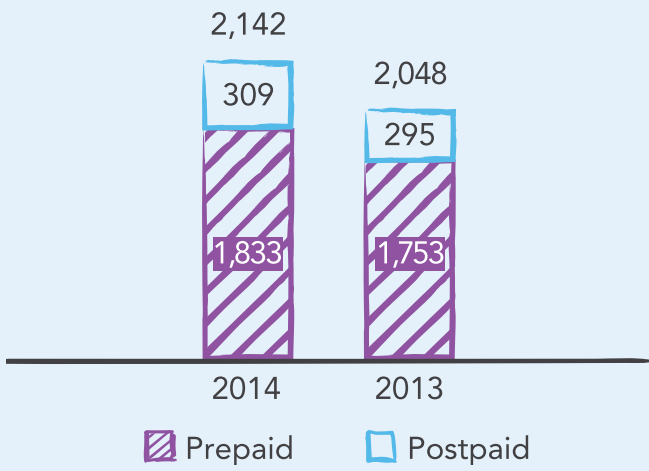
As an advanced technological platform, the 'touch LAB' also offers live broadcast of the latest local innovations in the world of content applications and technology in collaboration with various partners. A display of the latest wearable tech and smartphones is also available, allowing for an end-to-end customer experience.

In close cooperation with the Lebanese Ministry of Telecommunications, Zain is unequivocally committed to the further development of the mobile sector in Lebanon.

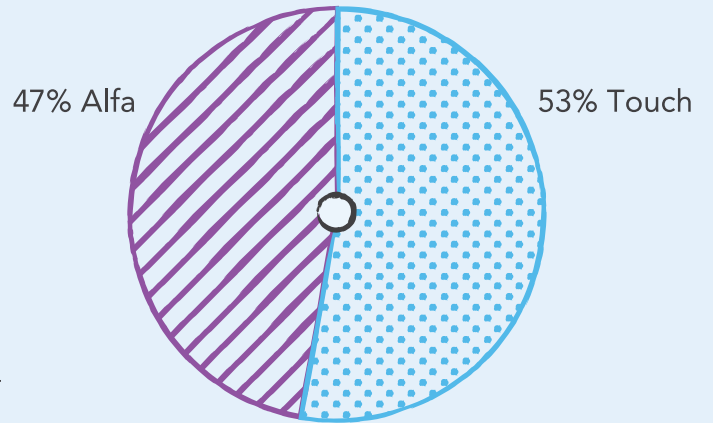




CUSTOMERS (000s)



MARKET SHARE



NETWORK KPIS

Daily Data Volume (TB)	24
Cumulative Number of Sites	1,206
2G Population Coverage	99%
3G Population Coverage	93%
LTE Population Coverage	30%
Contact Centre Availability	100%



MARKET OVERVIEW

GLOBAL AND MENA MOBILE TELECOM MARKET TODAY

IN 2014,
THERE WERE
7.1BN
MOBILE
SUBSCRIBERS
GLOBALLY
OF WHOM
5%
WERE IN THE
MIDDLE EAST

GLOBAL MOBILE
DATA TRAFFIC
GREW TO
3.2 EXABYTE
(EB) PER MONTH
IN 2014
FROM
2 EB
PER MONTH
IN 2013
(60% GROWTH Y-O-Y)

SCALE AND STRUCTURE

While the largest segments of the world's mobile market revenue are voice and SMS, the share of data and data-driven value-added services is constantly growing. As smartphone penetration rises globally, mobile customers demand access to smart solutions more conveniently and efficiently. As of year-end 2014, the penetration of smartphones across the global markets is projected to be between 35% - 40%.

GROWTH

In 2014, there were 7.1bn mobile subscribers globally of whom 5% were in the Middle East. Mobile data subscribers follow the trend with a higher growth rate: 2.9bn in 2014 (21% growth year-on-year), while the Middle East had 117mn (13% growth y-o-y)

Mobile Internet users (who experienced 6% growth y-o-y in 2014) and total traffic are rapidly increasing both in the region and the global market:

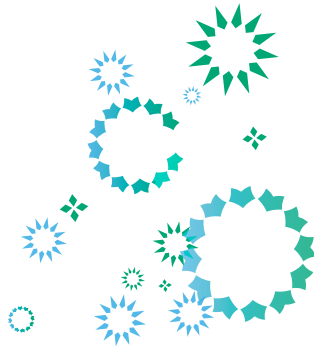
- Global mobile data traffic grew to 3.2 Exabyte (EB) per month in 2014 from 2 EB per month in 2013 (60% growth y-o-y).
- Subscription and data traffic increase drove growth in mobile service revenue, leading to a rise in retail connectivity revenues: USD986bn in 2014, accounting for 41% of total revenue while in the Middle East it was 26% of total revenue.

COMPETITION

On the global scale: Operators need to determine what role they will play in the evolving ecosystem. The threat of decreasing connectivity revenue, which mobile network operators (MNOs) have been confronting on the consumer retail side of their businesses for some years now, is beginning to emerge in the Machine to Machine (M2M) sector as it matures and competition intensifies. Operators are moving up the M2M value chain and delivering end-to-end solutions, rather than just simple connectivity, in an effort to combat this trend.

In the region: The easing of regulation over the last decade has resulted in a wave of market liberalization. Second or third players in each country have begun competing with the historical incumbent using their own spectrum and infrastructure. In addition, MVNOs are starting to become more prevalent throughout the region, particularly in the Gulf. All these developments result in competitive pressures that reduce ARPU. But the increasing availability of faster mobile broadband networks, rising smartphone adoption, and large proportion of prepaid connections make the ME region an attractive one for online messaging services.

Innovative new services and applications are also being delivered across the more developed economies in the region: M-commerce and smart city developments are beginning to take shape. In the less developed



economies, m-money services are playing an important role in delivering financial inclusion and convenience to unbanked sections of the population. There were 3.4mn mobile M2M connections at the beginning of 2014.

REGULATION

Across the world, governments are trying to fuel economic growth by helping citizens to become better educated and more entrepreneurial. Improving access to broadband can help fulfil both these public policy goals. In the MENA region, telecom regulations reflect four major areas:

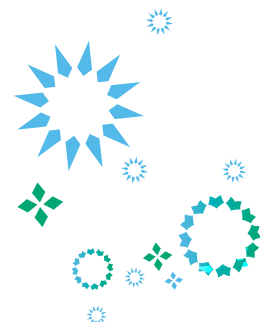
- Releasing sufficient spectrum to enhance capacity
- Improving network economics such as voluntary network sharing
- Curbing counter-productive taxation via removing sector-specific taxes, reducing the complexity and uncertainty of mobile taxation, and carefully considering taxation of new and emerging services
- Supporting financial inclusion via enabling development of sustainable and scalable mobile money services

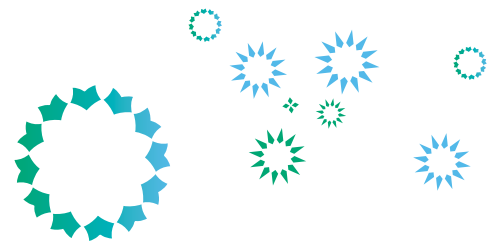
REVENUE TRENDS

Operators across the globe face an increasingly common set of challenges, in particular rising competitive pressures leading to lower prices and increased regulatory intervention in many markets. Despite the challenges, the shift from voice to data looks robust in developed countries, and smartphone penetration is gaining momentum in emerging markets.

Mobile has scaled dramatically in Arab states, with the region being one of the fastest growing globally in recent years. Market liberalization and increased competition have increased service affordability. Additionally, with increased access to mobile services due to widespread network investments, the region has seen rapid industry growth, bringing with it significant socioeconomic benefits to the population. Subscription growth drives a rise in mobile service revenue in most regions, resulting in an increase in retail connectivity revenues, which is estimated to have reached USD986bn globally in 2014. Mobile data revenue accounted for 41% of total revenue while Middle East data revenue share was 26%.

MOBILE DATA REVENUE ACCOUNTED FOR 41% OF TOTAL REVENUE WHILE MIDDLE EAST DATA REVENUE SHARE WAS 26%





GLOBAL AND MENA MOBILE TELECOM OUTLOOK

THE MENA REGION IS FORECAST TO SEE DATA TRAFFIC GROW AT A CAGR OF **72%** BETWEEN **2014 & 2019**, THE FASTEST OF ANY REGION

M2M TO GROW AT A RATE OF JUST UNDER **30%** PER ANNUM OUT TO 2020

BY 2020, THE MOBILE ECOSYSTEM WILL CONTRIBUTE **USD161BN** TO THE REGION'S ECONOMY

Traditional voice and messaging services are declining and new data services are taking their place, driven by next-generation mobile networks and the increased ownership of smart devices.

MOBILE DATA SERVICES WILL ACCOUNT FOR NEARLY HALF OF GLOBAL REVENUES IN 2019

In 2019, nearly half of global retail connectivity revenues will come from mobile data services, which will be insufficient to offset the sharp decline in voice over the next five years. As a result, the decline in voice revenues will be the biggest factor in the fall in ARPU.

In the region, as both smartphone uptake and the number of mobile broadband connections grow, mobile data traffic will increase rapidly. The MENA region is forecast to see data traffic grow at a compound annual growth rate (CAGR) of 72% between 2014 and 2019, the fastest of any region. Data traffic and the ongoing increase in the subscriber base have helped fuel strong operator revenue growth of over 7% per annum over the last five years, above the global average.

COMPETITION

Competition is expected to continue and the outlook is made worse by market fragmentation and short termism in policy decisions, which may lead the regional market to see a clear slowdown in revenue growth, with a CAGR of 3.1% between 2014 and 2020. To cope with the market trends, operators are developing new services and monetizing the growth in data services, as well as adopting a more collaborative approach. M2M is expected to grow at a rate of just under 30% per annum out

to 2020, while greater growth will be enabled by the introduction of additional government policies (in key sectors: smart cities, automotive and healthcare) and the development of new operator business models in the M2M space (beyond providing mobile connectivity).

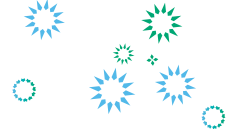
IMPACT ON THE MENA ECONOMY

The mobile ecosystem made a significant contribution to economic growth in the region in 2013. It was 4.4% of GDP and by end of 2014, this is expected to grow substantially. Going forward, the mobile industry will continue to increase its contribution to economic activity and job creation in the region. By 2020, it is estimated that the mobile ecosystem will contribute USD161bn to the region's economy, up from USD122bn in 2013.

REGULATION CONTINUES TO PLAY AN IMPORTANT ROLE IN MOBILE TELECOM DEPLOYMENT AND GROWTH

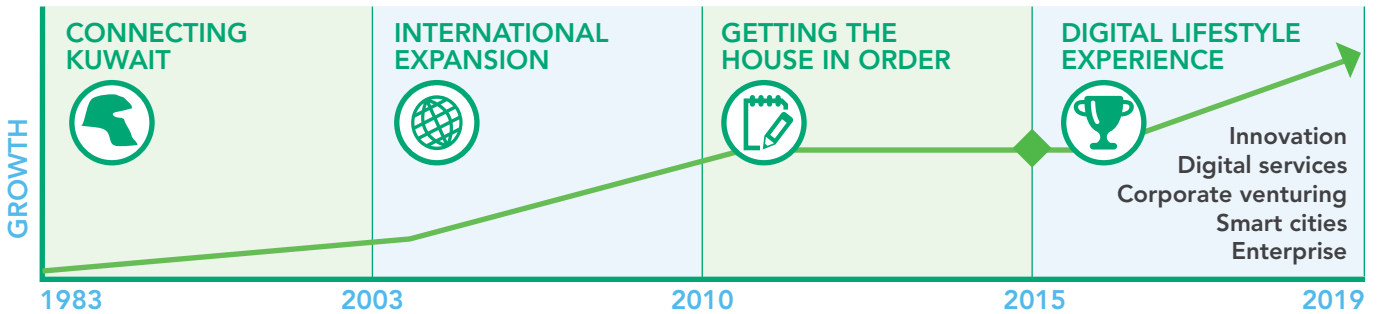
As demand for mobile broadband continues to rise rapidly across the region, it is vital that regulators make a more harmonized spectrum available to mobile operators on reasonable terms. Moreover, as competition intensifies and revenues come under pressure, mobile operators are looking to manage their resources as efficiently as possible. Voluntary network sharing and flexible infrastructure deployment should be encouraged. Also, governments and regulators have an important role to play in looking to further stimulate the growth of M2M services and the deployment of new services and applications in the region.

OUR STRATEGY



TRANSFORMATION OF ZAIN INTO AN INNOVATIVE, INTEGRATED TELECOMMUNICATIONS COMPANY SERVING CONSUMERS AND ENTERPRISES WITH A RICH DIGITAL LIFESTYLE EXPERIENCE

Over its 30+ year life-cycle, Zain has devised an appropriate strategy relevant for the period and has witnessed growth across its captive markets. Now, Zain is seeking to transform its business against the backdrop of higher mobile penetration, increasing competition, unique externalities impacting operating performance and accelerated adoption of OTT solutions.



Our approach is to focus on sustaining our position in our core business of mobile voice and mobile broadband data services, whilst expanding significantly into the enterprise space and capitalizing on the opportunities within the digital domain, all underpinned by solid customer experience and strong brand.

VOICE AND DATA	Defend its position in mobile voice	... UNDERPINNED BY SOLID CUSTOMER EXPERIENCE
	Expand its position in mobile data	
	Explore fixed opportunities	
ENTERPRISE	Enhance position in Enterprise	
DIGITAL	Become a significant digital player	

Zain has identified 6 transformational initiatives which the business will focus on to become an innovative digital lifestyle operator and trendsetter. These initiatives are: customer experience; cost optimization; value management; digital frontier and innovation; enterprise and talent development.

CUSTOMER EXPERIENCE	OPERATIONAL EFFECTIVENESS	BUSINESS GROWTH	PEOPLE DEVELOPMENT
Customer Experience	Cost Optimization	Value Management	Talent Development
		Digital Frontier and Innovation	
		Enterprise	

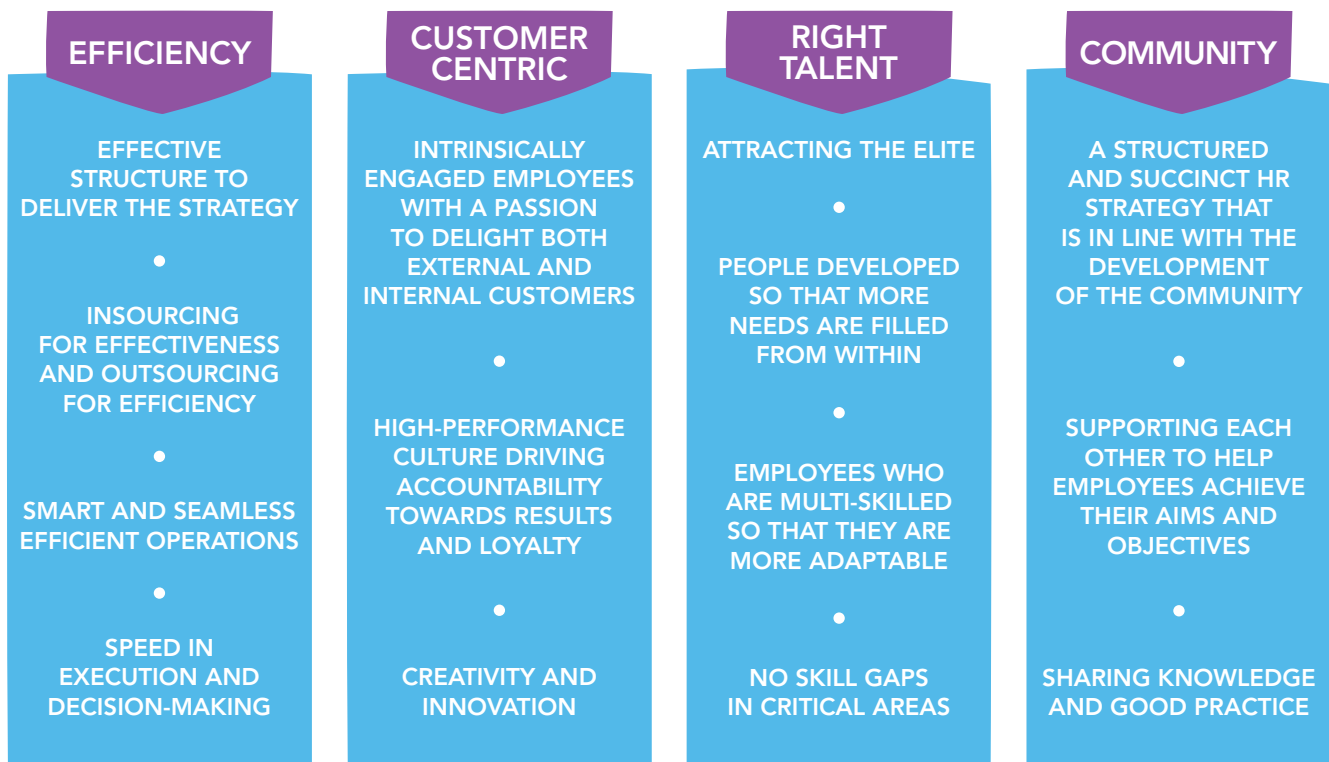
OUR PEOPLE

EMPLOYER OF CHOICE, DEVELOPER OF TALENT

Zain has one of the most recognizable and strongest brand presence in the Middle East. Our brand valuation remains valued over USD1 billion according to the reputable brand valuation entity Brand Finance, and this remarkable assessment is testament to the investment Zain places in its brand and people.

