



## **KUWAIT PROJECTS CO. (CAYMAN)**

*(incorporated with limited liability in the Cayman Islands)*

Guaranteed by

## **KUWAIT PROJECTS COMPANY (HOLDING) K.S.C.P.**

*(incorporated with limited liability in the State of Kuwait)*

**U.S.\$3,000,000,000**

### **Euro Medium Term Note Programme**

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Under this U.S.\$3,000,000,000 Euro Medium Term Note Programme (the "**Programme**"), KUWAIT PROJECTS CO. (CAYMAN) (the "**Issuer**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below). The payments of all amounts due in respect of the Notes will be unconditionally and irrevocably guaranteed by Kuwait Projects Company (Holding) K.S.C.P. ("**KIPCO**", the "**Company**" or the "**Guarantor**").

Notes may be issued in bearer or registered form (respectively, "**Bearer Notes**" and "**Registered Notes**"). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed U.S.\$3,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "*Subscription and Sale*" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

**An investment in Notes issued under the Programme involves certain risks. For a discussion of the principal risk factors that may affect the ability of the Issuer and the Guarantor to fulfil their respective obligations under the Notes, see "Risk Factors" beginning on page 6.**

Application has been made to the United Kingdom Financial Conduct Authority in its capacity as competent authority under Part VI of the Financial Services and Markets Act 2000 (the "**FSMA**") (the "**U.K. Listing Authority**") for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus to be admitted to the official list of the U.K Listing Authority (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's regulated market (the "**Regulated Market**"). References in this Base Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes have been admitted to trading on the Regulated Market and have been admitted to the Official List. The Regulated Market is a regulated market for the purpose of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**").

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined in "*Terms and Conditions of the Notes*") of Notes will be set out in a final terms document (the "**Final Terms**") which will be delivered to the U.K. Listing Authority and the London Stock Exchange.

The Programme has been assigned ratings of BBB- by Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**") and Baa3 by Moody's Investors Service Limited ("**Moody's**"). The Guarantor has been assigned ratings of BBB-/A-3 by Standard & Poor's and Baa3/P-3 by Moody's, each with a Stable outlook. Each of Standard & Poor's and Moody's is established in the European Union and is registered under Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**").

The rating of certain Tranches (as defined herein) of Notes to be issued under the Programme and the credit rating agency issuing such rating may be specified in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

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*Joint Arrangers*

**BNP PARIBAS**

**HSBC**

*Dealers*

**BNP PARIBAS  
Commerzbank**

**Crédit Agricole CIB  
Emirates NBD Capital Ltd**

**HSBC**

The date of this Base Prospectus is 14 October 2014

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## IMPORTANT NOTICES

**This Base Prospectus comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State) (the "Prospectus Directive") and for the purpose of giving information with regard to the Issuer, the Guarantor and the Notes which, according to the particular nature of the Issuer, the Guarantor and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Guarantor .**

The Issuer and the Guarantor accept responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. The Issuer and the Guarantor declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

Where information has been sourced from a third party, the Issuer and the Guarantor confirm that such information has been accurately reproduced and that, so far as they are aware and are able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of any third party information contained in this Base Prospectus is stated where such information appears in this Base Prospectus.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as supplemented by a document specific to such Tranche called the final terms (the "**Final Terms**") or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*" below. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. This Base Prospectus must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

Tranches (as defined herein) of Notes may be rated or unrated. Such rating will be specified in the relevant Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Please also refer to "*Risks related to the market generally – Credit ratings may not reflect all risks*" in the Risk Factors section of the Base Prospectus.

Subject as provided in the applicable Final Terms or Drawdown Prospectus, the only person authorised to use this Base Prospectus in connection with an offer of Notes is the person named in the Base Prospectus as the relevant Dealer or Manager, as the case may be.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or the Guarantor and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor or any Dealer.

No representation or warranty is made or implied by the Dealers or any of their respective affiliates, and neither the Dealers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Guarantor since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the

Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. The Issuer, the Guarantor, the Dealers and the Trustee do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Dealers or the Trustee which is intended to permit a public offering of any Notes outside the UK or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer, the Guarantor and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States of America, the European Economic Area, the United Kingdom, the Cayman Islands, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Bahrain, the State of Kuwait, the Kingdom of Saudi Arabia, the People's Republic of China, Hong Kong and Singapore, see "*Subscription and Sale*". Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and Notes in bearer form are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (as defined in Regulations S under the Securities Act ("**Regulation S**")).

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Guarantor, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Notes. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantor.

The maximum aggregate principal amount of Notes outstanding and guaranteed at any one time under the Programme will not exceed U.S.\$3,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement). The maximum aggregate principal amount of Notes which may be outstanding and guaranteed at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall investment portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (1) Notes are legal investments for it; (2) Notes can be used as collateral for various types of borrowing; and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes).

#### **KINGDOM OF SAUDI ARABIA NOTICE**

**This Base Prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "Capital Market Authority").**

**The Capital Market Authority does not make any representations as to the accuracy or completeness of this Base Prospectus and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Base Prospectus. Prospective purchasers of Notes issued under the Programme should conduct their own due diligence on the accuracy of the information relating to the Notes. If a prospective purchaser does not understand the contents of this Base Prospectus, he or she should consult an authorised financial adviser.**

#### **NOTICE TO BAHRAIN RESIDENTS**

**In relation to investors in the Kingdom of Bahrain, Notes issued in connection with this Base Prospectus and related offering documents may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain ("CBB") in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in another currency or such other amount as the CBB may determine.**

**This Base Prospectus does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Base Prospectus and related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Base Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain.**

**The CBB has not reviewed, approved or registered the Base Prospectus or related offering documents and it has not in any way considered the merits of the Notes to be offered for**

**investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Base Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Base Prospectus. No offer of securities will be made to the public in the Kingdom of Bahrain and this Base Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.**

## **PRESENTATION OF FINANCIAL AND OTHER INFORMATION**

### **Certain Defined Terms and Conventions**

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

The language of the Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law. Where this Base Prospectus includes information that has been translated from Chinese to English, the English translation included herein constitute direct and accurate translations of the Chinese originals. In the event of any discrepancy between the Chinese originals and the English translations, the Chinese originals prevail.

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**U.S.\$**", "**U.S. dollars**" or "**dollars**" are to United States dollars, references to "**EUR**" or "**euro**" are to the single currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended, references to "**KD**" are to Kuwaiti dinars, and references to "**Renminbi**", "**RMB**" and "**CNY**" are to the lawful currency of the People's Republic of China (the "**PRC**" or "**China**"), excluding, for the purposes of this Base Prospectus, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

Translations of amounts from Kuwaiti dinars to U.S. dollars are solely for the convenience of the reader. No representation is made that the Kuwaiti dinar or U.S. dollar amounts referred to herein could have been converted into U.S. dollars or Kuwaiti dinars, as the case may be, at any particular exchange rate or at all.