Zain has a strategic priority focusing on attracting, developing, and engaging people in Zain to ensure that going forward, our human capital remains our major asset.

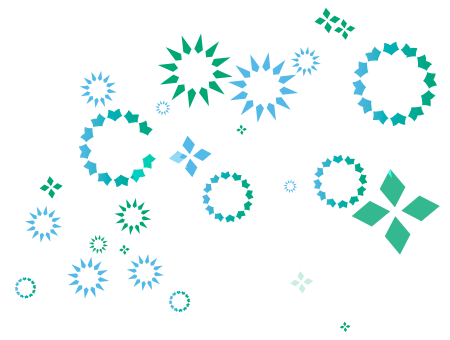
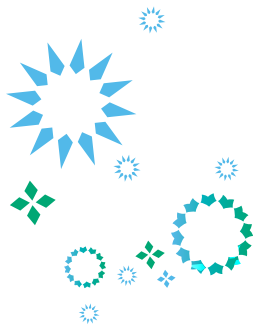
OUR FOUR HR STRATEGIC PILLARS ARE ALIGNED TO OUR OVERALL GROUP STRATEGY:



EFFICIENCY - OPERATIONAL EXCELLENCE

We believe that managing our people in an effective and efficient manner is fundamental to our success. We have applied a series of Productivity Indexes that we continually track, and these have shown an improvement in areas such as Customers per Employee, Revenue per Employee, and Staff-Cost Ratios. These KPIs are adopted by the management and influence decisions such as outsourcing non-core activities, reducing staff levels, or changes to HR policies.

Progress has also been made in proving the tracking of key KPIs as a driver for improving efficiency. We have recently reparameterized our Applicant Tracking System across the Group, enabling HR to report on recruiting KPIs through an advanced online and shared dashboard.



IN ARABIC,
ZAIN
MEANS
"BEAUTIFUL,"
"GOOD" OR
"WONDERFUL."
THESE
CHARACTERISTICS
ARE WHAT WE LOOK
FOR WHEN WE
HIRE PEOPLE.

CUSTOMER CENTRIC - ENGAGED, INNOVATIVE AND CUSTOMER CENTRIC CULTURE

In 2014, the focus has been on implementing improvements identified as a result of the employee engagement survey feedback. Many operations identified a need to improve career opportunities and so we developed clearly structured career paths.

Communication was a key theme, and many innovative programs have been introduced to enhance employee communication. One example is the "True Zainer" initiative where employees are encouraged to recognize their peers for having role model behavior.

We introduced Pulse Surveys in order to track levels of engagement on a regular basis. The pulse surveys also track changes in the cultural profile of the company. The surveys were successfully piloted at Zain Group in 2014 and will be rolled out to the operations in 2015.

In Arabic, Zain means "beautiful," "good" or "wonderful." These characteristics are exactly what we look for when we hire people. We look for people who are genuinely giving. At Zain, over 7,000 people work every day to improve the lives of all our customers. Our highly committed teams are proud to be the ambassadors of our brand, and enjoy spreading "A Wonderful World," which represents our brand signature.

We operate in eight markets across the Middle East and Africa, and we are the number one operator in six of these markets, though we are very considerate in our recruitment policies. We have a personal approach and a "softness" about us, yet we are still highly productive.

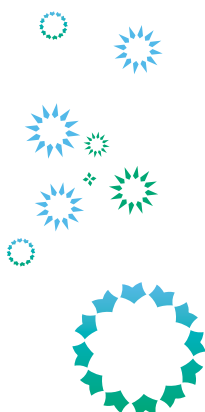
This culture, in addition to our attractive benefits, salary scale, diversity, and career development have made working at Zain one of the most attractive opportunities in the region.

RIGHT TALENT - RESOURCED TO MEET CURRENT AND FUTURE BUSINESS NEEDS

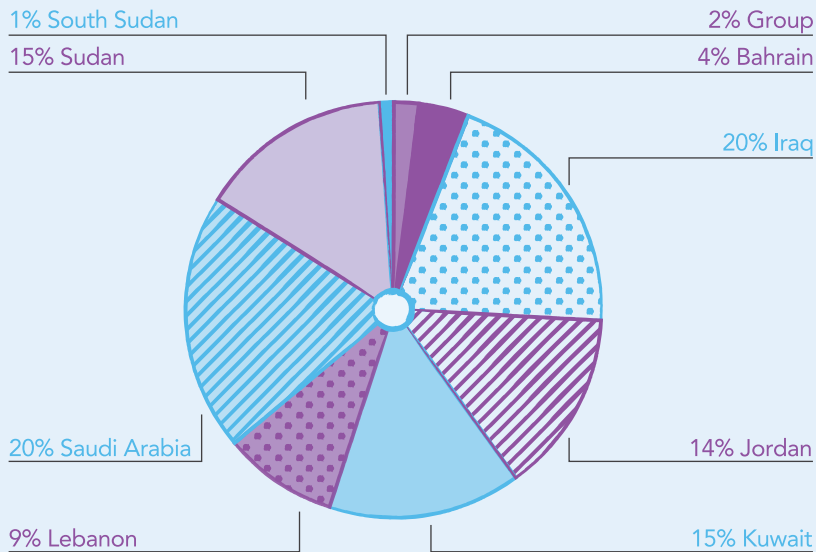
We want to continuously grow our business, and to do so, we need to help our people grow their careers and develop their skills as well as resource the right talent.

During 2014, we employed around 600 people and had a total of 7,281 employees as of December 31, 2014.

NUMBER OF EMPLOYEES

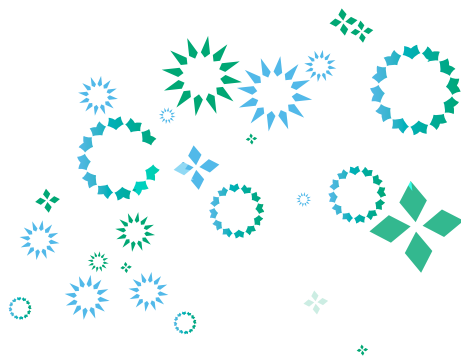


EMPLOYEES BY LOCATION



We conduct an annual analysis of learning needs to identify priorities and ensure that learning plans support our business strategy. Every employee also has a formal review once a year with their manager to check their performance and set clear goals and development plans for the year ahead. Some of the courses offered include: Telecom Mini MBA, Managing @Zain, Creative Leadership Workshop, and a CEM Certification, amongst others.

We also accelerate the progress of our managers through external leadership development programs and detailed feedback obtained through 360-degree assessments.



COMMUNITY - BUILDING THE ZAIN COMMUNITY

Our HR strategy builds on the strength of Zain as a Group. We believe that a diverse team is crucial to our success, helping us better understand and meet the needs of our customers. We offer equal opportunities in all aspects of employment and advancement across all our operations. By identifying and sharing good practices, making best use of our talent pool, and by working as business partners, we can accelerate our growth and success.

ZAIN CAREERS CAMPAIGN - THE SECOND BEST JOB IN THE WORLD

In early September 2014, Zain Group launched one of the first Employer Brand campaigns in the region entitled "The Second Best Job in the World." The campaign is based on an idea that touches the hearts of everyone.

As children, we all had aspirations of landing a dream job. And no matter how strange, make-believe, and out-of-this-world the dreams have been, we possessed them. When we grew up, we found ourselves with jobs completely different to the ones we dreamt of as children, though at Zain employees are offered an opportunity to still find that "dream job" in the real world. Check out the commercial on www.youtube.com/zain or just scan the QR code.



SOCIAL RECRUITING

Social media is a fundamental element enabling us to proactively present a favorable image of Zain and its people, products, and services to all stakeholders, and to connect with potential candidates at different touch points. In 2014 we started investing heavily in social recruiting; with our goal being to become the leaders in this function across the Middle East and Africa.

In November 2014 we signed an agreement with LinkedIn to use their Talent Solutions offering, which will enable us to identify and recruit the best talent from amongst LinkedIn's 332 million professional members. This includes passive candidates, or those not actively looking for a job, but who make up the majority of professionals.

At the beginning of 2014 we launched @ZainCareers on Twitter, a channel to promote our job openings, build our employer brand and engage with the community. We were the first in the region to organize live Q&A sessions, with our Group Recruiting Manager answering questions and providing interviewing tips and career advice.

We have also launched a Zain Jobs Facebook app that lists our job openings by country and assigns social features such as 'like' and 'share' to each job opening. The app also provides candidates with information related to working at Zain and career development as well as the ability to create alerts.



The screenshot displays the Zain Facebook page interface. At the top, there's a cover photo of a blue flower with a globe overlay and the Zain logo. Below the cover, there are navigation tabs: Timeline, About, Photos, Zain Jobs, and More. The main content area features a 'Job List' section with a search bar and filters. A prominent job listing is for 'Performance analysis Manager' in Kuwait City, posted on Feb 28, 2015. Other visible job titles include 'Strategy and Business Development Analyst', 'IBS Specialist', 'Transport Planning Manager', and 'Access Solution Architect'. The page also shows 'Friends connected to Zain' and a 'Working at Zain' section. The footer includes links for About, Create Ad, Create Page, Developers, Careers, Privacy, Cookies, Terms, and Help, along with the text 'Houston © 2015 English US'.



A Wonderful World

Join us: [f Zain](#)
[@ZainCareers](#)
[in Zain](#)





TECHNOLOGY

CONVERGENCE

Zain is no stranger to innovative technologies and being the first-to-market with products and services. Successfully introducing converged charging is one recent technological milestone achieved by Zain operations this year.

With the new converged billing and charging system, we can serve our customers better by being able to quickly integrate existing and new services into our product range while developing newer more innovative tariffs. This allows rapid and easy configuration and combination of tailor-made service components for new products, innovative bundles, and discount and loyalty programs. Even the most complex rating structures such as hybrid tariffs can be more easily conceptualized and implemented under such a system.

Effectively, this means more efficiency, quicker market response, flexible discounting, bundling, and ratings that are better suited to our customers' dynamic lifestyles.

With the successful completion of the charging and billing upgrade, Zain operations are planning to execute the next phase of convergent billing by replacing their legacy CRM (customer relationship management) systems. This final development will allow Zain operations to gain full visibility of customer demands and behavior. By completing the CRM implementation, our operations will be the first in the Middle East to achieve full convergence, reinforcing the company's technology market leadership.

M2M

Machine-to-Machine (M2M) technology connects 'things' to the Internet, transforming them into intelligent devices that exchange real-time information and opens up a range of possibilities on how businesses are run, how lives are enhanced, and how customers are satisfied. Common examples include connecting a fleet of cars for better supply chain management; connecting important building equipment such as lifts and escalators and air conditioning for reduced outage time; or even monitoring a person's blood pressure and heart rate for around-the-clock supervision.

Zain has partnered with Vodafone to bring M2M to its markets, combining our strength and prominence across our footprint with Vodafone's world-class M2M infrastructure and established base.

Zain is prepared for the 'Internet of things' that is on the rise and for forward-thinking companies that are adopting this technology on a daily basis.

ZAIN ERP CENTRALIZATION AND STANDARDIZATION

Zain Group has moved to centralize its ERP (Enterprise Resources Planning) systems that manage Zain Financial, Human Resources, and Supply Chain transactions and processes. The main advantage to this approach is the optimization of CAPEX (Software licenses, Hardware licenses and Implementation Packet Switch) and OPEX (operation and support costs) by using a 'develop once deploy many' approach.

Zain kicked off this program in partnership with Oracle to standardize its business processes and technology

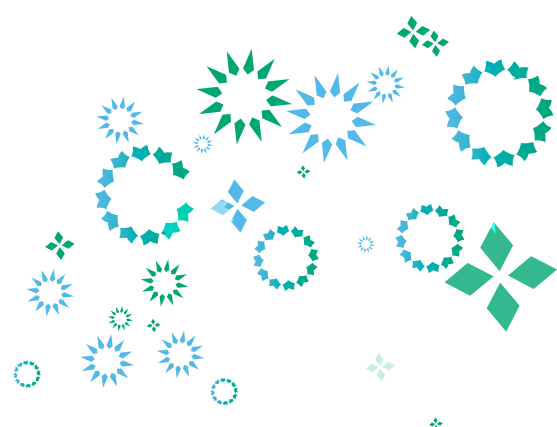
platform for all its ERP implementations in seven operations on Oracle Cloud. One key factor for partnering with Oracle is leveraging the technology provider's cloud managed services capabilities and the operational management of the platform in a Tier-3 primary data center in Scotland and a disaster recovery data center in the United Kingdom to increase the operation's performance, efficiency, reliability, and system availability.

The main objectives of this program involve standardizing Zain's chart of accounts allowing seamless consolidation of financial and non-financial information from all the seven operations including Zain Group, leading to enhancing the ability to manage resources and better reporting of financial results.

The program, which is set to take two years to implement fully, consists of three main phases starting with the transfer of the existing Zain Kuwait ERP to the cloud by March 2015 in a fast-tracked manner. Phase two is set to be completed during 2015 and includes extending the Oracle solution to Zain Bahrain, Group, and Sudan. This will be followed by phase three to implement the rest of the operations (Zain Saudi Arabia, Jordan and Iraq) with the updated ERP system during 2016.

ENERGY & SITE OPTIMIZATION

Zain has defined two main initiatives to effectively address its Base Transceiver Station sites: Site Optimization, and Alternative Energy, with the former being focused on energy consumption aimed at the reduction of carbon dioxide (CO₂); and the latter on Zain's emission and site footprint in line with the Global Green World initiative. These programs also have a direct positive impact on CAPEX and OPEX.



SITES OPTIMIZATION

- SITES SHARING:**
 Site sharing has been one of our areas of focus in 2014 as it is one of the most efficient and friendly ways to deploy a network. Over 10% of our installed base of sites is shared and we are planning to intensify this program in the coming years.
- SMALLER SIZE DIESEL GENERATORS**
- OUTDOOR SOLUTIONS**
- FREE COOLING SYSTEM:**
 In general, the cooling requirements of indoor sites account for at least 25 - 40% of energy consumption in BTS sites. In 2014, Zain successfully introduced Free Cooling Systems (FCS) in Jordan and is planning to repeat the exercise in other operations wherever possible. This solution enables us to considerably reduce our energy usage by utilizing the low external air temperature to cool the equipment housing and thereby switch off the existing active cooling system.
- SMALLER SHELTERS**
- GRID CONNECTION**

ALTERNATIVE ENERGY

- DIESEL BATTERY HYBRID SOLUTION**
- SOLAR HYBRID SOLUTION**
- ALTERNATIVE POWER:**
 As part of our environmentally friendly program, we pursue the deployment of alternative power solutions such as diesel battery hybrid solutions and solar battery hybrid solutions in Sudan and Jordan. During 2015, we are planning to participate in the GSMA Mobile Energy Efficiency study. A similar study was conducted in five Zain operations in 2013 and our other operations shall be included in the forthcoming exercise.

REDUCTION IN COOLING

REDUCTION IN FOOTPRINT

REDUCTION IN FUEL CONSUMPTION

ENERGY EFFICIENCY

REDUCTION IN CO2 EMISSIONS

ZAIN TECHNOLOGY CONFERENCE

In November 2014, Zain Group successfully undertook its fourth annual Zain Technology Conference (ZTC), which was hosted in Istanbul, and was attended by over 600 attendees and more than 65 technology partner exhibitors.

The theme of this year's conference was, 'Towards an Inspiring Digital Lifestyle Experience', and Zain took the opportunity to describe how it planned to achieve this ambition through a series of presentations from Zain Group senior management,

discussions with technology partners including main sponsors Ericsson, Huawei, and Nokia, and 92 dedicated break-out technical sessions.

The three-day event which was Zain's largest to date, saw keynote addresses and a Q&A session by Zain Group CEO Scott Gegenheimer, Zain Group Chief Technical Officer Hisham Allam, and Zain Group Chief Strategy and Business Development Officer, Emre Gurkan.

The key message from Zain's executive management was that the company is on a path to transform itself into a digital lifestyle operator, and shall

look to achieve this by expanding its operations in the areas of innovation, digital services provision, and services for enterprises. Zain will also continue to actively defend its market-leading positions and existing voice and SMS businesses, and optimize its network operations and deployments, all in the aim of being a more agile, relevant digital communications provider. Leading technology providers from across the globe gave a series of presentations during ZTC 2014 across a myriad of topics.