## **FORWARD-LOOKING STATEMENTS**

This Base Prospectus contains certain forward-looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "estimate", "project", "will", "would", "may", "could", "continue" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Base Prospectus, including, without limitation, those regarding the financial position, business strategy, management plans and objectives for future operations of the Guarantor are forward looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward looking statements are based on numerous assumptions regarding present and future business strategies and the environment in which the Guarantor expects to operate in the future. Important factors that could cause actual results, performance or achievements to differ materially from those in the forward looking statements include, among other factors described in this Base Prospectus:

- the Guarantor's ability to receive distributions and other revenue flows from its investments (including its subsidiaries);
- the Guarantor's ability to obtain and maintain sufficient capital to fund its current and future investments and financial obligations, including the Guarantor's ability to obtain external financing;
- the Guarantor's ability to manage the growth of the Group successfully;

- changes in political, social, legal or economic conditions in the markets that affect the Group and the value of the Group's investments;
- the political and economic conditions in Kuwait and the Middle East and North Africa ("MENA") region; and
- changes in the competitive environment in which the Group operate.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Any forward-looking statements made by or on behalf of the Issuer or the Guarantor speak only as at the date they are made. Neither the Issuer nor the Guarantor undertakes to update forward-looking statements to reflect any changes in their expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

#### STABILISATION

**In connection with the issue of any Tranche of Notes, one or more relevant Dealers (the "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising Manager(s)) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in accordance with all applicable laws and rules.**



## **RISK FACTORS**

*Prospective investors should read the entire Base Prospectus. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this section.*

*Each of the Issuer and the Guarantor believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and neither the Issuer nor the Guarantor is in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer or the Guarantor to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and neither the Issuer nor the Guarantor represent that the statements below regarding the risks of holding any Notes are exhaustive. Additional risks and uncertainties not presently known to the Issuer or the Guarantor or that each of the Issuer or the Guarantor currently believes to be immaterial could also have a material impact on the Issuer's or the Guarantor's business operations. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under the Notes**

The Issuer is not an operating company. The Issuer is a special purpose vehicle with no other business other than issuing Notes. All funds raised by the Issuer are on-lent to the Guarantor and the Issuer is therefore dependent on repayment of principal, interest and/or additional amounts (if any) from the Guarantor for the purposes of meeting its obligations under the Notes.

The Issuer will only be able to make payments under the Notes to the Noteholders in an amount equivalent to sums of principal, interest, and/or additional amounts (if any) it actually receives from the Guarantor. Consequently, if the Guarantor fails to meet its obligations to the Issuer in respect of the funds on-lent, the Noteholders could receive less than the full amount of principal, interest and/or additional amounts (if any) on the relevant due date from the Issuer and would have recourse under the Guarantee for the balance.

### **Factors that may affect the Guarantor's ability to fulfil its obligations under the Guarantee**

*Developing markets are subject to greater risks than more developed markets, including significant political, social and economic risks*

A significant proportion of the Guarantor's revenues are generated in Kuwait. In the year ended 31 December 2013 the Guarantor's business activities in Kuwait generated revenues representing 36.7 per cent. of the Guarantor's total revenue and assets based in Kuwait represented 61.1 per cent. of the Guarantor's total non-current assets. There can be no assurance that economic conditions in Kuwait will remain robust nor that a significant deterioration in these economic conditions will not impact the financial performance of the Guarantor. The economy of Kuwait is largely driven by revenues from oil exports and as such is exposed to volatility in oil prices. Moreover, while government policies have generally resulted in improved economic performance, there can be no assurance that such level of performance can be sustained.

The Guarantor's financial performance can be adversely affected by political, economic and related developments not only from within Kuwait, but also to a lesser extent from within the countries of the Gulf Cooperation Council ("GCC") (which comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) and the political and economic instability in surrounding countries, such as Syria, Iraq, Iran and the countries of North Africa. In the year ended 31 December 2013, the Guarantor's business activities in the GCC (excluding Kuwait) generated revenues representing 23.2 per cent. of the Guarantor's total revenue and GCC-based (excluding Kuwait) assets represented 6.9 per cent. of the Guarantor's total non-current assets and its business activities in the remainder of the MENA region accounted for 27.5 per cent. of the Guarantor's total revenues and 24.5 per cent. of the Guarantor's total non-current assets. Although not unique to the region, Kuwait, the GCC region and surrounding countries

are exposed to specific risks that may have a material impact on the business carried out by the Guarantor, its operating results and its financial condition.

Amongst those specific risks is the possibility of:

- political and social instability;
- downturn in economic conditions;
- external acts of warfare, civil clashes and terrorist activity;
- natural disasters; and
- regulatory, taxation and legal structure changes.

The Guarantor has limited assets in the countries worst affected. Any material unexpected developments in the political, social, economic or other conditions in countries in which the Guarantor or any of its associated companies carry on business may, however, have a material adverse effect on the Guarantor's business, financial condition and results of operations and may adversely affect the Guarantor's plans for international expansion and investment.

Over the last few months Iraq, Tunisia and Egypt have experienced political changes while armed conflict has intensified in Iraq, Syria and Libya. The countries in question are affected in particular by political and social instability and external acts of warfare and civil clashes. Political uncertainty and sectarian violence could have a material adverse effect on the Guarantor's business, financial condition, results of operations and prospects. So far Kuwait and most of the other countries in the Gulf have been largely immune from disruption from such activity but there is no assurance that the issues experienced elsewhere in the region will not impact the areas in the Gulf or Turkey where the Group operates. It is not possible to predict the occurrence of events or circumstances such as or similar to those outlined above or the impact of such occurrences and no assurance can be given that the Guarantor's business would be able to sustain its current profit levels if such events or circumstances were to occur.

***Historic level of the Guarantor's growth may not be sustained, which could impact its profitability***

The business, operations, financial conditions and prospects of the Guarantor are closely linked to the economic conditions of the MENA region. Any deterioration in economic conditions in the GCC and wider MENA regions due to a deterioration in oil, gas or related industries or in banking and financial services industries or other factors could have an adverse effect on the Guarantor's financial condition and results of operations.

In addition, any negative change in one or more macroeconomic factors, such as a disruption of global money markets, interest rates, inflation, wage levels, unemployment, foreign investment and international trade could have an adverse impact on certain aspects of the Guarantor's operations. Such deterioration may adversely affect its ability to access funds on commercially acceptable terms or at all and impact further expansion and growth, and could have an adverse effect on the financial condition and results of operations.

***The Guarantor is exposed to risks associated with expansion into new markets, startup or early stage businesses and acquisition of new companies and businesses***

Historically, the Guarantor has been primarily active in the Kuwaiti market. However, its strategy is to expand further into markets or businesses within the GCC and the wider MENA region, which may include markets in which it has not operated previously. These new markets may pose additional challenges, including different competitive conditions, political and regulatory systems, with which the Guarantor is not familiar, and the Guarantor may not be able to rely on its reputation and relationships to the extent that it can in its established markets.

The Guarantor's growth strategy involves expanding its operations by acquiring new companies. If the Guarantor encounters difficulties in acquiring such companies at a commercially reasonable price, or not at all, or if the companies acquired by the Guarantor fail to produce anticipated synergies, the Guarantor's growth strategy could be unsuccessful, which would have a material adverse effect on the Guarantor's business, financial condition and results of operations. The Guarantor also acquires or creates new businesses with limited or no previous operating experience. While these investments potentially offer the opportunity for significant capital gains, they involve a high degree of business and financial risk that can result in substantial losses.

The Guarantor's subsidiaries are investing, and may further invest, in non-Arabic countries adjacent to the MENA region, notably in Turkey and Malta. There can be no assurances that further disturbances will not occur in the MENA region.

***Competition from global competitors***

Many of the governments of the MENA region are liberalising their economies and initiating economic reforms. The MENA region is emerging as an investment opportunity, thereby attracting transnational companies. The increased competition resulting from such transnational companies operating in the region could have an adverse impact on the profitability of Guarantor and its subsidiaries and its associates.

Profitability is dependent on the performance of the Guarantor's principal companies (Burgan Bank, United Gulf Bank, Gulf Insurance Group, Panther Media Group Limited and United Real Estate Company, together the "**Principal Companies**"). Most of the Guarantor's revenue is derived from its Principal Companies. The Guarantor may be impacted by the ability of those companies to complete or successfully integrate strategic transactions, develop and introduce new products and services in a timely manner and respond effectively to technological changes.

***Legal and regulatory systems may create an uncertain environment for investment and business activities***

The Guarantor's Principal Companies operate in regulated businesses across multiple jurisdictions. Local regulations may change in a manner adverse to the business of one or more Principal Companies. This may be as a result of increased competition from additional licences being issued or changes to licence conditions affecting activities or profitability of a particular business. Ownership restrictions or limitations on the scope of activities could also be imposed on the Guarantor. The Guarantor's largest Principal Companies operate in the financial sector. In light of the liquidity crisis and difficulties with the international financial system over the past few years, regulators are expected to monitor closely and regulate more aggressively the activities of financial companies, notably banks and investment companies.

No assurance can be given that the government of any of the jurisdictions in which the Guarantor's Principal Companies operate will not implement regulation or fiscal or monetary policies, including policies, regulations, or new legal interpretations of existing regulations, relating to or affecting expropriation, nationalisation, taxation, interest rates, exchange controls or capital adequacy requirements or otherwise take actions which could have a material adverse effect on the Guarantor's business, financial condition, results of operations or prospects.

***Guarantor's cash receipts are mostly restricted to dividends from Principal Companies or the proceeds of asset sales***

As a holding company, the Guarantor does not have direct access to the cash flows of its Principal Companies. The Guarantor's cash flows are limited to its share of the dividends declared by these companies, interest income on its investments and proceeds from its own trading activities or sales of its assets. Any decrease in the profitability of the Principal Companies would adversely impact the Guarantor's cash flow position.

The payment of dividends by some of the Principal Companies to the Guarantor is subject to restrictions contained in insurance, banking, securities and corporate laws and regulations which require that solvency and capital standards are maintained by such companies. Burgan Bank paid a cash dividend in 2014 (for the year 2013) while United Gulf Bank last paid a cash dividend in 2010 (for the year 2009); there is no assurance that dividends from these banks and the other Principal Companies will be available on a regular basis.

The Guarantor may be impacted by financial market disruptions. The credit crisis that occurred in the global financial markets, which was particularly acute in 2008 and 2009, and the resultant deterioration in the global economic outlook, adversely impacted the availability (and has increased the cost) of wholesale market funding and has caused a large number of banks to write down the value of their securities portfolios. However, to the extent that current market difficulties persist, there can be no assurance that the Guarantor's financial condition and performance will not be adversely impacted by the current, and any future, dislocations in the financial markets.

### ***Funding risk***

In addition to the internal generation of cashflow through upstream dividends, income from interest and income from trading, the Guarantor relies on external borrowings to fund its investments. These are primarily in the form of corporate bonds and bank borrowings, which are refinanced on an ongoing basis.

As at 30 June 2014, the Guarantor's unconsolidated gross debt (loans payable, medium term notes and bonds) was KD 540.2 million (U.S.\$1,916.9 million). The Guarantor's future ability to originate new debt and pay or refinance its existing and future obligations as they become due will depend not only on its financial condition and results of operations at the time but also on certain factors over which the Guarantor has no control such as:

- Investor sentiment towards companies conducting business in similar markets and sectors;
- Opinions, reports and ratings of analysts and rating agencies on sovereign and corporate borrowers in the region;
- Prevailing capital and financial market conditions, including interest and exchange rates; and
- Political conditions in the MENA region.

Therefore, the Guarantor has no assurance that it would be able to obtain funding in the financial markets on satisfactory terms, which would limit its ability to originate new loans and to pay or refinance its existing and future obligations as they become due and would have an adverse impact on its business, financial condition and results of operations.

### ***The Guarantor is exposed to risks associated with the loss of its key personnel***

The Guarantor's success depends to a significant degree upon the efforts and abilities of its key personnel, including in particular the chairman, vice-chairman and senior management team. The loss of the services of any key personnel could materially adversely affect the Guarantor's business, results of operations, financial condition and prospects.

### ***Counterparty Credit Risk***

A substantial part of the activities of Burgan Bank and its subsidiaries involves extending credit to customers and holding financial and real estate assets as investors or as security for loans. The concentration of loans and assets in Kuwait and the MENA region and the possible prevalence of borrowers active in similar or related industries among each lender's customers may result in higher default rates than have been experienced historically or cause the Guarantor or the Principal Companies to make material provisions (or be obligated by a regulator to make material provisions) against potential losses. In addition, the volatility of securities and real estate markets in the region may result in a reduction of the value of the collateral available as security for particular loans.

### ***Interest Rate and Equity Price Risk***

The Guarantor is exposed to interest rate and equity price risks associated with the Group's investment and asset and liability management activities.

Changes in interest rate levels, yield curves and spreads may affect the interest rate margin realised between the Guarantor's investment activities and its borrowing costs.

Changes in equity prices may affect the value of and returns on the Guarantor's investment portfolios. It is difficult to accurately predict changes in economic and market conditions and to anticipate the effects that such changes could have on the Guarantor's financial performance and business operations.