COMMERCIAL

**IN 2014
GLOBAL MOBILE
DATA TRAFFIC IS
ESTIMATED
TO HAVE GROWN
BY 69%**

**IN SOME
OF ZAIN'S MARKETS,
OVER 90%
OF THE
POPULATION
HAS NO ACCESS
TO BANKING
FACILITIES**

Mobile network operators have witnessed various degrees of growth in the volume of data traffic on their networks as a result of the increased prevalence of smartphones and new mobile devices. This growth is coupled with the new types of communication services, which has led to a digital world of connected devices.

We are rapidly moving towards a more mobile world, and convergence with other means of communication is growing more than ever before thanks to the enhanced infrastructure in the IP world. Tablets, tablet PCs, and smartphones are driving change for people, businesses, and society. Mobile phones and tablets are not simply used for talking and texting; in fact most of the time spent on the smartphones is dedicated to personal entertainment and other activities such as watching videos, playing games, engaging in social media, and forms of m-commerce. Furthermore, smartphones and tablet PCs are now

sitting at the center of increased productivity efforts in business via cloud-based applications and the development of the Internet-of-Things (IoT).

The resulting rapid pace of wireless broadband, smartphones, and tablet adoption across the globe continued to be phenomenal in 2014, and global mobile data traffic is estimated to have grown by 69%. Today, it is estimated that 28% (around 2 billion) of the world's 7.4 billion mobile subscriptions are mobile broadband subscribers using smartphones, with multiples of this number expected to be activated over the next five years. In 2014 alone, over 2 billion smartphones and tablets were shipped globally.

Due to the increasing pressure on core business elements as a result of increased OTT threats, it has become crucial for Zain to offer the right product portfolio at a best-in-class quality of service level in order to maintain its mobile customer base and attract new customers. Zain Group has placed product and service innovation at the top of its operational priorities, and continues to reinforce this position with developments that provide unique opportunities to reach new customers and to monetize products and services.





PRODUCTS AND SERVICES

Telecommunications played an imperative role in the global economy as an innovation platform for new services. During the course of 2014, Zain focused on several important initiatives, namely: Mobile Commerce, Machine-to-Machine (M2M), Direct Operator Billing, and Enterprise Mobility Solutions as well as the inauguration of the Zain Innovation Center in Kuwait.

MOBILE COMMERCE

Zain Group continues to invest in mobile commerce solutions that 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 customers where banking services are scarce. In some of Zain's markets, over 90% of the population has no access to banking facilities.

Zain embraces the opportunity to launch new services that improve the livelihoods of the communities it serves, and through its partnership with eServGlobal, Zain is able to offer life-enhancing Mobile Financial Services and solidify its position as an innovative market leader in the mobile money arena across its footprint. eServGlobal is a pioneering software vendor specializing in mobile money and value-added services for the telecom and financial services industries.

The comprehensive suite of services have been rolled out in two Zain markets -Iraq and Jordan- and will be progressively expanded to all

Zain's operations within the next few years, 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.

M2M

Zain Group as a leading unified communications provider in the Middle East and Africa has a clear vision for expanding its presence in the Enterprise segment, which will create additional and incremental revenue streams in the coming years.

M2M initiatives continued in several Zain markets in partnership with Vodafone during 2014, primarily focusing on how to better serve business customers. M2M solutions are set to be made available to our customers during 2015, covering the following verticals:

- Fleet Management
- Asset Tracking
- Smart metering

M2M services enable Zain customers to save time and money through real-time/near-time monitoring and interacting with their Internet-connected devices remotely.

DIRECT OPERATOR BILLING

2014 saw the deployment of Direct Operator Billing capabilities in Zain markets in partnership with SLA Mobile, a leading mobile solutions' provider. Through this agreement, Zain Group has become one of the first

operators in the region to offer the service to its customers and business partners, including international merchants such as Huawei, Microsoft, and Samsung, and regional merchants such as Telly.

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. 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.

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

IN 2014 ZAIN GROUP LAUNCHED "MICROSOFT OFFICE 365" SERVICES IN THE KINGDOM OF SAUDI ARABIA, A FIRST IN THE GCC.

A FIRST IN THE REGION: LAUNCH OF MICROSOFT OFFICE 365

In 2014, Zain Group announced the launch of 'Microsoft Office 365' services in the Kingdom of Saudi Arabia, which was a first in the GCC. The offering is a software service providing cutting-edge productivity applications and communication services to Enterprises and SMEs, enabling them to enhance productivity, increase efficiency, and reduce costs.

This new innovative solution is in line with Zain Group's strategy and vision to place an increased focus on becoming a unified communications provider. Zain Saudi Arabia is the first Zain Group operator to introduce the offering, which provides a variety of services including business class e-mail, cloud storage and file sharing, audio and video conferencing in addition to the Microsoft Office suite.

Zain Group was able to enter this historic agreement with Microsoft for Office 365 as a result of its non-equity Partner Market relationship with Vodafone that it entered into in 2012, in which Vodafone works with Zain's mobile companies in Saudi Arabia, Bahrain, Kuwait, Jordan and Iraq to provide Zain Group's customers with high-quality communications services in the consumer and business segments. Microsoft is the worldwide leader in software services and solutions that help people and businesses realize their full potential.

Other Zain operations are set to introduce the service in due course throughout 2015.

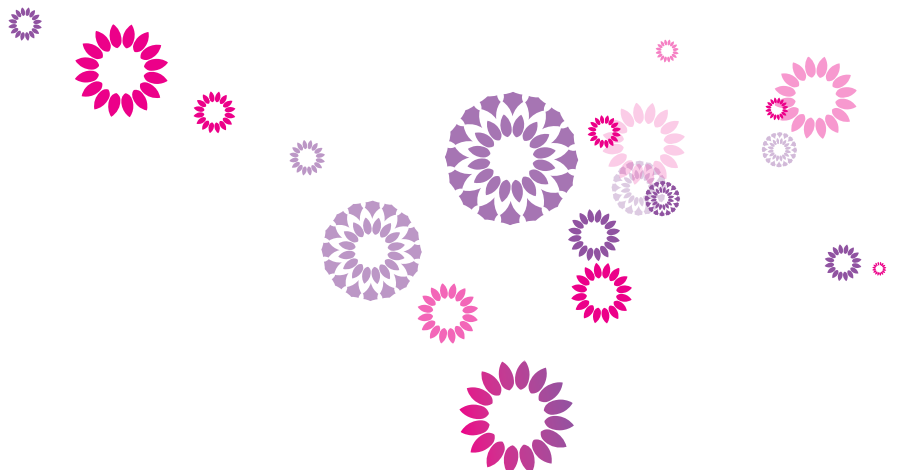
ZAIN INNOVATION CENTER IN KUWAIT

In cooperation with Huawei, a leading global information and communications technology solutions provider, Zain inaugurated a first-of-its-kind Joint Innovation Center in the Middle East, to serve as a research hub from which Zain will be able to further advance its mobile broadband network, services, and applications offered to customers in Kuwait and across the region.

The center is a vital and dynamic link between Zain's and Huawei's Research and Development teams, through the use of several available virtual conferencing technologies. In addition, it will serve as a pioneering research hub to build the latest innovative solutions and technologies to help Zain tap into new markets and provide a superior telecom customer experience.

The Joint Innovation Center consists of four main areas: Enterprise, Home, Individual, and Zain Zone. The Enterprise area will provide an excellent destination for the research and development of Zain's corporate customers' needs, while the Individual area caters to the research and development of consumers' requirements. The Home area specializes in the research and development of home automation solutions, specifically the designing of smart home solutions and applications.

To date Huawei has launched more than 28 joint innovation centers with telecom operators worldwide in addition to 16 global research and development (R&D) centers.



ENHANCING CUSTOMER EXPERIENCE IN DRIVING COMMERCIAL SUCCESS

Zain continues to maintain its focus on customer experience, moving from a traditional telecom provider into a true service-orientated business. The ability to put the customer at the heart of the company's business is critical to Zain's ongoing success.

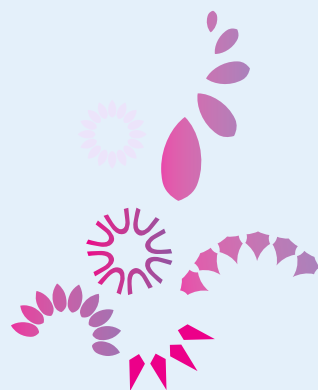
Customer experience is one of four key strategic pillars within the Group and 2014 saw the launch of a number of core initiatives across all eight operations. With a laser-like focus on simplicity and operational efficiency, customer experience remains an important factor in driving commercial success. Retaining customers is vital in this highly competitive industry, and Zain strives to deliver the best experience to maintain this relationship. The company will achieve this through the quality of its network, added value, and service.

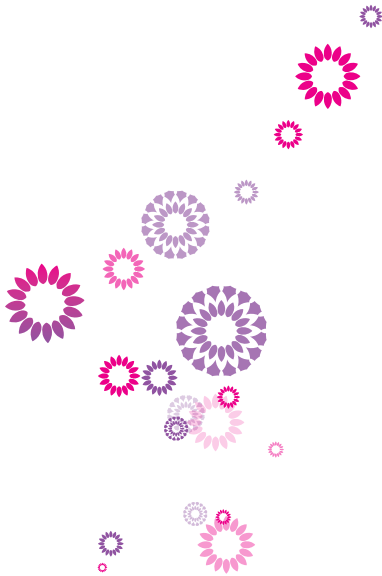
Ultimately, customer experience at Zain is all about making it simple to do business with us and ensuring that the brand is felt every time a customer interacts with the company's numerous channels and touch points. It is also about ensuring Zain has the right people to support the needs of the customers and align their experiences to Zain's brand values.

INITIATIVES

Four main Group-wide initiatives were driven in 2014 to enhance customer experience:

- **VOICE OF THE CUSTOMER:** This is a forum in which senior leadership is exposed to insights and analytics pertaining to customers' experiences across all of the channels and touch points within each respective market. The aim is to highlight areas that work well and areas requiring attention through cross-functional deep dives.
- **CUSTOMER DAY:** Each quarter senior leadership in each market spend half a day with core and indirect channels. The objective of this initiative is to symbolically role model customer centricity being at the heart of the leadership agenda. Customer actions from insights gained through these interactions are captured and tracked to completion.





■ **CUSTOMER EXPERIENCE METRICS:**

Zain has launched common metrics in all markets to be able to better assess both in-market and Group-level performance when it comes to customer experience. The main focus is on customer satisfaction, customer effort and Net Promoter Score (NPS). Zain also announced its partnership with Responsetek in 2014 to roll out their TNPS solution that collects and analyzes feedback and sentiment in real-time from customers interacting with our website, call centers, retail/branch locations and mobile/social platforms. Based on customer feedback analysis, Zain will be able to provide concrete actions to both front-line staff and executives to improve the brand experience that leads to increased revenue and reduced customer churn.

■ **CUSTOMER EXPERIENCE APPROACH:**

Zain Group has been working with its operating companies to contribute to the development of their strategic approach and initiatives as they relate to the customer experience agenda company-wide. This has been an important step in continuing to drive the agenda strategically.

- Share best practices
- Review market trends and issues
- Participate in workshops to develop capabilities and skills
- Benchmark data, customer insights and understand their implications
- Provide senior-level guidance and decision-making for any future key shared projects that drive engagement
- Agree on focus areas for key group initiatives and future roadmaps

These forums have proven to be successful given the active participation of community members in terms of showcasing their success stories and the initiatives they have developed and contributed to. The forum also plays a significant role in highlighting common challenges and opportunities that can be actioned collectively as a community.

Throughout 2015 and beyond Zain will continue to focus on customer experience, exploring ways to drive simplicity and delight customers while building the capability internally to better serve our growing customer base, as well as fulfill their needs through future channels.

A COMMUNITY CREATED

Additionally, Zain Group created a customer experience community comprising of Zain personnel from each market who meet face-to-face twice a year and have regular dialog in the interim via social channels. The purpose of this community is to:

BUILDING THE ZAIN BRAND

DRIVE ZAIN CAMPAIGN TO SAVE LIVES

Zain Group kicked off the year with the launch of the Corporate Sustainability and Social Responsibility (CSSR) road safety campaign, entitled



“Drive Zain,” fulfilling the company’s responsibility towards addressing dangerous consequences of our core business activity.

This latest campaign – that included highly impactful videos and print advertisements- was aimed at prompting the responsible use of social media while driving and placed an emphasis on social media platforms, drawing a focus on young people across Zain Group’s international footprint, who are significant consumers of social media and apps on mobile phones and tablets. The campaign was promoted online and across all social media channels and garnered more than 4 million views to date.

The public at large and young people especially do need to be made aware and regularly reminded of the terrible consequences that a moment’s inattention on a mobile device may cause while driving. Zain shall continue pushing this point home in a bid to further raise awareness and save lives.

CELEBRATING 30 YEARS WITH HALA TURK

Later in the year, we teamed up with the young Bahraini singer Hala Turk to celebrate Zain’s 30 years of operation with a music video that featured an uplifting song about how Zain has been connecting people and loved ones for the last 30 years. The video was well-viewed on all social media channels receiving massive praise from audiences across the region.

CELEBRATING RAMADAN

During the Holy Month of Ramadan, Zain’s creative releases have become especially popular, and we always try to convey the beautiful values of this month in our communications. In 2014, the company worked with the Turkish star, Halit Ergenç in the production of a commercial that highlighted the value of sharing during the Holy Month. Furthermore, Eid El Fitr was very special with Zain, as we launched a commercial thanking everyone who gave from their hearts to those in need, especially children. For the fourth consecutive year we produced a Zain play in celebration of Eid, this year presenting ‘Zain Al Bihar’, an adaptation of Hans Christian Anderson’s ‘Little Mermaid’, which went on to become the most successful play to date.

The play took seven months of preparation, a month of rehearsal during Ramadan, and played for 10 days with a total 26 shows that were attended by 33,000 guests. 2014 also saw the introduction of new stars including Hala al Turk, Marwa bin Sugheir and the Shiyab group, who joined Zain’s original stars, Fatma al Safi, Bashar al Shatti, Hamad Ashkanani, and Ali Kakooli.

CAPTURING THE GULF CUP

We closed off the year with an entertaining Gulf Cup TV commercial that captured the competitiveness of the football season, not just between teams or participating countries, but also between a person and the match supporter, for example, a wife competes to take her husband’s attention off the game. Despite all efforts, football always prevails and that is seen by a ball engulfing a player.

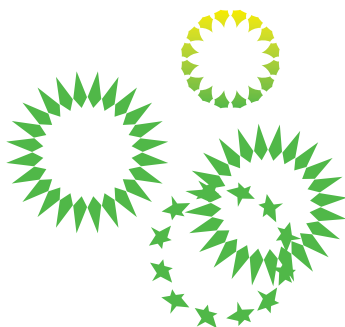
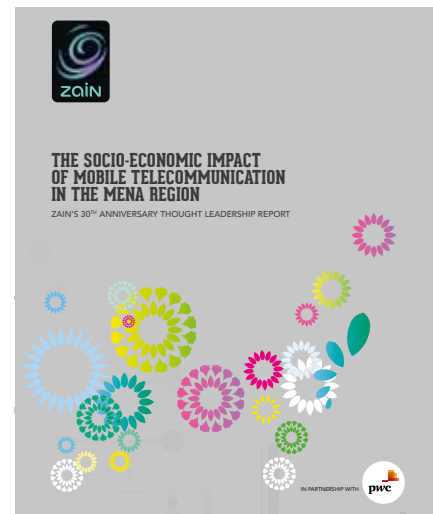
YOU CAN WATCH ALL OUR VIDEO PRODUCTIONS ON OUR YOUTUBE CHANNEL BY VISITING: WWW.YOUTUBE.COM/ZAIN OR BY SCANNING THE QR CODE.



CORPORATE SUSTAINABILITY AND SOCIAL RESPONSIBILITY

2014 WAS A YEAR WHERE SOME OF OUR OPERATIONS FACED GREAT CHALLENGES AS A RESULT OF POLITICAL UPHEAVAL. THE ISRAELI ONSLAUGHT OF THE PALESTINIAN POPULATION OF GAZA, THE CIVIL CONFLICT IN SOUTH SUDAN WHERE APPROXIMATELY 1.3 MILLION SOUTH SUDANESE WERE DISPLACED WITHIN AND NEIGHBORING COUNTRIES AND THE ADVENT OF RADICAL INSURGENCY GROUPS IN IRAQ AND SYRIA HAD NEGATIVE IMPACTS IN IRAQ AND JORDAN. YET, IN SPITE OF THE CHALLENGING OPERATING CONTEXT, 2014 PROVED TO BE A YEAR WHERE ZAIN'S CSR INITIATIVES CONTINUED PUSHING FORWARD, THUS PROVIDING INVALUABLE CONTRIBUTIONS ACROSS THE VARIOUS COMMUNITIES.