### ***Foreign Exchange Risk***

The Guarantor generates a significant proportion of its earnings in Kuwaiti Dinar. From January 2003 to 20 May 2007, the Kuwaiti Dinar was pegged to the U.S. dollar around a parity rate of 0.29963, with margins set at +/- 3.5 per cent. On 20 May 2007, this policy was replaced with one stated by the Governor of the Central Bank of Kuwait to be based on an undisclosed weighted basket of the currencies of Kuwait's major trade and financial partner countries. It appears that the U.S. dollar continues to play a significant role in determining the Kuwaiti Dinar exchange rate, although the relationship with any given currency or basket of currencies cannot be readily ascertained. Since 20 May 2007, the Kuwaiti Dinar has ranged from KD 0.26460 to one U.S. dollar in May 2008 to KD 0.29395 to one U.S. dollar in March 2009, equivalent to a 11 per cent. change in the exchange rate. As of 14 September 2014, the Kuwaiti

Dinar was valued at KD 0.2865 to one U.S. dollar and the U.S. dollar was valued at 3.490 to one Kuwaiti Dinar. If the U.S. dollar strengthens against the Kuwaiti Dinar, this will result in a higher debt service cost to the Guarantor.

In addition to earnings generated in Kuwaiti Dinars, a material amount of the Guarantor's consolidated earnings is generated in currencies directly or informally pegged to the U.S. dollar. A removal of the peg or a substantial devaluation of any of these currencies could impact negatively on the amount of the Guarantor's reported earnings and on the amount of distributions that the Guarantor would otherwise receive from operating companies within its group that would be directly or indirectly affected by such peg removal or devaluation.

Any weakening of the Kuwaiti Dinar against the U.S. dollar may adversely impact the ability of the Guarantor to repay principal and interest on borrowings denominated in a currency other than Kuwaiti Dinars. The Guarantor is exposed to the potential impact of any alteration to the Central Bank of Kuwait's foreign exchange policy. In addition, although the Guarantor attempts to hedge its exposure or manage its cost of financing through the use of swaps and other derivatives with parties believed to be solvent, it is possible that a counter-party may default on its obligations, leaving the Guarantor unprotected against such fluctuations. In addition the Guarantor is likely to have to report foreign exchange gains or losses under existing accounting rules. If the value of the Kuwaiti Dinar against the U.S. dollar fluctuates in a volatile manner, the impact on reported profit may be substantial.

### ***Operational Risk***

Operational risk and losses at the Principal Companies can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, systems and equipment failures, natural disasters or the failure of external systems (for example, those of counterparties or vendors) which may have an impact on the Guarantor's performance. Notwithstanding anything in this risk factor, this risk factor should not be taken to imply that the Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List of the United Kingdom Financial Conduct Authority.

### **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

#### ***Risks related to the structure of a particular issue of Notes***

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

#### ***Notes subject to optional redemption by the Issuer***

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### ***Fixed/Floating Rate Notes***

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing market rates.

### *Notes issued at a substantial discount or premium*

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

### ***Risks related to RMB Notes***

Notes denominated in Renminbi ("**Renminbi Notes**") may be issued under the Programme. Renminbi Notes contain particular risks for potential investors, including:

*Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of Renminbi Notes*

The Renminbi is not freely convertible at present. The government of the People's PRC continues to regulate conversion between the Renminbi and foreign currencies, including the Hong Kong dollar, despite the significant reduction in control by it in recent years over trade transactions involving the import and export of goods and services, as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

However, remittance of Renminbi by foreign investors into the PRC for purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registration or filings with, the relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items is developing gradually.

In respect of Renminbi foreign direct investments ("**FDI**"), the People's Bank of China ("**PBoC**") promulgated the *Administrative Measures on Renminbi Settlement of Foreign Direct Investment* (外商直接投資人民幣結算業務管理辦法) (the "**PBoC FDI Measures**") on 13 October 2011 as part of PBoC's detailed FDI accounts administration system. The system covers almost all aspects in relation to FDI, including capital injections, payments for the acquisition of PRC domestic enterprises, repatriation of dividends and other distributions, as well as Renminbi denominated cross-border loans. On 14 June 2012, the PBoC issued a circular setting out the operational guidelines for FDI. Under the PBoC FDI Measures, special approval for FDI and shareholder loans from PBoC, which was previously required, is no longer necessary. In some cases, however, post-event filing with PBoC is still necessary.

On 3 December 2013, the Ministry of Commerce of the PRC ("**MOFCOM**") promulgated the *Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment* (商務部關於跨境人民幣直接投資有關問題的公告) (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, a written approval from the appropriate office of MOFCOM and/or its local counterparts specifying "Renminbi Foreign Direct Investment" and the amount of capital contribution is required for each FDI. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the previous requirement on central level approvals for investments of RMB300 million or above or in certain industries. The MOFCOM Circular also removes the approval requirement for foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

As the PBoC FDI Measures and the MOFCOM Circular are relatively new circulars, they will be subject to interpretation and application by the relevant authorities in the PRC.

There is no assurance that the PRC government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that the pilot schemes for Renminbi will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of

Renminbi outside the PRC and the ability of the Issuer or the Guarantor to source Renminbi to finance its obligations under Renminbi Notes.

*There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Renminbi Notes and the Issuer's or the Guarantor's ability to source Renminbi outside the PRC to service Renminbi Notes*

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While PBoC has entered into agreements on the clearing of Renminbi business with Bank of China (Hong Kong) Limited in Hong Kong, Bank of China, Macau Branch in Macau, Industrial and Commercial Bank of China, Singapore Branch in Singapore and Bank of China, Taipei Branch in Taiwan and have authorised China Construction Bank (London) Limited to act as Renminbi clearing bank in London and Bank of China Limited, Frankfurt Branch to act as Renminbi clearing bank in Frankfurt (each, a "**Renminbi Clearing Bank**") and are in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi-denominated financial assets outside the PRC is limited.

There are restrictions imposed by the PBoC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business-participating banks do not have direct Renminbi liquidity support from the PBoC. The Renminbi Clearing Banks only have access to onshore liquidity support from the PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future so as to have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer or the Guarantor is required to source Renminbi in the offshore market to service the Renminbi Notes, there is no assurance that the Issuer or the Guarantor, as the case may be, will be able to source such Renminbi on satisfactory terms, if at all.

If the Issuer or the Guarantor is unable to source such Renminbi, the Issuer's or the Guarantor's, as the case may be, obligation to make a payment in Renminbi under the terms of the Notes may be replaced by an obligation to pay such amount in U.S. dollars converted using the Spot Rate for the relevant Rate Calculation Date (all as defined in the Conditions and further described in Condition 10(a)(11) (*Payments – Bearer Notes – Payment of U.S. Dollar Equivalent*) and Condition 10(b)(8) (*Payments – Registered Notes – Payment of U.S. Dollar Equivalent*)).

*Investment in Renminbi Notes is subject to exchange rate risks*

The value of the Renminbi against other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions, as well as many other factors. The Issuer (failing which, the Guarantor) will make all payments of interest and principal with respect to the Renminbi Notes in Renminbi, unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against another foreign currency, the value of the investment made by a Holder of the Renminbi Notes in that foreign currency will decline.

*Payments for Renminbi Notes will only be made to investors in the manner specified in the Renminbi Notes*

All payments to investors in respect of the Notes will be made solely (i) for so long as the Renminbi Notes are represented by a Temporary Global Note or a Permanent Global Note held with the common depository or common safekeeper, as the case may be, for Clearstream, Luxembourg and Euroclear or any alternative clearing system by transfer to a Renminbi bank account maintained in Hong Kong, or (ii) for so long as the Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The relevant Issuer (or, as the case may be, the

Guarantor) cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

In the event that access to Renminbi becomes restricted to the extent that, by reason of Inconvertibility, Non-transferability or Illiquidity (as defined in the Terms and Conditions), the Issuer or the Guarantor, as the case may be, is unable, or it is impractical for it, to pay interest or principal in Renminbi, the Terms and Conditions of the Notes allow the Issuer or the Guarantor, as the case may be, to make payment in U.S. dollars at the prevailing spot rate of exchange, all as provided in more detail in Condition 10(a)(11) (*Payments — Bearer Notes — Payment of U.S. Dollar Equivalent*) or Condition 10(b)(8) (*Payments — Registered Notes — Payment of U.S. Dollar Equivalent*), as the case may be. As a result, the value of these Renminbi payments may vary with the prevailing exchange rates in the marketplace. If the value of Renminbi depreciates against the U.S. dollar or other foreign currencies, the value of a Noteholder's investment in U.S. dollar or other foreign currency terms will decline.

*An investment in Renminbi Notes is subject to interest rate risks*

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

The Renminbi Notes may carry a fixed interest rate. Consequently, the trading price of such Renminbi Notes will vary with fluctuations in interest rates. If a holder of Renminbi Notes tries to sell any Renminbi Notes before their maturity, they may receive an offer that is less than the amount invested.

*Gains on the transfer of the Renminbi Notes may become subject to income taxes under PRC tax laws*

Under the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules, as amended from time to time, any gain realised on the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders may be subject to PRC enterprise income tax ("**EIT**") or PRC individual income tax ("**IIT**") if such gain is income derived from sources within the PRC. Under the PRC Enterprise Income Tax Law, a "**non-resident enterprise**" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. However, uncertainty remains as to whether the gain realised from the transfer of Renminbi Notes by non-PRC resident enterprise or individual Holders would be treated as income derived from sources within the PRC and subject to the EIT or IIT. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules. According to the arrangement between the PRC and Hong Kong, for avoidance of double taxation, Note Holders who are residents of Hong Kong, including enterprise Holders and individual Holders, will not be subject to the PRC EIT or IIT on capital gains derived from a sale or exchange of the Notes.

Therefore, if non-PRC enterprise or individual resident Holders are required to pay PRC income tax on gains derived from the transfer of Renminbi Notes (such EIT is currently levied at the rate of 10 per cent. of gains realised and such IIT is currently levied at the rate of 20 per cent. of gains realised (with deduction of reasonable expenses), unless there is an applicable tax treaty between PRC and the jurisdiction in which such non-PRC enterprise or individual resident holders of Renminbi Notes reside that reduces or exempts the relevant EIT or IIT), the value of their investment in Renminbi Notes may be materially and adversely affected.

### ***Risks related to Notes generally***

Set out below is a description of material risks relating to the Notes generally:

#### *Modification, waivers and substitution*

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.



The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 16 (*Meetings of Noteholders; Modification and Waiver*) of the conditions of the Notes.

#### *Taxation risks on payments*

Payments made by the Issuer in respect of the Notes or by the Guarantor in respect of the Guarantee of the Notes could become subject to taxation. See "*Taxation*". Condition 11 requires the Issuer and Guarantor to pay additional amounts in certain circumstances in the event that any withholding, deduction or retention for, or on account of, any present or future taxes, levies, imposts, fees, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Cayman Islands or Kuwait or any authority therein or thereof having power to tax in respect of payments under the Notes or the Guarantee of the Notes, as the case may be, such that net amounts received by the holders of the Notes after such withholding, deduction or retention shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes in the absence of such withholding, deduction or retention. The circumstances described above may entitle the Issuer to redeem the Notes pursuant to Condition 9(b).

*The application and enforcement of the Kuwaiti income tax regime is uncertain, and Noteholders which are "non-GCC corporate entities" may become subject to the Kuwaiti income tax regime in certain limited circumstances*

The application and enforcement of the Kuwaiti income tax regime to Noteholders which are "non-GCC corporate entities" (as defined in "*Taxation — Kuwait*") is uncertain. There is a possibility that any Noteholder which is a non-GCC corporate entity may become subject to the Kuwaiti income tax regime in the future, should the Department of Income Tax (the "**DIT**") at the Kuwaiti Ministry of Finance and/or the Kuwaiti courts determine that the income received by the Noteholder in respect of any Notes held by it (whether payments are received directly from the Issuer or are received from the Guarantor under the Trust Deed, should there be a call on the Guarantee of Notes) represents the "lending of funds inside Kuwait" (and hence constitutes the conducting of business in Kuwait for the purposes of the income tax regime in Kuwait), even if the Noteholder is not incorporated or otherwise located in Kuwait.

As the Regulations (as defined in "*Taxation — Kuwait*") have been implemented relatively recently, there has been no official statement made publicly by the DIT regarding its interpretation of, and/or application of, the regime described in the previous paragraph in the context of a transaction such as the issue of the Notes, in particular where the issuer thereof is not incorporated in Kuwait. Similarly, the Kuwaiti courts (who will be the final arbiters on the matter) have not been required to interpret such requirement to date. Although there has been no precedent of the DIT enforcing the imposition of income tax on non-GCC corporate entity lenders in the circumstances described above, it is not possible to state definitively how the DIT and/or the Kuwaiti courts may implement or enforce the Taxation Laws (as defined in "*Taxation — Kuwait*") in practice. Furthermore, the DIT has to date not always adopted consistent rulings on Kuwaiti tax matters more generally.

If the DIT and/or the Kuwaiti courts were to determine that the income received by a Noteholder which is a non-GCC corporate entity in respect of any Notes held by it (whether payments are received directly from the Issuer or are received from the Guarantor under the Trust Deed, should there be a call on the Guarantee of Notes) represents the "lending of funds inside Kuwait" (and hence constitutes the conducting of business in Kuwait for the purposes of the income tax regime described above), then such non-GCC corporate entity would become subject to the Kuwaiti income tax regime, which requires income tax (at a flat rate of 15 per cent.) to be levied on the net income and capital gains of such non-GCC corporate entities, and imposes certain disclosure and reporting obligations on persons subject to such regime. In addition, a deduction of five per cent. of the amount of any payments made by the Guarantor directly to the Noteholders (if there is a call on the Guarantee of Notes) may be applied in certain circumstances, pending resolution of their tax position, although such amounts would be required to be grossed up by the Guarantor pursuant to the provisions of the Trust Deed.