The Group in cooperation with PricewaterhouseCoopers Advisory Services Company (PwC) continued pushing forward its development agenda by launching the thought leadership report entitled "The Socio Economic Impact of Mobile Telecommunications in the Mena Region" where mobile related solutions for the most development challenges are highlighted with the aim of providing insights into stimulating socio-economic growth and innovation in the MENA region. In addition to the report, Zain Group was part of a study conducted by Transparency International via the Kuwait Transparency Society in which the company was recognized as the most transparent and least corrupt organization in the country.





The Group also continued moving ahead with its Sustainability agenda by launching its 3rd Sustainability Report highlighting the various socio-economic and environmental impacts that emanate from running the business.

On the humanitarian front, Zain Group contributed towards the alleviation of the plight of the Palestinian people of Gaza during the Israeli onslaught by contributing USD 500,000/ towards first aid supplies and food packages. The logistical details were handled by Zain Jordan. Continuing further in the humanitarian arena, Zain Group partnered with Ericsson and REFUNITE in order to provide to the Syrian refugees that are based in Zaatari camp in Jordan with a unique service that allows them to actively look for loved ones that have become separated during the conflict.

From an ethical perspective and rooted in the responsibility the organization has in addressing its negative impacts, Zain Group launched phase 4 of the Drive Zain initiative which promotes the responsible use of mobile phones while driving. The campaign was tailored to social media channels with 15 seconds films developed on 3 series. The campaign reached an excess of 4 million viewers across the region and some international markets.

As for our operating companies, they all continued pushing the various development agendas continuing to focus on capacity building, educational programs and initiatives that promote inclusivity across all segments of the population. Following is a snapshot of some of the initiatives implemented in our various communities.

To find out more, read our 2014 CSSR Report on www.zain.com



ZAIN BAHRAIN

- The Listen to Your Body initiative raised awareness about breast cancer and the importance of early detection. An educational event was organized involving 100 women.



- Zain employees conducted a 12-week training program for 31 young Injaz volunteers on topics of entrepreneurship and business. Injaz is a regional Non-Governmental Organization (NGO) seeking to improve youth development and job readiness in the country.



ZAIN IRAQ

- For the fourth consecutive year, Zain supported the Widows Development Center, which promotes capacity-building and provides job opportunities for Iraqi widows. Training topics at the Widows Development Center range from language courses, to sewing and computer science. In 2014 the center trained 1,500 women and led to 350 of them finding jobs.



- For the seventh successive year Zain extends its support to the Ammar Foundation, which provides training for Iraqis in need and helps them find jobs. In 2014, Zain Iraq's ongoing contributions to the Ammar Foundation enabled it to train 4,000 women and to provide job opportunities to over 1,000 of them.

ZAIN JORDAN

- Zain developed the Corporate Entrepreneurship Responsibility (CER) Division, dedicated to assisting and supporting startup projects by young local entrepreneurs. In 2014, CER established the Zain Innovation Campus (ZINC), a forum for aspiring pioneers to meet and cultivate their innovative ideas. CER also organized the Zain Al Mubadara competition where entrepreneurs compete with one another for funding and support from Zain Jordan. In 2014, 12 entrepreneurial projects were selected.

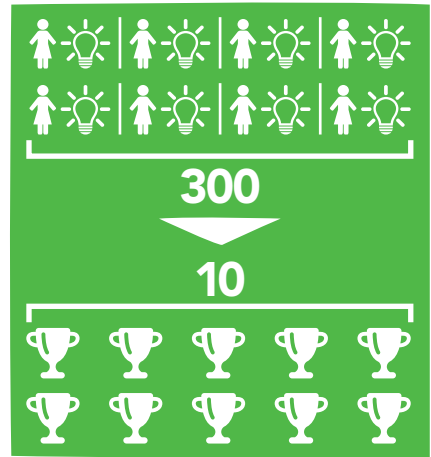


- Between 2002 and 2014, the Zain Mobile Clinic provided treatment to more than 165,000 children throughout the country. The Zain Mobile Clinic for Children, established in 2002, is a mobile health facility that provides free medical access to children who are unable to attain such necessities elsewhere.

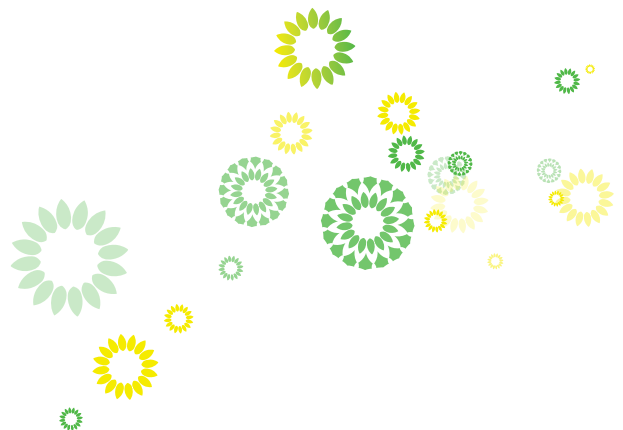
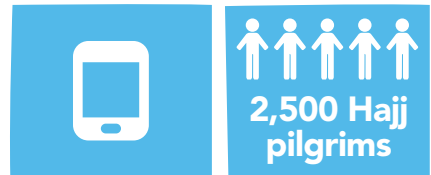


ZAIN SAUDI ARABIA

- Zain continued with its Hadafi Program for the second year, an initiative that provides a platform for Saudi women to present their entrepreneurial ideas to a panel of judges with the winner receiving prizes and seed money to carry out their ideas. Of the 300 women who registered for the Hadafi Program, ten were nominated as top winners.



- Zain provided network service to 2,500 Hajj pilgrims who lacked the means to obtain it themselves, facilitating their access to necessary information and communication with their loved ones.



ZAIN KUWAIT

- For its second consecutive year, Zain Kuwait supported the Taaleb E-Learning Project, which is an online educational portal that links students, parents and teachers through a platform that enhances communication between them. To date, there have been more than 500,000 subscribers to the portal.



- Zain partners with Injaz, an NGO to promote job readiness for the country's youth. The partnership enabled 400 students to receive on-the-job training and job shadowing experience, greatly improving their employability prospects.

TOUCH LEBANON

- Using the hashtag #touchgivesback, Touch created a public awareness campaign highlighting the plight of two children suffering from cancer, matching every retweet with a USD 1 donation towards providing them with much needed treatment. USD 16,000 was raised in two weeks.



- Touch funded a fully-equipped Neurophysiological Diagnostic Unit for the Lebanese Welfare Association for the Handicapped (LWAH) Diagnostic and Treatment Center. The center provides free services to the physically impaired and low-cost treatment to those without impairments. The contributions of Touch in constructing the unit will help the center treat roughly 7,500 disabled people and 10,000 able-bodied people that visit the center annually.



ZAIN SUDAN

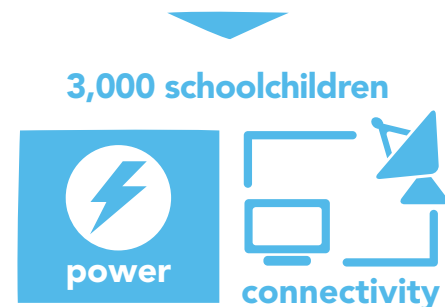
- Zain established and equipped the Zain E-Library in Nyala University, giving students access to learning materials that will enable a greater educational experience. By using the Zain E-Library, around 9,500 students will be empowered by gaining the skills necessary to compete in the modern economy.



- Zain supports the Khartoum Cheshire Home to improve its infrastructure and capacity. The shelter is dedicated to training and rehabilitating more than 23,000 disabled children every year and providing them with the skills necessary to attain productive jobs.

ZAIN SOUTH SUDAN

- The Zain-Huawei Connectivity Project utilized the excess energy from Zain's base stations and diverts it to nearby schools where it is used to power computer stations for students. The computer stations, which serve an estimated 3,000 schoolchildren, enable students to obtain access to information and communication technology (ICT). Zain's role in the project is to provide power, connectivity, and dongles, while Huawei provides the equipment, the maintenance of the computer stations, and the computer training for relevant staff necessary to run the station and educate the children.



- Established in 2014, the YouthMobile Development Training Initiative undertaken by Zain in collaboration with UNESCO, the Dev School in Kenya, and the College of Computer Science and Information at the University of Juba, promotes youth education and development to South Sudanese students, particularly women. The initiative supports ICT training for students at the University of Juba, which will enable them to pursue greater job opportunities in the future. A total of 43 participants took part in the initiative.





CORPORATE GOVERNANCE

ZAIN IS COMMITTED TO THE HIGHEST STANDARDS OF GOVERNANCE, BUSINESS INTEGRITY AND PROFESSIONALISM IN ALL ITS ACTIVITIES AS WE BELIEVE THAT GOOD GOVERNANCE AND TRANSPARENCY CATER FOR A PRODUCTIVE RELATIONSHIP WITH INVESTORS. OUR OBJECTIVE IS TO CREATE A SAFE ENVIRONMENT FOR STAKEHOLDERS THROUGH ADHERENCE TO LOCAL AND INTERNATIONAL LAWS. CORPORATE GOVERNANCE PRINCIPLES REQUIRE ALL BOARD MEMBERS, EXECUTIVE MANAGEMENT AND EMPLOYEES TO SHOW INTEGRITY AND HONESTY IN ALL THEIR DEALINGS WITH THE COMPANY AND WITH THIRD PARTIES.

Kuwait Capital Markets Authority (CMA) regulations and internationally accepted guidelines emphasize the importance of mitigating any conflicts of interest and acting openly and responsibly to implement the best policies and procedures.

The eleven pillars of corporate governance as defined by the CMA touch upon major areas in any business entity which cover: the Board of Directors; division of roles and responsibilities; efficiency; integrity; Risk; Audit; ethics; disclosure; protection of stakeholders' and shareholders' rights; performance enhancing; and corporate social responsibility (CSR).

COMMITMENT TO OUR SHAREHOLDERS AND STAKEHOLDERS

- We seek to ensure that all shareholders are allowed to participate in general meetings.
- Our company takes its time to address all stakeholders who help our company establish a positive relationship with the community and the press.

ETHICS

- A code of conduct regarding ethical decisions has been established for all Board members.
- As part of the corporate governance, Zain has adopted a code of conduct, embracing the values of the organization and how we do business, which the company and all its stakeholders abide by.

DISCLOSURE AND TRANSPARENCY

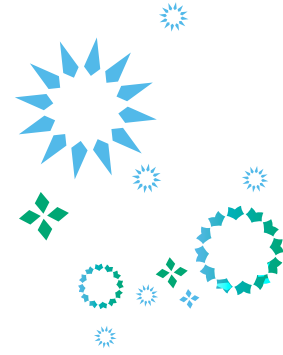
- Business transparency is the key to promoting shareholders' trust. Financial records, earnings reports, and forward guidance are all clearly stated and are publicly available.
- Maintained high standards for disclosures to comply with corporate governance requirements
- The issuance of financial results in a timely and transparent manner. As one of the largest publicly traded companies on the Kuwait Stock Exchange (KSE), Zain abides strictly by the standards required by the KSE, CMA and all other regulatory authorities through the full transparency and the timely issuance of both quarterly reviews and annually audited financial statements that are reviewed by our

two external auditors, Deloitte & Touche, Al Wazzan & Co, and Baker Tilly Kuwait Dr. Saud Al-Humaidi & Partners.

- Zain Group recently topped the list of Kuwait's most transparent companies in a study published by the Kuwait Transparency Society.

MAJOR STEPS TAKEN TO ADAPT TO THE HIGH STANDARDS OF CORPORATE GOVERNANCE IN 2014

- Our corporate governance committee constructed a central department to handle the implementation of a consistent corporate governance framework across all our operations.
- Zain acquired the approval from the CMA for merging the nomination and the remuneration committees to guarantee the highest standards of efficiency.
- New policies have been approved and are in practice to ensure compliance with the CMA requirements and to leverage on the safe culture for investors and stakeholders.
- Board committees' charters have been revised and approved to fully comply with the current CMA requirements.



- Our extraordinary general meeting (EGM), which took place in September 2014, approved the amendments to the Articles of Association (AoA). These updates have been successfully reflected in the Ministry of Commerce and Industry (MOCI) records according to Kuwaiti laws and CMA regulations.

BOARD COMPOSITION

The Board plays a vital role in the management of the company and is responsible for ensuring that principles of corporate governance are applied. It consists of a wide range of skills and experience that ensures commitment to good corporate governance. Our board responsibilities are clearly defined in the newly updated and approved charters. All Board members share a similar vision for the future of the company. For more information about our Board members, please visit our corporate website www.zain.com.

MEETINGS

Our Board met six times during 2014 in line with their obligations and responsibilities towards the management of the company, and the protection of shareholders and other stakeholders.

COMMITTEES

Current Board committees include:

- Corporate Governance Committee
- Audit Committee
- Executive Committee
- Legal Committee
- Investment Committee

Currently these committees are being revised to reflect full compliance with CMA requirements.

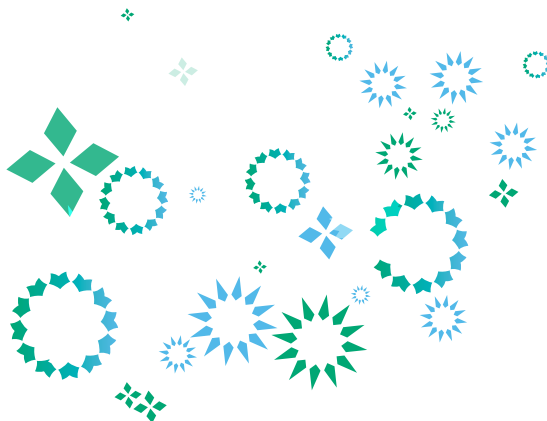
CAPITAL MARKETS AUTHORITY QUARTERLY COMPLIANCE REPORTS

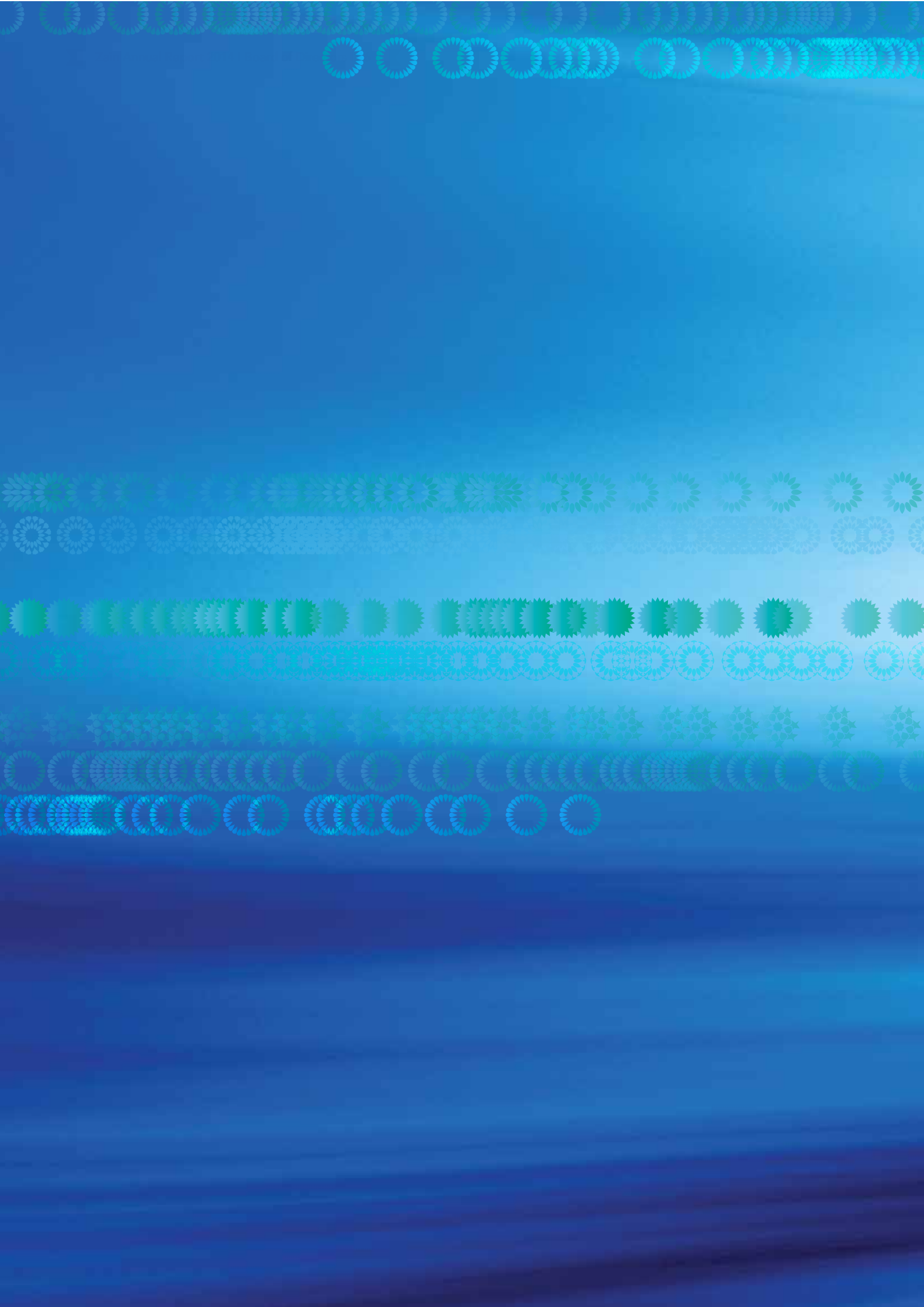
All reports have been submitted for 2014 in a timely manner and in accordance with the CMA requirements. All reports reflected the progress made over time with the implementation of corporate governance principles.