Whilst the application and enforcement of the Kuwaiti income tax regime remains uncertain, there can be no assurance that Noteholders which are "non-GCC corporate entities" will not become subject to such regime in the circumstances described above. Prospective purchasers of the Notes are advised to consult their tax advisers as to the consequences under Kuwaiti and other applicable tax laws of acquiring, holding and disposing of the Notes and receiving payments under the Notes and the Guarantee.

See "*Taxation — Kuwait*" for further details.

*Payments made on or with respect to the Notes may be subject to U.S. withholding tax*

Whilst the Notes are in global form and held within Euroclear or Clearstream, Luxembourg (together, the "ICSDs"), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("FATCA") will affect the amount of any payment received by the clearing systems (see *Taxation – Foreign Account Tax Compliance Act*). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the common depository or common safekeeper for the ICSDs (as bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries.

*EU Savings Directive*

Under EC Council Directive 2003/48/EC (the "**Savings Directive**") on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to, or collected by such person for, an individual resident in that other Member State or to certain limited types of entity established in that other Member State. However, for a transitional period, Austria and Luxembourg may instead apply (unless during that period they elect otherwise) a withholding system in relation to such payments, deducting tax at a rate of 35.0 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Luxembourg has announced that it will no longer apply the withholding tax system as from 1 January 2015 and will provide details of payments of interest (or similar income) as from this date.

A number of non-EU countries and certain dependent or associated territories of certain Member States, including Switzerland, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the Savings Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States are required to apply the new requirements from 1 January 2017. The changes made under the Amending Directive include extending the scope of the Savings Directive to payments made to, or secured for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover additional types of income payable on securities.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or an amount in respect of, tax were to be withheld from that payment, none of the Issuer, the Guarantor nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent, the Issuer and the Guarantor will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

### *Change of law*

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus.

### *Enforcing Foreign Judgments and Arbitration Awards in Kuwait*

The Dealer Agreement, the Agency Agreement and the Trust Deed (each as defined in the Conditions) contain a provision allowing for a reference to arbitration or, at the option of the Trustee under the Trust Deed, the Dealers under the Dealer Agreement, and the Paying Agents, Registrar or Calculation Agent under the Paying Agency Agreement for the courts of England (the "**Courts of England**") to have jurisdiction to settle any disputes which may arise there under.

### *Foreign Judgements*

Although the choice of submission to the jurisdiction of the Courts of England in the above documents is valid and binding, if a claim were to be brought before the Kuwaiti Courts, the Kuwaiti Courts could accept jurisdiction in any suit, action or proceedings in the situations identified in Articles 23, 24 and 26 of Decree Law No. 38 of 1980 Enacting the Civil and Commercial Procedure Law (the "**Code**"). These situations include (a) the defendant in the proceedings expressly or impliedly accepted the jurisdiction of the Kuwaiti Courts, (b) the defendant is a Kuwaiti national or is resident, domiciled or has a place of business or a chosen domicile in Kuwait; or (c) if such legal proceedings relate to property (movable or immovable) located in Kuwait, an obligation is created, executed or required to be performed in Kuwait or a bankruptcy is declared in Kuwait.

There can, therefore, be no assurance that Kuwaiti Courts will decline jurisdiction to adjudicate any dispute under the Notes, notwithstanding the provision in the Notes providing an option for the Courts of England to have jurisdiction to settle any disputes arising thereunder. The Kuwaiti Courts could be influenced when deciding whether or not to decline jurisdiction by the existence of proceedings in relation to such dispute in another jurisdiction.

The enforcement by the Kuwaiti Courts of a monetary judgment (not involving the payment of taxes or the like) obtained in the Courts of England would require the filing of an enforcement action in the Kuwaiti courts. Such action does not involve either a re-trial or an examination of merits of the case; its sole purpose is to establish the compliance by the judgment with the provisions of Article 199 of the Code which requires that: (a) the courts of the jurisdiction in which the judgment was rendered must afford reciprocal treatment to judgments rendered in Kuwait; (b) the judgment must be rendered by a competent authority according to the law of the jurisdiction in which it was rendered; (c) the parties must have been duly summoned to appear and were duly represented at the proceedings; (d) the judgment must be final and un-appealable (*res judicata*) according to the law of the jurisdiction in which it was rendered; (e) the judgment must not contradict any prior judgment rendered by a Kuwaiti court; and, finally (f) the judgment must not contain anything in conflict with the general morals or public order of Kuwait.

In respect of the requirement under Article 199 of the Code that the courts of the jurisdiction in which the judgment was issued must afford reciprocal treatment to judgments issued by the Kuwaiti Courts, there is no treaty between Kuwait and the United Kingdom that affords such required reciprocal treatment. There are no known instances of the Courts of England enforcing Kuwaiti judgments, while there are different decisions issued by the Court of Cassation (the highest court in Kuwait) with regard to the enforcement in Kuwait of a monetary judgment issued by the Courts of England. In 2004 and again in 2005, the Court of Cassation had to consider applications for the enforcement in Kuwait of an English judgment. For the application considered in 2004 the Court of Cassation was satisfied that, on the facts, the criteria for enforcement set out in Article 199 of the Code had been satisfied and therefore approved enforcement of

the English judgment. However, for the application considered in 2005 the Court of Cassation concluded that the requirements for enforcement under Article 199 of the Code were not met and consequently did not enforce the English judgment. It should be noted that precedents are not binding but are only of persuasive value to the Kuwaiti Courts.

#### *Arbitration Awards*

Kuwait is a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"). A foreign arbitration award will be recognised and enforced in Kuwait (without re-trial or examination of the merits of the case) in accordance with Article 200 of the Code.

Article 200 of the Code provides that foreign arbitration awards are to be recognised and enforced under the same conditions (applied *mutatis mutandis* to foreign arbitration awards) as are applied in respect of the enforcement of foreign judgments under Article 199 of the Code (as detailed above) but in addition also requires that the subject matter of the award must be considered arbitrable under Kuwaiti law and that the award must be enforceable in the jurisdiction in which it was rendered.

The requirement to establish reciprocal enforcement under Article 199 of the Code with respect to recognition and enforcement of arbitration awards issued in England is satisfied as England and Kuwait are both signatories to the New York Convention.

As noted above, enforcement of a foreign arbitration award or foreign judgment in Kuwait requires the filing of an enforcement action in the Kuwaiti Courts. The procedures before Kuwaiti Courts, including enforcement actions, can take a relatively long time before a final and non-appealable judgment is issued.

As might be expected for a country of its size, there have not been many occasions upon which the Kuwaiti Courts have been asked to consider the enforcement of foreign arbitration awards or foreign judgments and so (notwithstanding that on those occasions when they have been asked to do so they have shown that they will follow the provisions of the Code and enforce an arbitration award) there is not a large body of decided cases in which the practical implications of complying with Article 199 of the Code have been analysed.

#### *Arbitration Agreements*

The Kuwaiti courts have interpreted a certain Article of Law No. 67 of 1980 Enacting the Civil Code of Kuwait as having the effect that in order for a Kuwaiti company (such as the Guarantor) to validly agree to the resolution of a specific dispute by arbitration, that such company must obtain a special mandate. A special mandate would entail either, (i) ensuring that its Articles of Association permit such company to generally resolve disputes by way of arbitration, or (ii) ensuring that the shareholders of the company have passed a prior or ratifying shareholders' resolution authorising the company to resolve a specific dispute by way of arbitration.

Additionally, Article 215 of Law No. 25 of 2012 Enacting the Companies Law ("**Companies Code**"), as amended, provides that the Articles of Association of a concerned Kuwaiti company must specify (*inter alia*) that, if applicable to such company, the board of directors of a Kuwaiti company (such as the Guarantor) has the authority to agree to bind the same to the resolution of disputes by way of arbitration.

On 5 June 2014 the Guarantor's Articles of Association were amended to generally permit its board of directors to agree on behalf of the Guarantor to the resolution of disputes by arbitration. However, such amendment will not have retrospective effect and will not be effective to validate arbitration agreements entered into by the Guarantor prior to 5 June 2014. There is some uncertainty as to whether the Guarantor's shareholders must specifically resolve to ratify the Guarantor's prior entry into such agreements or whether it is sufficient that its current board of directors do so. As at the date of this Prospectus, the Guarantor has not obtained such ratifying resolution from its shareholders although it has obtained such ratifying resolution from its board of directors. In the absence of such ratifying resolution from its shareholders there can therefore, be no assurance that the Kuwaiti courts would enforce the obligation to arbitrate disputes or enforce an arbitration award granted against the Guarantor in connection with a dispute relating to the Notes.

#### *Trading in the clearing systems*

In relation to any issue of Notes which have a minimum denomination and are tradeable in the clearing systems in amounts above such minimum denomination which are smaller than it, should definitive Notes be required to be issued, a holder who does not have an integral multiple of the minimum denomination in his account with the relevant clearing system at the relevant time may not receive all of his entitlement in the form of definitive Notes unless and until such time as his holding becomes an integral multiple of the minimum denomination. In relation to Notes which are expressed in the relevant Final Terms to be "Permanent Global Note exchangeable for Definitive Notes", see "*Forms of the Notes - Permanent Global Note exchangeable for Definitive Notes*" and "*Form of Final Terms - General Provisions Applicable to the Notes - Form of Notes*".

### ***Risks related to the market generally***

Set out below is a description of the material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

#### *The secondary market generally*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

#### *Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer or the Guarantor to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

#### *Interest rate risks*

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

#### *Credit ratings may not reflect all risks*

One or more independent credit rating agencies may assign credit ratings to the Issuer, the Guarantor or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

## OVERVIEW OF THE PROGRAMME

*The following overview of the Programme does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, is supplemented by the relevant Final Terms. Words and expressions defined in "Forms of the Notes" or "Terms and Conditions of the Notes" below shall have the same meanings in this overview of the Programme.*

*This overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive (the "**Prospectus Regulation**").*

*Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meanings in this overview.*

<b>Issuer:</b>	KUWAIT PROJECTS CO. (CAYMAN)
<b>Guarantor:</b>	Kuwait Projects Company (Holding) K.S.C.P.
<b>Risk Factors:</b>	There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. These are set out under " <i>Risk Factors</i> ". There are also certain factors that may affect the Guarantor's ability to fulfil its obligations under the Guarantee. These are also set out under " <i>Risk Factors</i> ". In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under " <i>Risk Factors</i> " and include certain risks relating to the structure of particular Series of Notes and certain market risks.
<b>Arrangers:</b>	BNP Paribas, HSBC Bank plc
<b>Dealers:</b>	BNP Paribas, Commerzbank Aktiengesellschaft, HSBC Bank plc, Crédit Agricole Corporate and Investment Bank and Emirates NBD Capital Ltd, and any other Dealer appointed from time to time by the Issuer and the Guarantor either generally in respect of the Programme or in relation to a particular Tranche of Notes.
<b>Trustee:</b>	BNY Mellon Corporate Trustee Services Limited
<b>Principal Paying Agent:</b>	The Bank of New York Mellon acting through its London office
<b>Registrar:</b>	The Bank of New York Mellon acting through its New York office
<b>Final Terms or Drawdown Prospectus:</b>	Notes issued under the Programme may be issued either: (1) pursuant to this Base Prospectus and associated Final Terms; or (2) pursuant to a drawdown prospectus (each a " <b>Drawdown Prospectus</b> ") prepared in connection with a particular Tranche of Notes.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement the Terms and Conditions of the Notes and this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Terms and Conditions of the Notes as supplemented to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Terms and Conditions of the Notes as supplemented, amended

and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus.

**Listing and Admission to Trading:**

Application has been made to list Notes issued under the Programme on the Official List and to admit them to trading on the London Stock Exchange's Regulated Market and references to listing shall be construed accordingly.

**Clearing Systems:**

Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms.

**Initial Programme Amount:**

Up to U.S.\$3,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement) aggregate principal amount of Notes outstanding and guaranteed at any one time.

The Issuer and the Guarantor may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.

**Issuance in Series:**

Notes will be issued in Series (each a "**Series**"). Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.

**Forms of Notes:**

Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**"). Registered Notes will not be exchangeable for Bearer Notes and *vice-versa*.

Each Tranche of Notes issued in bearer form will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Final Terms. Each Global Note will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Final Terms, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Final Terms as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Each Tranche of Registered Notes will be in the form of either Individual Note Certificates or a Global Registered Note, in each case as specified in the relevant Final Terms. Each Global Registered Note will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear

and/or Clearstream, Luxembourg and/or any other relevant clearing system and registered in the name of a nominee for such depository and will be exchangeable for Individual Note Certificates in accordance with its terms.

**Currencies:** Notes may be denominated in U.S. dollars, euro or Renminbi or in any other currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

**Notes having a maturity of less than one year:** Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 ("FSMA") by the Issuer.

**Status of the Notes:** Notes will be issued on an unsubordinated basis.

**Status of the Guarantee:** Notes will be unconditionally and irrevocably guaranteed by the Guarantor, on an unsubordinated basis.

**Issue Price:** Notes may be issued at any price as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer, the Guarantor and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

**Maturities:** Any maturity, subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

**Redemption:** Subject as described in "*Notes having a maturity of less than one Year*" above, Notes may be redeemable at par or at such other Redemption Amount as may be specified in the relevant Final Terms.

If a Put Event (Restructuring) (as defined in the Conditions) occurs, Notes may be redeemable at par at the option of the relevant Noteholder. See "*Terms and Conditions of the Notes – Redemption and Purchase – Redemption at the option of Noteholders (Restructuring)*".

**Optional Redemption:** Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Final Terms.

**Tax Redemption:** Except as described in "*Optional Redemption*" above, early redemption will only be permitted for tax reasons as described in Condition 9(b) (*Redemption and Purchase – Redemption for tax*



reasons).