VIOLATIONS

No violations have been registered against Zain during 2014, which is a clear testimony that corporate governance is of a great importance to Zain's board and management.

By taking these principles to heart, we are continually striving to implement professional, world-class standards, practices, and policies that will result in a corporate governance environment that reinforces our values and assists in making our corporate vision a reality.





MOBILE TELECOMMUNICATIONS COMPANY K.S.C.P
KUWAIT

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT 31 DECEMBER 2014

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

MOBILE TELECOMMUNICATIONS COMPANY K.S.C.P KUWAIT

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Mobile Telecommunications Company K.S.C.P. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, 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 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 2014, 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 Company and the consolidated financial statements, together with the contents of the report of the 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 Company's Memorandum of Incorporation and Articles of Association, as amended, 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 Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2014 that might have had a material effect on the business of the Company or on its consolidated financial position.

Kuwait, 1 February 2015

Deloitte & Touche Al-Wazzan & Co.

Ahmed Al-Jaber Street, Sharq Dar Al-Awadi Complex, 7th & 9th Floor, P.O. Box 20174 Safat 13062 or P.O. Box 23049 Safat 13091 Kuwait
Tel: + 965 22408844, 22438060
Fax: + 965 22408855, 22452080
www.deloitte.com



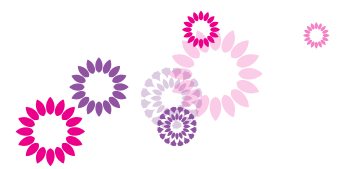
Bader A. Al-Wazzan
License No. 62A
Deloitte & Touche
Al-Wazzan & Co.

Baker Tilly, Kuwait Dr Saud Al-Humaidi & Partners Public Accountants

P.O. Box 1486 Safat 13015
Kuwait City, Kuwait
Tel: + 965 22443222, 22442333
Fax: + 965 22461225
www.bakertillykuwait.com



Dr. Saud Hamad Al-Humaidi
License No. 51A
of Dr. Saud Hamad Al-Humaidi & Partners
Member of Baker Tilly International



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

(IN THOUSANDS KD)	NOTE	2014	2013
ASSETS			
Current assets			
Cash and bank balances	4	343,570	399,242
Trade and other receivables	5	358,377	350,300
Inventories	6	16,836	14,922
Investment securities at fair value through profit or loss	7	1,941	1,930
		720,724	766,394
Non-current assets			
Investment securities available for sale	7	37,717	46,363
Investments in associates and joint ventures	8,9	238,977	265,197
Dues from associates	10	309,298	271,952
Other assets	11	22,772	18,726
Property and equipment	12	852,590	734,641
Intangible assets and goodwill	13	1,094,985	993,667
		2,556,339	2,330,546
		3,277,063	3,096,940
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	14	656,064	542,566
Due to banks	15	171,616	198,402
		827,680	740,968
Non-current liabilities			
Due to banks	15	616,645	557,319
Other non-current liabilities	16	38,769	35,451
		655,414	592,770
Equity			
Attributable to Company's shareholders			
Share capital	17	432,706	432,268
Share premium	17	1,707,164	1,706,779
Treasury shares	17	(567,834)	(567,834)
Legal reserve	17	216,353	216,134
Foreign currency translation reserve		(677,007)	(684,716)
Treasury shares reserve		1,967	1,967
Investment fair valuation reserve		1,205	2,445
Share based compensation reserve		-	5,482
Hedge reserve		(1,931)	(1,164)
Retained earnings		512,780	509,296
		1,625,403	1,620,657
Non-controlling interests		168,566	142,545
Total equity		1,793,969	1,763,202
Total Liabilities and Equity		3,277,063	3,096,940

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 2014

(IN THOUSANDS KD)	NOTE	2014	2013
Revenue	18	1,213,229	1,240,035
Cost of sales		(336,029)	(351,569)
Gross profit		877,200	888,466
Operating and administrative expenses	19	(359,728)	(342,923)
Depreciation and amortization	12,13	(171,749)	(194,566)
Provision for impairment – trade and other receivables	5	(10,657)	(7,722)
Operating profit		335,066	343,255
Interest income		18,691	18,095
Investment income	20	(1,906)	1,972
Share of results of associates and joint ventures	8,9	(34,092)	(36,159)
Other (expense)/income		(3,200)	(7,860)
Finance costs		(26,283)	(23,548)
Loss from currency revaluation		(43,358)	(24,911)
Board of Directors' remuneration		(344)	(430)
Contribution to Kuwait Foundation for Advancement of Sciences		(1,296)	(1,467)
National Labour Support Tax and Zakat	21	(5,580)	(7,250)
Profit for the year before income tax		237,698	261,697
Income tax expenses	22	(23,543)	(17,756)
Profit for the year		214,155	243,941
Attributable to:			
Shareholders of the Company		194,301	216,445
Non-controlling interests		19,854	27,496
		214,155	243,941
Earnings per share (EPS)			
	23		
Basic – Fils		50	56
Diluted – Fils		50	56

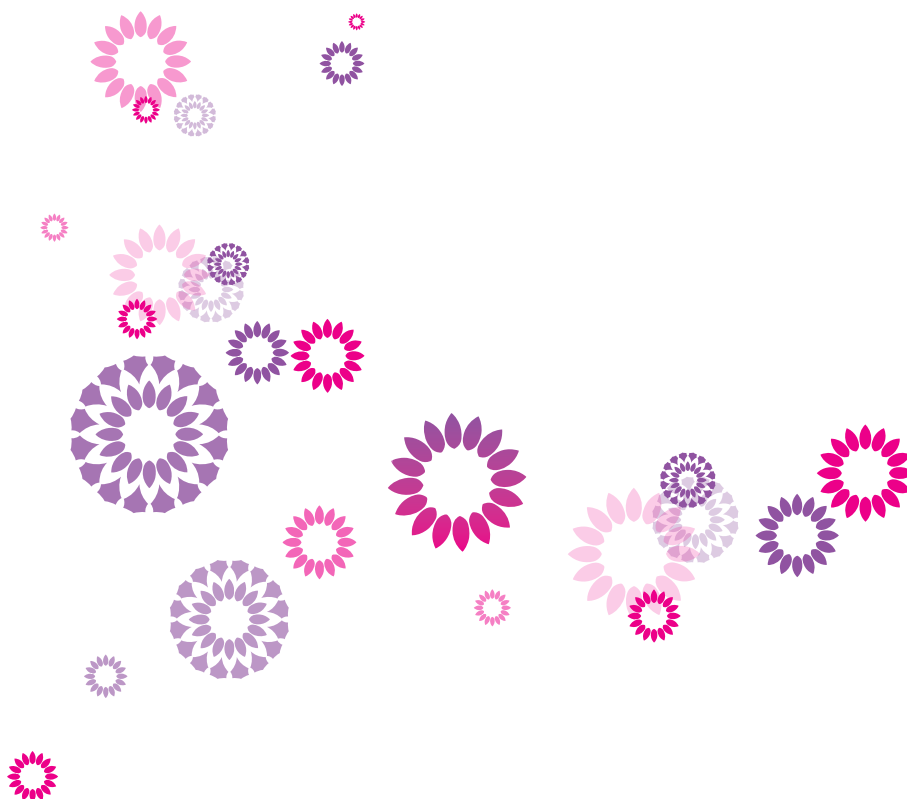
The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2014

(IN THOUSANDS KD)	2014	2013
Profit for the year	214,155	243,941
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	13,449	10,028
Net unrealised (loss)/gain on available-for-sale investments	(4,605)	3,655
Net loss/(gain) transferred to consolidated statement of profit or loss on sale of available-for-sale investments (net of impairment losses)	3,365	(223)
Cash flow hedges	(767)	(1,164)
Total comprehensive income for the year	225,597	256,237
Total comprehensive income attributable to:		
Shareholders of the Company	200,003	228,181
Non-controlling interests	25,594	28,056
	225,597	256,237

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

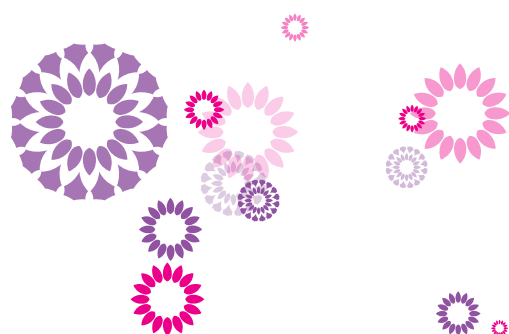


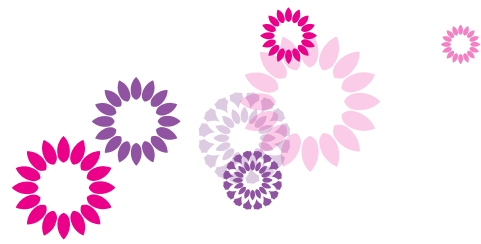
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

YEAR ENDED 31 DECEMBER 2014

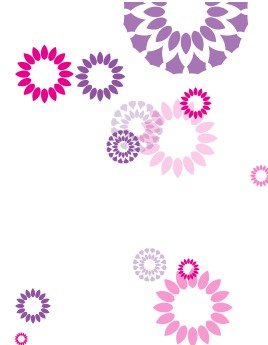
(IN THOUSANDS KD)	EQUITY ATTRIBUTABLE TO COMPANY'S SHAREHOLDERS					
	SHARE CAPITAL	SHARE PREMIUM	TREASURY SHARES	LEGAL RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	TREASURY SHARES RESERVE
Balance at 1 January 2014	432,268	1,706,779	(567,834)	216,134	(684,716)	1,967
Purchase of non-controlling interest (note 3)	-	-	-	-	-	-
Capital contribution	-	-	-	-	-	-
Effect of dilution of ownership interest	-	-	-	-	-	-
Transfer to reserves	-	-	-	219	-	-
Exercise of share options	438	385	-	-	-	-
Cash dividends (2013)	-	-	-	-	-	-
Equity issue transaction costs	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	7,709	-
Balance at 31 December 2014	432,706	1,707,164	(567,834)	216,353	(677,007)	1,967
Balance at 1 January 2013	431,527	1,705,387	(567,834)	215,764	(694,184)	1,967
Transfer to reserves	-	-	-	370	-	-
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	-
Balance at 31 December 2013	432,268	1,706,779	(567,834)	216,134	(684,716)	1,967

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





EQUITY ATTRIBUTABLE TO COMPANY'S SHAREHOLDERS						
EQUITY ISSUE TRANSACTION COSTS	INVESTMENT FAIR VALUATION RESERVE	SHARE BASED COMPENSATION RESERVE	HEDGE RESERVE	RETAINED EARNINGS	NON-CONTROLLING INTERESTS	TOTAL
-	2,445	5,482	(1,164)	509,296	142,545	1,763,202
-	-	-	-	(971)	(2,751)	(3,722)
-	-	-	-	-	7,062	7,062
-	-	-	-	514	(751)	(237)
-	-	-	-	(219)	-	-
-	-	-	-	-	-	823
-	-	-	-	(195,033)	(2,646)	(197,679)
(590)	-	-	-	-	(487)	(1,077)
590	-	(5,482)	-	4,892	-	-
-	(1,240)	-	(767)	194,301	25,594	225,597
-	1,205	-	(1,931)	512,780	168,566	1,793,969
-	(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
-	2,445	5,482	(1,164)	509,296	142,545	1,763,202



CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2014

(IN THOUSANDS KD)	2014	2013
Cash flows from operating activities		
Profit for the year before income tax	237,698	261,697
Adjustments for:		
Depreciation and amortization	171,749	194,566
Interest income	(18,691)	(18,095)
Investment income	1,906	(1,972)
Share of results of associates and joint ventures	34,092	36,159
Finance costs	26,283	23,548
Loss from currency revaluation	43,358	24,911
Gain on sale of property and equipment	(2,788)	(432)
Operating profit before working capital changes	493,607	520,382
Increase in trade and other receivables	(15,744)	(28,945)
Increase in inventories	(1,549)	(3,235)
Provisions used (net)	(109)	(12,832)
Increase in trade and other payables	15,064	14,822
Cash generated from operations	491,269	490,192
Payments:		
Income tax	(14,532)	(14,098)
Kuwait Foundation for Advancement of Sciences (KFAS)	(3,949)	(5,058)
National Labour Support Tax and Zakat	(3,807)	(4,646)
Net cash from operating activities	468,981	466,390
Cash flows from investing activities		
Deposits maturing after three months and bank balances blocked (note 4)	(5,994)	(2,867)
Investments in a subsidiary	(3,513)	-
Proceeds from sale of investment securities	4,888	6,443
Investments in securities	(750)	(545)
Acquisition of property and equipment (net)	(172,465)	(171,078)
Acquisition of intangible assets	(140,584)	(55,450)
Interest received	9,152	5,358
Dividends received	608	539
Net cash used in investing activities	(308,658)	(217,600)
Cash flows from financing activities		
Proceeds from bank borrowings	459,107	596,069
Repayment of bank borrowings	(455,050)	(494,578)
Loan to associates	(22,876)	(24,230)
Capital contribution including share premium – employees stock option	823	2,025
Proceeds from share issue of a subsidiary (net) (note 3)	5,985	-
Dividends paid	(195,184)	(194,005)
Dividends paid to non-controlling interests	(3,206)	(3,274)
Purchase of its treasury shares by a subsidiary	(236)	-
Finance costs paid	(18,510)	(36,597)
Net cash used in financing activities	(229,147)	(154,590)
Net (decrease)/increase in cash and cash equivalents	(68,824)	94,200
Effects of exchange rate changes on cash and cash equivalents	7,158	(434)
Cash and cash equivalents at beginning of year	282,687	188,921
Cash and cash equivalents at end of year (note 4)	221,021	282,687

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014

1. CORPORATE INCORPORATION

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

The Company and its subsidiaries (the "Group") along with associates provide mobile telecommunication services in Kuwait and 8 other countries (31 December 2013 - 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 Company on 1 February 2015 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.

In 2014, indications have emerged that the economy of the Republic of Sudan, where one of the Group's telecom subsidiary operates has become hyperinflationary. According to the most recent data published by an international agency the three year cumulative inflation rate at the end of 2014 was projected to exceed 100% based on the inflation rates for 2012, 2013 and 2014 that are either estimated, preliminary or projected. Under International Accounting Standard 29: Financial Reporting in Hyperinflationary Economies (IAS 29) an entity applies the Standard from the beginning of the reporting period in which it identifies the existence of hyperinflation. However, there is no official information regarding either the consumer price index at the end of 2014 or the applicable consumer price indices in order to apply IAS 29. As a result, Group management is not in a position to reliably determine its impact. Group management is regularly monitoring the situation and will apply IAS 29 when it obtains reliable and official information regarding the inflation rates and re-measurement indices, which will have an impact on the amounts reported in that period and in the comparative period. The independent auditors' of the Sudan subsidiary have, without qualifying the audit opinion, drawn attention to this matter in the audit report dated 28 January 2015.

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 32.

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:

IAS 32: FINANCIAL INSTRUMENTS: PRESENTATION - OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (AMENDMENTS)

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. The adoption of these amendments has had no impact on the financial position or performance of the Group.

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

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. The adoption of these amendments has not resulted in any material additional disclosures.

IAS: 39 NOVATION OF DERIVATIVES AND CONTINUATION OF HEDGE ACCOUNTING (AMENDMENTS)

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. The adoption of these amendments has had no impact on the disclosures or on the amounts recognized in these consolidated financial statements.

IFRIC 21: LEVIES

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. The application of this Interpretation has had no impact on the disclosures or on the amounts recognized these consolidated financial statements.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2014 did not have any material impact on the accounting policies, financial position or performance of the Group.

STANDARDS 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

The IASB issued IFRS 9 - Financial Instruments in its final form in July

2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt.

IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial assets. This Standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this Standard will have an effect on the classification and measurement of Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The impact of this Standard on the initial application in 2018 is not reasonably estimable at the present time.

IFRS 15 – REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue recognition requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Group is in the process of evaluating the effect and do not expect any significant impact on adoption of this Standard.

Adoption of other new or amended Standards are not expected to have 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 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 fair value is recognized as an indemnification asset at the acquisition date at its acquisition-date fair value.

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

2.4 CONSOLIDATION

The Group consolidates the financial statements of the 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 that control ceases.

Non-controlling interest in an acquiree is stated at the non-controlling interest's proportionate share in the recognized amounts of the acquiree's identifiable net assets at the acquisition date and the non-controlling interest's share of changes in the equity since the date of the combination. Total comprehensive income is attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary and any difference between the amount by which the

non-controlling interests is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the 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.

When the Company 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 has 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 that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

MEASUREMENT

Financial instruments

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

Financial assets at fair value through profit or loss

Financial assets classified as "at fair value through profit or loss" are divided into two sub categories: financial assets held for trading, and those designated at fair value through statement of 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 amortised cost using the effective yield method.

Available for sale

These are non-derivative financial assets not included in any of the above classifications and principally acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

These are subsequently measured and carried at fair value and any resultant gains or losses are recognized in the consolidated statement of comprehensive income. When the "available for sale" asset is disposed of or impaired, the related accumulated fair value adjustments are transferred to the consolidated statement of 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

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives with

positive fair values (unrealised gains) are included in other receivables and derivatives with negative fair values (unrealised losses) are included in other payables in the consolidated statement of financial position. For hedges, which do not qualify for hedge accounting and for "held for trading" derivatives, any gains or losses arising from changes in the fair value of the derivative are taken directly to the consolidated statement of 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 amortised cost, using the effective interest rate method, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge. If the hedged item is derecognized, the unamortised fair value adjustment is recognized immediately in the consolidated statement of 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 that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 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 recognised 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 whose original maturities do not exceed three months are classified as cash and cash equivalents in the consolidated statement of cash flows.

2.7 INVENTORIES

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

2.8 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 recognised as goodwill. Goodwill on acquisition of associates is included in the carrying values of investments in associates. Investments in associates are initially recognised at cost and are subsequently accounted for by the equity method of accounting from the date of significant influence to the date it ceases.

Under the equity method, the Group recognises in the consolidated statement of 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 recognises in equity. The cumulative post acquisition adjustments, and any impairment, are directly adjusted against the carrying value of the associate. Appropriate adjustments such as depreciation, amortisation and impairment losses are made to the Group's share of profit or loss after acquisition to account for the effect of fair value adjustments made at the time of acquisition.

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

2.9 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 recognises its interests in joint ventures as an investment and accounts for it using the equity method.

2.10 PROPERTY AND EQUIPMENT

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

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

	YEARS
Buildings and leasehold improvements	8 - 50
Cellular and other equipment	3 - 20
Aircraft	8 - 10
Furniture and fixtures	5

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. The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

2.11 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, Indefeasible Rights of Use (IRU), key money and software rights.

INTANGIBLE ASSETS

Intangible assets which have a finite life are amortized over their useful lives. For acquired network businesses whose operations are governed by fixed term licenses, the amortisation period is determined primarily by reference to the unexpired license period and the conditions for license renewal. Telecom license fees are amortised on a straight line basis over the life of the license. Key money and software rights are amortized on a straight line basis over a period of five years for software rights and over the lease period for operating leases. Customer contracts and relationships are amortised over a period of 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 amortised over the period of the contract.

IRU are the rights to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognized at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers or dedicated wave length bandwidth and the duration of the right is for the major part of the underlying asset's economic life. They are amortised on a straight line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 20 years.

GOODWILL

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 an entity include the carrying amount of goodwill relating to the entity or the portion sold.

2.12 IMPAIRMENT OF NON-FINANCIAL ASSETS

If there is an indication that the carrying value of non-financial assets such as property, plant and equipment or intangible assets with a definite useful life is greater than its recoverable amount, it is tested for impairment and the asset is written down to its recoverable amount. Goodwill and intangible assets with indefinite useful lives are tested, at least annually, for impairment.

The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In that case, they 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 property, plant and equipment and intangible assets as well as goodwill.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value

using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset for which the estimates of future cash flows have not been adjusted. The Group prepares formal four to 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 four to five year period. Fair value less costs to sell is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

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. An impairment loss is recognized immediately in the consolidated profit or loss unless the relevant assets are carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent of any previously recognized revaluation gain.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss. That relating to goodwill cannot be reversed in a subsequent period.

2.13 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 and tax rates in each jurisdiction that have been enacted or substantively enacted by the end of statement of financial position date.

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

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

Deferred tax assets are recognized for all deductible 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 deductible temporary difference can be utilised. The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

2.14 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.

2.15 SHARE-BASED PAYMENT TRANSACTIONS

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

2.16 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.

2.17 TREASURY SHARES

The cost of the 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.

2.18 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.

2.19 REVENUE

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

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

Specific customer acquisition costs other than those recognised 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.

2.20 BORROWING COSTS

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

2.21 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 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 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.

2.22 CONTINGENCIES

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

3. SUBSIDIARIES AND ASSOCIATES

The principal subsidiaries and associates are:

SUBSIDIARY	COUNTRY OF INCORPORATION	PERCENTAGE OF OWNERSHIP	
		2014	2013
Zain International B.V. – “ZIBV”	The Netherlands	100%	100%
Pella Investment Company – “Pella”	Jordan	96.516%	96.516%
Zain Bahrain B.S.C - “MTCB”	Bahrain	54.78%	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%
Kuwaiti Sudanese Holding Company	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%	76%
Atheer Telecom Iraq Limited – “Atheer”	Cayman Islands	76%	76%
Al Mouakhaa Lil Kadamat Al-Logistya Wal Al-Itisalat	Jordan	99.1%	99.1%
ASSOCIATE			
Mobile Telecommunications Company (“SMTC”)	Saudi Arabia	37.045%	37.045%
Wana Corporate S.A (associate of a joint venture, Zain Al Ajjal 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.

The unrest in Iraq since June 2014 has, to date, had a limited impact on the Group’s operations there. While noting the general uncertainty on this matter, the Group currently, does not expect that it could, materially affect the Group’s operation there in the foreseeable future.

ZAIN BAHRAIN

During the second quarter, the Group increased its shareholding in Zain Bahrain to 63% by acquiring additional shares from non-controlling interest holders. The difference between the consideration paid and the carrying value of the shares acquired is recorded in equity

The Group’s effective shareholding declined after Zain Bahrain made an initial public offering (IPO) of its shares in Bahrain during September 2014 to fulfil the terms of its telecom license agreement. The IPO was for 48 million new ordinary shares of par value of BD 0.100 per share at an offer price of BHD 0.190 per share and was fully subscribed to by 30 September 2014. The allotment was completed during first week of October 2014 and its shares were listed on the Bahrain Stock Exchange in December 2014.

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.

FINANCIAL SUPPORT TO GROUP COMPANIES

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

4. CASH AND BANK BALANCES

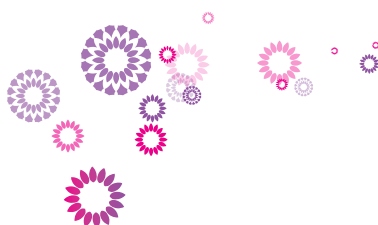
Cash and bank balances include the following cash and cash equivalents:

(IN THOUSANDS KD)	2014	2013
Cash on hand and at banks	225,175	242,983
Short-term deposits with banks	117,899	155,753
Government certificates of deposits held by subsidiaries	496	506
	343,570	399,242
Less:		
Bank balances blocked (refer note 27)	(121,583)	(112,068)
Cash at bank under lien	(470)	(3,981)
Government certificates of deposits held by subsidiaries	(496)	(506)
	221,021	282,687

5. TRADE AND OTHER RECEIVABLES

(IN THOUSANDS KD)	2014	2013
Trade receivables:		
Customers	89,335	77,964
Distributors	7,809	8,230
Other operators (interconnect)	39,420	24,885
Roaming partners	10,737	12,091
Provision for impairment	(49,581)	(40,845)
	97,720	82,325
Other receivables:		
Accrued income	3,965	5,310
Staff	2,610	2,703
Prepayments, advances and other deposits	116,119	126,921
Others (refer note below)	138,554	133,632
Provision for impairment	(591)	(591)
	260,657	267,975
	358,377	350,300

In 2011, the Group paid US\$ 473 million to settle the guarantees provided by the Company to lending banks for loans to a founding shareholder of SMTC. The Group is pursuing legal action for its recovery. This amount is secured by an agreement to transfer to the Group, the founding shareholder's shares in SMTC, which is currently pledged to the murabaha lenders of SMTC, and the shareholder loan in SMTC owed to the founding shareholder.



As of 31 December 2014, trade receivables of KD 44,223,000 (2013 - KD 32,619,000) were neither past due nor impaired. Trade receivables of KD 53,497,000 (2013 - KD 49,706,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. These trade receivables are uncollateralized and are due as follows:

(IN THOUSANDS KD)	2014	2013
Up to 3 months	17,272	17,953
3 – 6 months	14,492	10,110
6 – 12 months	3,661	9,379
More than 12 months	18,072	12,264
	53,497	49,706

As of 31 December 2014, trade receivables of KD 49,581,000 (2013 - KD 40,845,000) were impaired against which the Group carries a provision of KD 49,581,000 (2013 - KD 40,845,000). 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:

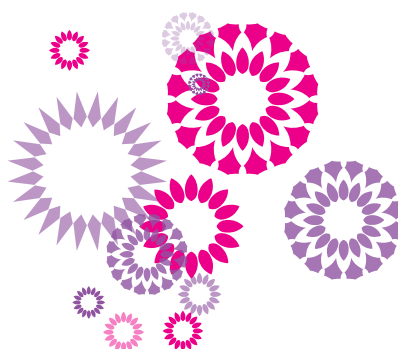
(IN THOUSANDS KD)	2014	2013
Kuwaiti dinar	50,581	47,326
US dollar	200,322	163,000
Euro	-	2,916
Bahraini dinar	12,901	12,741
Sudanese pound	12,123	19,645
Jordanian dinar	18,026	27,658
Iraqi dinars	57,270	69,807
Others	7,154	7,207
	358,377	350,300

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

(IN THOUSANDS KD)	2014	2013
Opening balance – 1 January	41,436	35,401
Write off (net)	(1,921)	(1,687)
Charge for the year	10,657	7,722
Closing balance – 31 December	50,172	41,436

6. INVENTORIES

(IN THOUSANDS KD)	2014	2013
Handsets and accessories	18,729	16,800
Provision for obsolescence	(1,893)	(1,878)
	16,836	14,922



7. INVESTMENT SECURITIES

(IN THOUSANDS KD)	2014	2013
Current investments at fair value through profit or loss		
Quoted equities	1,941	1,930
Non-current investments available for sale		
Quoted equities	27,018	27,104
Funds	6,635	11,511
Unquoted equities	4,064	7,748
	37,717	46,363

Investment securities are denominated in the following currencies:

(IN THOUSANDS KD)	2014	2013
Kuwaiti dinar	27,547	35,616
US dollar	3,697	4,080
Other currencies	8,414	8,597
	39,658	48,293

Available for sale investments include unlisted securities amounting to KD 4.064 million (2013 - KD 7.748 million) carried at cost less impairment since it is not possible to reliably measure their fair value.

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)	2014	2013
Current assets	303,289	249,599
Non-current assets	1,714,217	1,726,419
Current liabilities	304,008	288,105
Non-current liabilities	1,287,304	1,178,986
Net asset of SMTC	426,194	508,927
Revenue	485,778	491,151
Loss	(96,206)	(124,723)
Total comprehensive income	(2,071)	(3,142)
Proportion Group's ownership interest in SMTC	37.045%	37.045%
Group's share of SMTC's net assets	157,884	188,533
Goodwill	11,994	11,569
Carrying amount of Group' interest in SMTC	169,878	200,102

As at 31 December 2014 the fair value of the Group's investment in SMTC, being its quoted market share price on the Saudi Stock Exchange, was KD 201.303 million (2013 – KD 280.204 million).

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

The Company's shareholding and that of the other founding shareholders, in SMTC are 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 review report dated 21 January 2015, has, without qualifying their conclusion, drawn attention to:

- its loss for the year, working capital deficit and accumulated losses;
- a technical deviation of the covenants of the Murabaha Financing agreement; its management receiving a waiver for the above breach as of 30 September 2014 and an agreement with the financing banks to revise these covenant calculations for 31 December 2014 and 31 March 2015; that its Board of Directors has approved a revised business plan subject to a final understanding with the financing banks to comply with the requirement of the financing agreements;
- recommendation of its Board of Directors to its shareholders to reduce the share capital from SAR 10,801,000,000 to SAR 5,837,291,750 representing a decrease of 45.96%, subject to the shareholders and regulatory authorities approval;
- a claim of SAR 2.2 billion (KD 171.600 million) plus penalties raised by Etihad Etisalat Company (Mobily) against it, arising on the service agreement entered into by the parties in May 2008 and that this is under arbitration since 20 December 2014; and whose ultimate outcome and the resultant effect, if any, on its accounts cannot be reliably determined at this stage.

9. INTEREST IN A JOINT VENTURE

The Group incorporated a joint venture, Zain Al Ajjal 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 1,548,000 (2013 - KD 10,045,000) 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.

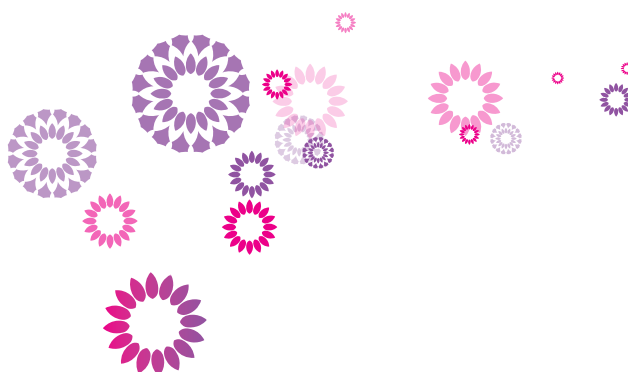
10. DUES FROM ASSOCIATES

(IN THOUSANDS KD)	2014	2013
Loans	199,079	170,478
Others	110,219	101,474
	309,298	271,952

These amounts are due from SMTC. Loans are denominated in United States Dollar - KD 162.239 million (2013 - KD 133.638 million) and in KD 36.839 million (2013 - KD 36.839 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 11.708 million (2013 - KD 11.292 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.



12. PROPERTY AND EQUIPMENT

(IN THOUSANDS KD)	LAND AND BUILDINGS AND LEASEHOLD IMPROVEMENTS	CELLULAR AND OTHER EQUIPMENT	PROJECTS IN PROGRESS	TOTAL
COST				
As at 31 December 2012	70,097	1,353,955	121,023	1,545,075
Additions	10,854	126,455	61,713	199,022
Transfers	2,723	85,389	(88,112)	-
Adjustments	-	-	-	-
Disposals	(11)	(167,243)	(4)	(167,258)
Write off	-	(43,463)	-	(43,463)
Exchange adjustment	433	3,743	1,768	5,944
As at 31 December 2013	84,096	1,358,836	96,388	1,539,320
Additions	13,385	56,275	140,667	210,327
Transfers	2,136	91,135	(93,271)	-
Adjustments	-	(3,311)	-	(3,311)
Disposals	(10)	(94,142)	(899)	(95,051)
Write off	-	-	(195)	(195)
Exchange adjustment	2,527	36,622	14,328	53,477
As at 31 December 2014	102,134	1,445,415	157,018	1,704,567
ACCUMULATED DEPRECIATION				
As at 31 December 2012	35,597	810,448	-	846,045
Charge for the year	2,966	125,608	-	128,574
On disposals	(8)	(126,964)	-	(126,972)
Write off	-	(43,414)	-	(43,414)
Adjustments	(221)	-	-	(221)
Exchange adjustment	192	475	-	667
As at 31 December 2013	38,526	766,153	-	804,679
Charge for the year	1,765	101,755	-	103,520
On disposals	(9)	(73,085)	-	(73,094)
Write off	-	-	-	-
Adjustments	(110)	-	-	(110)
Exchange adjustment	1,010	15,972	-	16,982
As at 31 December 2014	41,182	810,795	-	851,977
NET BOOK VALUE				
As at 31 December 2014	60,952	634,620	157,018	852,590
As at 31 December 2013	45,570	592,683	96,388	734,641

During the year, the Group reviewed and revised the estimated useful lives of certain assets. Assuming the assets are held until the end of their estimated useful lives, the financial effect of this reassessment is to decrease the depreciation expense in the current financial year and until the end the useful lives of the equipment. As a result of this change in accounting estimate, the depreciation charge for the current year decreased by KD 21.774 million.

13. INTANGIBLE ASSETS AND GOODWILL

(IN THOUSANDS KD)	GOODWILL	LICENCE FEES	OTHERS	TOTAL
COST				
As at 31 December 2012	699,972	447,163	105,537	1,252,672
Other additions	-	-	55,001	55,001
Exchange adjustments	3,709	3,482	416	7,607
As at 31 December 2013	703,681	450,645	160,954	1,315,280
Other additions	-	100,548	40,787	141,335
Adjustments	-	-	5,025	5,025
On disposals	-	-	(9)	(9)
Exchange adjustments	12,397	17,911	3,977	34,285
As at 31 December 2014	716,078	569,104	210,734	1,495,916
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES				
As at 31 December 2012	11,942	157,462	85,186	254,590
Charge for the year	-	29,330	36,662	65,992
Exchange adjustments	-	707	324	1,031
As at 31 December 2013	11,942	187,499	122,172	321,613
Charge for the year	-	29,963	38,266	68,229
Adjustments	-	-	670	670
On disposals	-	-	(6)	(6)
Exchange adjustments	-	7,310	3,115	10,425
As at 31 December 2014	11,942	224,772	164,217	400,931
NET BOOK VALUE				
As at 31 December 2014	704,136	344,332	46,517	1,094,985
As at 31 December 2013	691,739	263,146	38,782	993,667

During the year, Pella was awarded telecom licenses for an additional 3G spectrum and 4G (LTE) services by the Telecommunication Regulatory Commission of the Kingdom of Jordan for a total consideration amounting to JD 195.504 million (KD 78.716 million). LTE license is in two bands for a period of 15 years from January 2015 and January 2016 respectively.

In December 2014, Atheer was awarded a 3G telecom license by CMC for a fee of US\$ 307 million (KD 89.859 million) for a period up to August 2022. In accordance with the 3G license terms, Atheer paid US\$ 76.5 million (KD 21.832 million) being 25% of the fee as an advance. The remaining amount is to be paid in three equal instalments on 30 May 2015, 30 November 2015 and 30 May 2016. The license is effective from 1 January 2015.

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	2014	2013
Pella Investment Company, Jordan	January 2031	79,516	79,516
Zain Bahrain B.S.C, Bahrain	September 2028	-	-
Sudanese Mobile Telephone Company Limited (Zain, Sudan)	February 2029	176,168	179,645
Atheer Telecom Iraq Limited, Cayman Islands	August 2022	441,877	426,177
Al Mouakhah Lil Khadamat Al-Logisteih Wa Al-Itisalat	December 2021	6,575	6,401
		704,136	691,739

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.

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

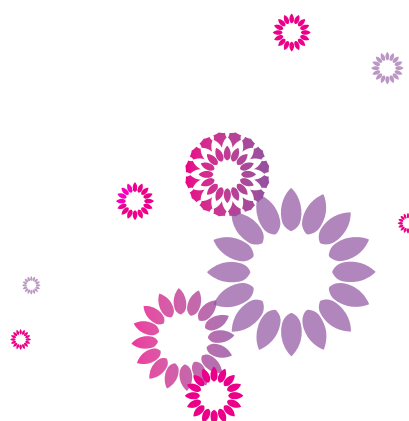
KEY ASSUMPTION	BASIS USED TO DETERMINE VALUE TO BE ASSIGNED TO KEY ASSUMPTION
Growth rate	<p>Increase in competition expected but no significant change in market share of any CGU as a result of ongoing service quality improvements and expected growth in market penetration but excluding that from improving or enhancing the asset's performance.</p> <p>Average revenue in the period immediately before budget period increased each year for anticipated growth in revenue of up to 9.2% (2013 – 7.9%). Value assigned reflects past experience and changes in economic environment.</p> <p>Cash flows beyond the four to five year period have been extrapolated using a growth rate of upto 3% (2013 – 2%). This growth rate does not exceed the long term average growth rate of the market in which the CGU operates.</p>
Exchange rate	Average market forward rate over the budget period. Value assigned is consistent with external sources of information.
Discount rate	Discount rates range from 11.72% to 15.50% (2013 – 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 to five year period. The recoverable amounts so obtained were higher than the carrying amount of the CGUs.

14. TRADE AND OTHER PAYABLES

(IN THOUSANDS KD)	2014	2013
Trade payables & accruals	362,409	287,046
Deferred revenue	69,773	63,360
Due to roaming partners	20,801	11,468
Due to other operators (interconnect)	20,871	14,372
Due to Government of Jordan	17,275	14,060
Taxes – foreign subsidiaries	56,337	44,213
Kuwait Foundation for the Advancement of Sciences	4,388	7,041
National Labour Support Tax and Zakat	5,700	6,307
Dividend payable	13,957	14,404
Provisions	62,676	62,785
Directors' remuneration	344	430
Other payables	21,533	17,080
	656,064	542,566



15. DUE TO BANKS

(IN THOUSANDS KD)	2014	2013
Company		
Short term loans	142,587	33,876
Long term loans	477,004	526,023
	619,591	559,899
Zain Sudan		
Short term Murabaha financing	457	-
Zain – Bahrain		
Long term loans	17,028	14,978
Zain – South Sudan		
Long term loan	-	669
Atheer – Iraq		
Short term loan	-	84,690
Long term loans	151,185	95,485
	151,185	180,175
	788,261	755,721

The current and non-current amounts are as follows:

(IN THOUSANDS KD)	2014	2013
Current liabilities	171,616	198,402
Non-current liabilities	616,645	557,319
	788,261	755,721

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

(IN THOUSANDS KD)	2014	2013
US dollar	731,226	720,744
Kuwaiti dinar	39,550	20,000
Others	17,485	14,977
	788,261	755,721

The effective interest rate as at 31 December 2014 was 1.18% to 12.00% (2013 – 1.49% to 6.15%) per annum.

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

- consolidated net borrowings to adjusted consolidated Earnings Before Interest Tax Depreciation and Amortisation (EBITDA);
- adjusted consolidated EBITDA to adjusted consolidated net interest payable;
- equity to total assets.

COMPANY

During the year, the Company obtained:

- new long term loans amounting to US\$ 1.088 billion (equivalent to KD 306.666 million) which includes:
 - US\$ 800 million (KD 224.880 million) long term revolving credit facility maturing in February 2019. As of 31 December 2014 US\$ 340 million (KD 99.518 million) was outstanding on this facility;
 - US\$ 288.685 million (KD 81.786 million) from local commercial banks;
- new short term loans amounting to US\$ 183.703 million (KD 52.996 million);
- US\$ 287.743 million (KD 83.248 million) as a draw down from existing facilities.



The Company also repaid loans amounting to KD 351.420 million during the year. This includes:

- US\$ 540 million (KD 153.846 million) from the US\$ 800 million revolving credit facility availed in April 2013. As of 31 December 2014 US\$ 330 million (KD 96.591 million) (31 December 2013 - KD 225.840 million) was outstanding on this facility;
- US\$ 140 million (KD 39.522 million) paid to fully settle the US\$ 1.3 billion revolving credit facility that was availed in March 2011;
- US\$ 160 million (KD 45.024 million) to fully settle the long term loan availed in March 2012.

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

ZAIN – BAHRAIN

This represents balance outstanding on the long term Bahraini Dinar denominated facilities, availed in 2013, at a fixed margin over Bahrain Inter Bank Overnight rate (BIBOR). These are amortising facilities with maturities over four years.

ZAIN SOUTH SUDAN

During the year the US\$ denominated loan was repaid in full.

ATHEER

Long term loans include:

- US\$ 400 million loan availed in 2011 from a syndicate of international development finance institutions and foreign banks. This is repayable in twenty four equal installments by January 2018. As of 31 December 2014, US\$ 216.520 million (KD 63.375 million) (2013 – KD 79.959 million) was outstanding from this facility;
- US\$ 300 million (KD 87.810 million) loan from a commercial bank that was rolled over as a long term loan maturing in December 2019.

These facilities are guaranteed by the Company and carry a floating interest rate of a fixed margin over three month LIBOR.

During the year, Atheer repaid long terms loans amounting to US\$ 121.720 million (KD 34.923 million).

ZAIN SUDAN

This represents Sudanese Pounds short term financing availed from a local Islamic bank carrying an effective interest rate of 12% per annum. This facility is secured by cash at bank amounting to KD 457 thousand (note 4).

16. OTHER NON-CURRENT LIABILITIES

(IN THOUSANDS KD)	2014	2013
Customer deposits	5,382	5,506
Post employment benefits	32,962	29,532
Refundable deposits and others	425	413
	38,769	35,451

17. SHARE CAPITAL AND RESERVES

SHARE CAPITAL (PAR VALUE OF KD 0.100 PER SHARE)	2014	2013
	NO. OF SHARES	NO. OF SHARES
Authorised		
Opening balance	4,327,058,909	4,322,574,895
Net increase during the year	-	4,484,014
	4,327,058,909	4,327,058,909
Issued and fully paid up		
Opening balance	4,322,684,279	4,315,274,866
Shares issued for 2010 ESOP	-	3,418,612
Shares issued for 2011 ESOP	1,233,629	1,195,362
Shares issued for 2012 ESOP	3,141,001	2,795,439
	4,327,058,909	4,322,684,279

SHARE PREMIUM

Increase in share premium during the year represents issue of shares at a premium under the Employee Share Option Plan (ESOP).

TREASURY SHARES

(IN THOUSANDS KD)	2014	2013
Number of shares	425,711,648	425,711,648
Percentage of issued shares	9.84%	9.85%
Market value (KD '000)	225,627	293,741
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 until all these shares are disposed.

LEGAL RESERVE

In accordance with the Companies Law and the 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 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 (2013 - Nil).

DIVIDEND – 2013

The annual general meeting of shareholders for the year ended 31 December 2013 held on 20 February 2014 approved distribution of cash dividends of 50 fils per share for the year 2013.

Proposed dividend

The Board of Directors, subject to the approval of shareholders, recommends distribution of a cash dividend of 40 fils per share (2013 - 50 fils per share) to the registered shareholders as of the date of the Annual General Meeting.

18. REVENUE

(IN THOUSANDS KD)	2014	2013
Airtime, data and subscription	1,182,409	1,215,684
Trading income	30,820	24,351
	1,213,229	1,240,035

19. OPERATING AND ADMINISTRATIVE EXPENSES

This includes staff costs of KD 93.863 million (2013 – KD 88.891 million).



20. INVESTMENT INCOME

(IN THOUSANDS KD)	2014	2013
Loss on investments at fair value through profit or loss	(10)	(272)
Realized gains from available for sale investments	3,109	1,341
Impairment loss on available for sale investments	(5,921)	-
Dividend income	916	903
	(1,906)	1,972

21. NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT

(IN THOUSANDS KD)	2014	2013
NLST- Kuwait	2,307	3,126
Zakat- Kuwait	916	1,250
Zakat- Sudan	2,357	2,874
	5,580	7,250

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.

22. INCOME TAX EXPENSES

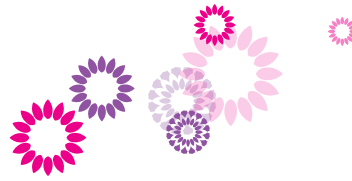
This represents the income tax expenses of subsidiaries and withholding taxes (refer note 24).

23. EARNINGS PER SHARE

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

(IN THOUSANDS KD)	2014	2013
Profit for the year	194,301	216,445
	<i>Shares</i>	<i>Shares</i>
Weighted average number of shares in issue	3,901,347,261	3,896,972,631
Effect of dilution	-	2,766,901
Weighted average number of shares in issue outstanding during the year adjusted for the effect of dilution	3,901,347,261	3,899,739,532
	<i>Fils</i>	<i>Fils</i>
Basic earnings per share	50	56
Diluted earnings per share	50	56





(IN THOUSANDS KD)	31 DECEMBER 2013					
	KUWAIT	JORDAN	SUDAN	IRAQ	OTHERS	TOTAL
SEGMENT REVENUES	339,725	140,063	176,533	494,158	89,556	1,240,035
Net profit before interest and tax	107,048	42,571	29,503	123,630	(259)	302,493
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
Unallocated items:						
Investment income						1,972
Share of results of associates and joint ventures						(36,159)
Others						12,323
Profit for the year						243,941
SEGMENT ASSETS	241,256	257,479	430,436	1,052,283	215,106	2,196,560
Unallocated items:						
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
Consolidated assets						3,096,940
SEGMENT LIABILITIES	92,644	80,831	38,777	206,747	172,470	591,469
Due to banks	-	-	-	180,175	15,647	195,822
	92,644	80,831	38,777	386,922	188,117	787,291
Unallocated items:						
Due to banks						559,899
Others						(13,452)
Consolidated liabilities						1,333,738
Net consolidated assets						1,763,202
Capital expenditure incurred during the year	58,016	36,017	29,182	83,160	37,991	244,366
Unallocated						9,657
Total capital expenditure						254,023
Depreciation and amortization	51,400	18,324	26,848	65,417	30,019	192,008
Unallocated						2,558
Total depreciation and amortization						194,566

25. SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTERESTS

The summarized financial information for the Group's subsidiaries that have significant non-controlling interests is set out below.

(IN THOUSANDS KD)	AL KHATEM, IRAQ		ZAIN BAHRAIN	
	2014	2013	2014	2013
Current assets	224,902	224,649	20,214	20,048
Non-current assets	719,668	669,459	66,573	60,312
Current liabilities	(189,212)	(281,732)	(28,850)	(27,874)
Non-current liabilities	(154,496)	(105,190)	(11,875)	(12,764)
Equity attributable to:				
- Owners of the Company	456,625	385,436	25,233	22,344
- Non-controlling interests	144,237	121,750	20,829	17,378
Revenue	455,015	494,158	55,237	60,344
Profit for the year	72,554	102,240	3,129	4,060
Other comprehensive income	-	-	-	-
Total comprehensive income	72,554	102,240	3,129	4,060
Total comprehensive income attributable to:				
- Company's shareholders	55,137	77,702	1,818	2,284
- Non-controlling interests	17,417	24,538	1,311	1,776
	72,554	102,240	3,129	4,060
Cash dividend paid to Non-controlling Interests	-	-	(1,474)	(2,104)
Net (decrease)/increase in cash flows	(20,354)	7,623	(54)	1,048

26. 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)	2014	2013
Transactions		
Management fees (included in other income)	3,415	3,569
Interest income on loans to associates	9,967	11,616
Key management compensation		
Salaries and other short term employee benefits	7,931	6,904
Post-employment benefits	1,666	1,558
Share based payments	-	428

27. COMMITMENTS AND CONTINGENCIES

(IN THOUSANDS KD)	2014	2013
Capital commitments	209,723	81,384
Capital commitments – share of associates	83,909	7,683
Uncalled share capital of investee companies	162	157
Letters of credit	1,459	9,575
Letters of guarantee	470,381	465,009

The above include guarantees amounting to KD 420.853 million (2013 - KD 421.129 million) relating to loans availed by SMTC.

The Company is a guarantor for credit facilities amounting to KD 10.233 million (2013 – KD 9.869 million) granted to a founding shareholder in SMTC. The Company believes that the collaterals provided by the founding shareholder to the bank, covers the credit facilities.

The Iraq income tax authority, the General Commission for Taxes (the "Tax Authority"), has raised claims for additional income taxes of US\$ 109 million (KD 31.904 million) for Atheer's operations upto fiscal year 2008. 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. The Group has paid 25% of the amount demanded for 2008 in order to comply with taxation laws and to protect its rights for appealing. In December 2014, the Tax Authority has raised additional claim for income tax for the fiscal year 2009 amounting to US\$ 34 million (KD 9.952 million) and for the fiscal year 2010 amounting to US\$ 34 million (KD 9.952 million). The Group intends to challenge these demands in accordance with the procedures of Income tax law by, among other things, depositing 25% of the amount. On the basis of the report of the attorneys, the Group believes that its chances of resolving these outstanding claims in its favor are reasonably good.

On 6 March 2011, the Iraqi Telecom Regulatory Authority, the Communication and Media Commission (CMC) claimed a total amount of US\$ 262 million (KD 76.687 million) (US\$ 100 million as a fine, and US\$ 162 million as the CMC's portion of the revenue share) (31 December 2013 - 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. On the penalty of US\$ 100 million, the hearing panel has conducted a number of hearings and has not yet reached a decision on these matters. As for the US\$ 162 million portion of the penalty, the CMC issued a letter to Atheer on 18 November 2014 demanding the payment of this penalty. Atheer filed an appeal with the Appellate Panel of CMC on the basis that this matter was already addressed by the Appellate Panel. On the basis of the report of the attorneys, the Group is confident that the decision of hearing panel would be consistent with the previous decisions of the Board of Appeals of CMC.

Furthermore, CMC has also levied a penalty of US\$ 18 Million (KD 5.268 million) (31 December 2013 - US\$ 18 million) citing breach of network quality covenants. The Group filed an appeal with the Court of Cassation which issued a decision that the cabinet did not have the authority to impose such penalties, especially prior to assessing the real damages. In April 2014, CMC demanded the payment of this penalty and Atheer paid US\$ 18 million as a prepayment of potential penalty, which would be returned if Atheer is not deemed liable for the penalty. The matter has been remanded to the Court of Appeals which is still to hear the case. 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. On the basis of the report of the attorneys, the Group believes that its chances of resolving this outstanding claim in its favor are reasonably good.

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 26.050 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. 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. On the basis of the report of the attorneys, the Group believes that its chances of resolving these outstanding claims in its favor are reasonably good. Furthermore, under the SPA, Atheer can recover from the Seller, any such Iraqna related tax claims, up to US\$ 60 million (KD 17.562 million) and on that basis has commenced legal proceedings in an English court to secure this right.

In December 2011, the Tax Authority has also claimed from Atheer the capital gains taxes payable by the Seller amounting to US\$ 187 million (KD 54.735 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. The Court of Cassation ruled that the lower courts do not have the jurisdiction to hear tax related matters. Accordingly, the Court of Appeals

reversed its earlier ruling. Atheer filed a new appeal in the Court of Cassation against the ruling of Court of Appeals. However, the Court of Cassation has ruled that the civil judicial system does not have the jurisdiction to address this matter which is to be handled by the tax authorities. The tax authorities commenced enforcement proceedings to force the banks holding the amounts to pay such amounts to the tax authorities. The Group filed a suit and obtained a judgment dated 28 August 2014 from the Court of Appeals halting any such enforcement proceedings. In September 2014, the lawyers of Atheer gave personal guarantee amounting to US\$ 19 million (KD 5.561 million) which was counter guaranteed by Atheer. Atheer filed a case with the Court of First Instance stipulating that the tax authorities do not have exclusive jurisdiction to hear this case which is pending at that court. 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 54.735 million) and to release the balance amounts (refer note 4). On the advice of attorneys, the Group expects a favorable outcome on this and does not consider that these matters could have an adverse impact on the Group's business or its operations in Iraq.

In August 2013, a telecom operator in Iraq filed a claim against CMC as the first defendant and Atheer as the second defendant in the Court of First Instance, alleging that certain actions by the CMC and Atheer in 2007 deprived the telecom operator from acquiring the business of Iraqna, which ended up being acquired by Atheer. The telecom operator claimed US\$ 4.5 billion (KD 1.317 billion) from Atheer and made a combined claim of US\$ 1 billion from CMC and Atheer. The telecom operator's claim focuses on alleged lost revenues attributed to the subscribers of Iraqna that were migrated to Atheer's network after the acquisition. In conjunction with the claim, the telecom operator made an application to the Court of First Instance in a separate case, for the appointment of an administrator to manage and collect revenues

that are attributed to such Iraqna subscribers pending the outcome of the original claim. In January 2014, the court issued a decision appointing an administrator to collect and manage the disputed revenues on a monthly basis and hold such revenues in custody with an Iraqi bank pending the final outcome of the case. On 9 July 2014, the Court of First Instance issued a decision on the case dismissing the case on the basis that the plaintiff did not appropriately submit its case. In particular, and as it related to the claim against Atheer, the court indicated that the plaintiff violated the laws of civil procedure. On 13 July 2014, in light of its earlier decision dismissing the claim, the Court of First Instance issued a decision ceasing the measures related to the appointment of the court appointed administrator, indicating that Atheer need not deposit on an ongoing basis the monthly revenues in the relevant bank account. The court further indicated that, with respect to the amounts already deposited in the said account (which amounts to only one-month's revenues of US\$ 17 million (KD 4.976 million) attributed to the former Iraqna subscribers), such moneys will remain in the said account until all stages of appeal have been exhausted. When the Court of First Instance dismissed the case on procedural grounds, the telecom operator appealed the case to the Court of Appeals. In November 2014, the Court of Appeals issued a decision against Atheer for an amount of US\$ 2.14 billion. However, Atheer filed an appeal before the Court of Cassation and on 14 December 2014 the Court of Cassation issued a favorable decision dismissing the telecom operator's claim on the basis that Atheer was following the regulations imposed by CMC and the stipulations of the interim telecommunication license, as well as the requirements imposed by the tender rules for the permanent license. The Court of Cassation then remanded the matter to the Court of Appeals to amend its decision in a manner consistent with the decision of the Court of Cassation. On 22 January 2015 the Court of Appeals issued such a decision in

favor of Atheer and dismissed the claims of the telecom operator. The telecom operator has the right to appeal such decision within 30 days from the date it was issued, which has not taken place until the date of these consolidated financial statements.

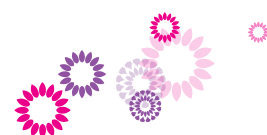
In October 2014, Atheer received a claim of US\$ 84 million (KD 24.587 million) from the CMC as spectrum usage fees from August 2007 to 31 December 2013. Atheer appealed the assessment on the basis of (i) the fact that assessment is not based on any appropriate announced formulae and (ii) the fact that it is against Iraqi law to issue assessments on a retroactive basis. In December 2014, the Appellate Panel of the CMC issued a decision in favor of Atheer, instructing the CMC Director General to address the issue of the spectrum fees in a manner consistent with its decision. The CMC is yet to respond to this. The Group's position is based on the Iraqi civil code and the legal norms that prohibit the Government from imposing penalties on activities on a retroactive basis.

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

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

OPERATING LEASE COMMITMENTS – GROUP AS LESSEE

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



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

(IN THOUSANDS KD)	2014	2013
Not later than 1 year	13,363	11,189
Later than 1 year and no later than 5 years	34,971	28,404
Later than 5 years	39,810	31,890
	88,144	71,483

28. 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
31 December 2014			
Cash and bank balances	343,570	-	-
Trade and other receivables	358,377	-	-
Investment securities	-	1,941	37,717
Dues from associates	309,298	-	-
Other assets	11,732	-	-
	1,022,977	1,941	37,717
31 December 2013			
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	-	-
	1,032,851	1,930	46,363

All financial liabilities as of 31 December 2014 and 31 December 2013 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 analyse the risks faced by the Group, to set appropriate risk limits and controls,

and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities. The Group through its training and management standards and procedures aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Group's Board Committee oversees how management monitors compliance with the risk management policies and procedures and reviews adequacy of the risk management framework in relation to the risks faced by the Group. The Board Committee is assisted in its oversight role by the Internal audit and the Group risk management department. The significant risks that the Group is exposed to are discussed below:

(A) MARKET RISK

(i) Foreign exchange risk

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

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

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:

(IN THOUSANDS KD)	2014	2013
US Dollar	13,823	9,880
Euro	601	153
SAR	200	166

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:

MARKET INDICES	2014 (KD '000)		2013 (KD '000)	
	IMPACT ON NET PROFIT	EFFECT ON EQUITY	IMPACT ON NET PROFIT	EFFECT ON EQUITY
Kuwait Stock Exchange	±97	±1,631	±96	±1,854

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'.

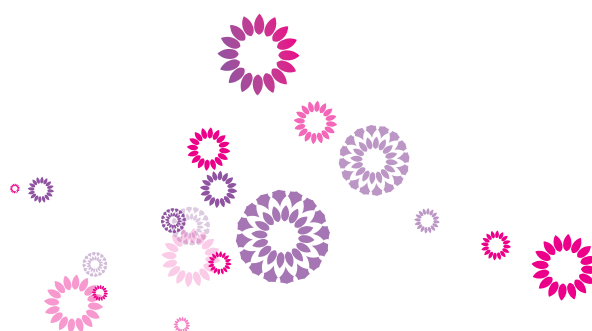
(iii) Cash flow and fair value interest rate risk

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. The Group's borrowings at variable rates are denominated mainly in US Dollars.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on consolidated statement of 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 2014, 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 4,009,000 (2013 - KD 3,870,000).



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 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 88.326 million (2013 - KD 72.897 million) equivalent held in Sudanese pounds and KD 12.959 million (2013 - KD 8.139 million) held in South Sudanese pounds, all other cash and bank balance are maintained in freely convertible currencies.

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

(IN THOUSANDS KD)	LESS THAN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 5 YEARS	OVER 5 YEARS
At 31 December 2014				
Bank borrowings	186,658	156,415	433,447	63,929
Trade and other payables	586,291	-	-	-
Customer deposits	444	601	-	4,337
Refundable deposits and others	-	425	-	-
At 31 December 2013				
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	-	-

29. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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 2014	POSITIVE FAIR VALUE	NEGATIVE FAIR VALUE	NOTIONAL AMOUNT	WITHIN 3 MONTHS	3 -12 MONTHS	OVER 1 YEAR
Derivatives held for hedging:						
<i>Cash flow hedges</i>						
Profit rate swaps - share of an associate	-	(1,931)	124,694	-	-	124,694
<i>Derivatives held for trading:</i>						
Fx forwards	-	(1,752)	73,175	73,175	-	-

(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
Derivatives held for hedging:						
<i>Cash flow hedges</i>						
Profit rate swaps - share of an associate	-	(1,164)	120,378	-	-	120,378
<i>Derivatives held for trading:</i>						
Fx forwards	-	-	-	-	-	-

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.

30. CAPITAL RISK MANAGEMENT

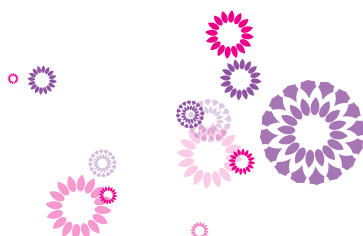
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide return on investment to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In managing capital,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

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

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

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

(IN THOUSANDS KD)	2014	2013
Total borrowings	788,261	755,721
Less: Cash and bank balances (refer note 4)	(343,570)	(399,242)
Net debt	444,691	356,479
Total equity	1,793,969	1,763,202
Total capital	2,238,660	2,119,681
Gearing ratio	20%	17%



31. 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.

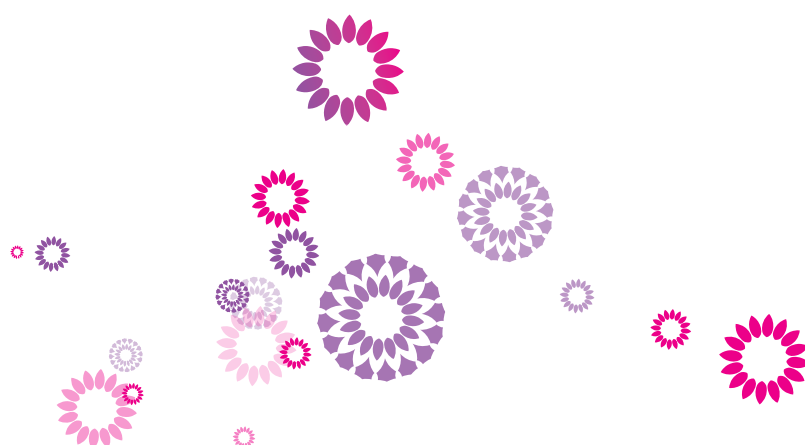
For unquoted financial instruments fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

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 2014			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value:				
Investments at fair value through profit or loss	1,941	-	-	1,941
Available for sale investments	27,018	6,635	-	33,653
Total assets	28,959	6,635	-	35,594

(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	11,511	-	38,615
Total assets	29,034	11,511	-	40,545



32. 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 non-financial assets may be impaired. The determination of impairment requires considerable judgment and involves evaluating factors including, industry and market conditions.

Contingent liabilities/liabilities

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

SOURCES OF ESTIMATION UNCERTAINTY

Fair values - unquoted equity investments and business combinations

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

Accounts receivable

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

Tangible and intangible assets

The Group estimates useful lives and residual values of tangible assets and intangible assets with definite useful lives. Changes in technology or intended period of use of these assets as well as changes in business prospects or economic industry factors may cause the estimate useful of life of these assets to change.

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.

Impairment of non-financial assets

The Group annually tests non-financial assets for impairment to determine their recoverable amounts based on value-in-use calculations or at fair value less costs to sell. The value in use includes estimates on growth rates of future cash flows, number of years used in the cash flow model and the discount rates. The fair value less cost to sell estimate is based on recent/intended market transactions and the related EBITDA multiples used in such transactions.

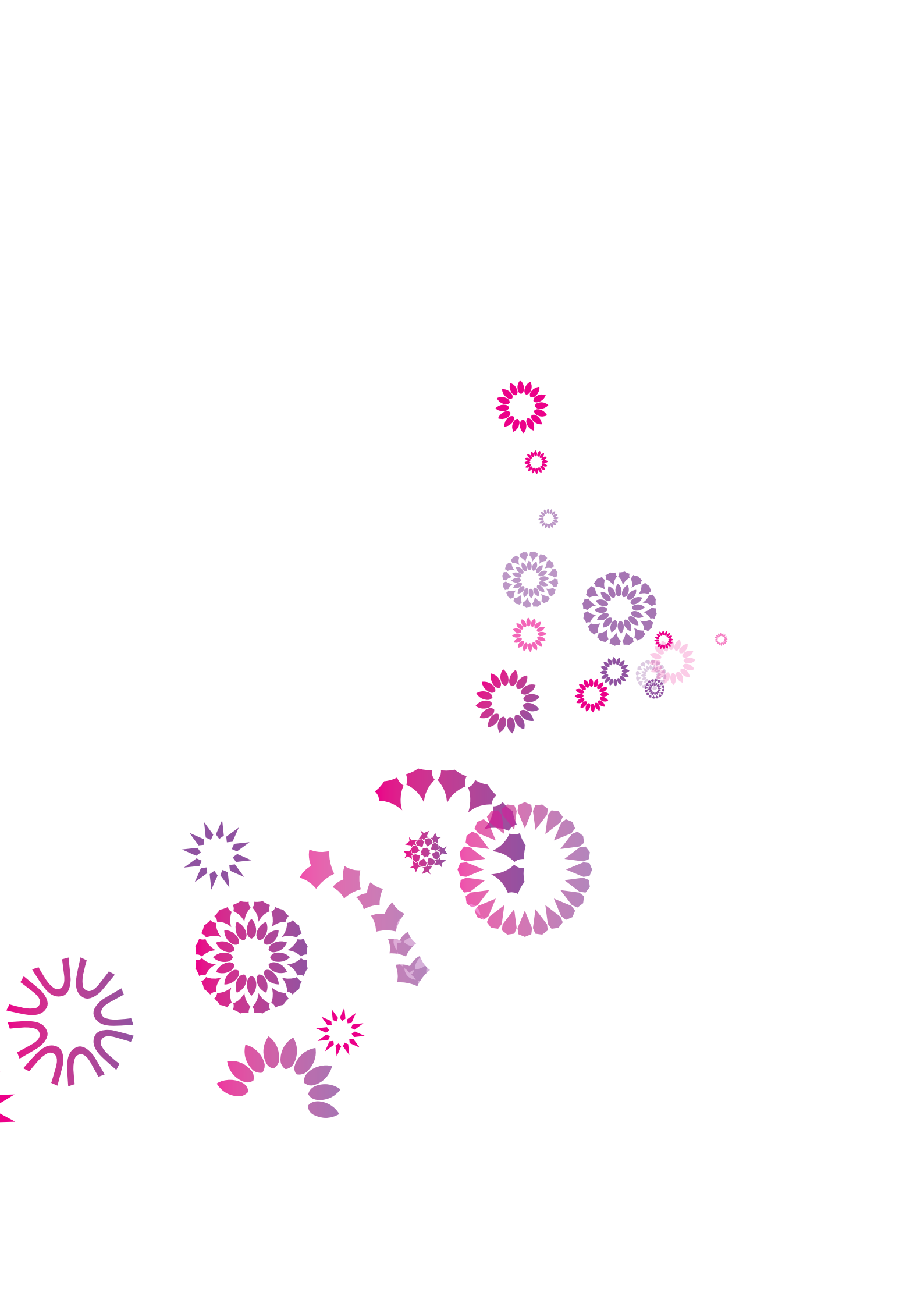
Share based compensation

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.

33. COMPARATIVE FIGURES

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









CONTACT LIST

ZAIN GROUP

Head Office Bldg.,
P.O.Box 22244, 13083 Safat,
Kuwait City, Kuwait
Tel: +96524644444
Fax: +96524641111
www.zain.com

ZAIN KUWAIT

P.O.Box 22244,
13083 Safat,
Kuwait City, Kuwait
Tel: +96524644444
Fax: +96524641111
www.kw.zain.com

ZAIN BAHRAIN

Seef District,
P.O.Box 266,
Manama, Bahrain
Tel: +97336031000
Fax: +97317581117
www.bh.zain.com

ZAIN JORDAN

P.O.Box 940821,
Amman 11194, Jordan
Tel: +96265803000
Fax: +96265828200
www.jo.zain.com

ZAIN IRAQ

Bldg. 47, Str. 14,
District 605 Hay
Al Mutanabi, Al Mansoor
Baghdad, Iraq
Tel: +96415410840
Fax: +96415418611
www.iq.zain.com

ZAIN SAUDI ARABIA

Arcade Centre,
King Fahad Highway,
P.O.Box 295814,
Riyadh 11351
Kingdom of Saudi Arabia
Tel: +96612161800
www.sa.zain.com

TOUCH LEBANON

Touch Bldg., Charles Helou Avenue,
P.O.Box 175051 Beirut, Lebanon
Tel: +9613792000
Fax: +9613792020
www.touch.com.lb

ZAIN REPUBLIC OF SUDAN

Arab Co.
for Live Stock
Development Bldg.,
Mogran, Alghaba St.,
P.O.Box 13588,
Khartoum, Sudan
Tel: + 249912397601
Fax: + 249912397608
www.sd.zain.com

ZAIN SOUTH SUDAN

The South Sudanese
Mobile Telephone
(Zain) Co. LTD,
P.O.Box 518 Gudele,
Hai-Jebel, Mundri Road,
Plot No. 997, Block 9,
Juba, South Sudan
Tel: +211912320000
info@ss.zain.com