- Interest:** Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.
- Denominations:** No Notes admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area may be issued under the Programme which have a minimum denomination of less than EUR100,000 (or equivalent in another currency at their issue date). Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final subject to compliance with all applicable legal and/or regulatory and/or central bank requirements applicable to the relevant Specified Currency (see "*Notes having a maturity of less than one year*" above).
- Negative Pledge:** The Notes will have the benefit of a negative pledge as described in Condition 5 (*Covenants*).
- Cross Default:** The Notes will have the benefit of a cross default provision as described in Condition 12 (*Events of Default*).
- Taxation:** All payments in respect of Notes will be made free and clear of withholding taxes of the Cayman Islands and Kuwait, as the case may be, unless the withholding is required by law subject to certain exceptions to the extent provided in Condition 11 (*Taxation*). In that event, the Issuer or (as the case may be) the Guarantor will (subject as provided in Condition 11 (*Taxation*)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
- Governing Law:** English law.
- Ratings of (i) Notes to be issued under the Programme, (ii) the Issuer and (iii) the Guarantor:** The Programme has been rated BBB- by Standard & Poor's Credit Market Services Europe Limited ("**Standard & Poor's**") and Baa3 by Moody's Investors Service Limited ("**Moody's**"). Each of the Issuer and the Guarantor is rated BBB-/A-3 by Standard & Poor's and Baa3/P-3 by Moody's.
- Each of Standard & Poor's and Moody's is established in the European Economic Area and is registered under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**").
- Tranches (as defined below) of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating and the credit rating agency issuing such rating will be disclosed in the relevant Final Terms, and will not necessarily be the same as the ratings described above or the ratings assigned to Notes already issued. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency
- Selling Restrictions:** For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom, the Cayman Islands, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Kingdom of Bahrain, the State

of Kuwait, the Kingdom of Saudi Arabia, the People's Republic of China, Hong Kong and Singapore, see "*Subscription and Sale*" below.

Category 2 selling restrictions will apply for the purposes of Regulation S under the United States Securities Act of 1933, as amended.

The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any substantially identical successor U.S. Treasury regulation section including, without limitation, substantially identical regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "**D Rules**") unless (i) the relevant Final Terms states that Notes are issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (or any substantially identical successor U.S. Treasury regulation section including, without limitation, substantially identical regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the FCA shall be incorporated in, and form part of, this Base Prospectus:

- (a) the auditors' report and audited financial statements of the Issuer for the financial year ended 31 December 2012 including the notes thereto (pages 1 and 2 – 9 respectively);
- (b) the auditors' report and audited financial statements of the Issuer for the financial year ended 31 December 2013 including the notes thereto (pages 1 and 2 – 10 respectively);
- (c) the auditors' report and audited consolidated financial statements of the Guarantor for the financial year ended 31 December 2012 including the notes thereto (pages 1 - 2 and 2 – 70 respectively);
- (d) the auditors' report and audited consolidated financial statements of the Guarantor for the financial year ended 31 December 2013 including the notes thereto (pages 1 - 2 and 2 – 90 respectively);
- (e) the auditors' review report and the unaudited interim condensed consolidated financial statements of the Guarantor for the six months ended 30 June 2014 including the notes thereto (pages 1 and 2 – 21 respectively);
- (f) the Terms and Conditions of the Notes on pages 20 to 48 (inclusive) of the base prospectus relating to the Issuer's Euro Medium Term Note Programme dated 24 March 2006;
- (g) the Terms and Conditions of the Notes on pages 25 to 51 (inclusive) of the base prospectus relating to the Issuer's Euro Medium Term Note Programme dated 17 June 2009;
- (h) the Terms and Conditions of the Notes on pages 25 to 52 (inclusive) of the base prospectus relating to the Issuer's Euro Medium Term Note Programme dated 16 June 2010;
- (i) the Terms and Conditions of the Notes on pages 28 to 56 (inclusive) of the base prospectus relating to the Issuer's Euro Medium Term Note Programme dated 9 June 2011;
- (j) the Terms and Conditions of the Notes on pages 32 to 64 (inclusive) of the base prospectus relating to the Issuer's Euro Medium Term Note Programme dated 26 September 2012; and
- (k) the Terms and Conditions of the Notes on pages 32 to 65 (inclusive) of the base prospectus relating to the Issuer's Euro Medium Term Note Programme dated 10 October 2013.

The audited consolidated financial statements of the Guarantor have been prepared in accordance with IFRS and applicable requirements of Kuwait Ministerial Order No. 18 of 1990. The unaudited interim condensed consolidated financial statements of the Guarantor have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Following the publication of this Base Prospectus, a supplement may be prepared by the Issuer and the Guarantor and approved by the FCA in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Any document themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form a part of this Base Prospectus.

Only certain parts of the documents referred to above are incorporated by reference in this Base Prospectus. The non-incorporated parts of the documents referred to above are either not relevant for investors or are covered elsewhere in this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London. In addition, documents incorporated by reference can be viewed electronically free of charge at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

The Issuer and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

## FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "**necessary information**" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantor, the rights attaching to the Notes and the Issuer's ability to make payments due under the Notes.

In relation to the different types of Notes which may be issued under the Programme, the Issuer and the Guarantor have endeavoured to include in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Final Terms or in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, supplement this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions as supplemented by and to the extent described in the relevant Final Terms.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be a single document containing the necessary information relating to the Issuer and the Guarantor and the relevant Notes.

## FORMS OF THE NOTES

### Bearer Notes

Each Tranche of Notes in bearer form ("**Bearer Notes**") will initially be in the form of either a temporary global note (the "**Temporary Global Note**"), without interest coupons, or a permanent global note (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Final Terms. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and/or any other relevant clearing system.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (or any substantially identical successor United States Treasury Regulation section, including without limitation, substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (or any substantially identical successor United States Treasury Regulation section, including without limitation, substantially identical successor regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than one year, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### Temporary Global Note exchangeable for Permanent Global Note

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Principal Paying Agent; and
- (ii) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership,

within 7 days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; **provided, however, that** in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

The Permanent Global Note will be exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**"):

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or

- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or has in fact done so and no successor clearing system satisfactory to the Trustee is available or (b) any of the circumstances described in Condition 12 (*Events of Default*) occurs.

The Permanent Global Note will also become exchangeable, in whole but not in part and at the option of the Issuer, for Definitive Notes if, by reason of any change in the laws of the Cayman Islands or Kuwait, the Issuer or the Guarantor is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive form.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

#### **Temporary Global Note exchangeable for Definitive Notes**

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Final Terms specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

In relation to any issue of Notes which are expressed to be Temporary Global Notes exchangeable for Definitive Notes in accordance with this option, such notes may only be issued in denominations equal to, or greater than EUR 100,000 (or equivalent) and integral multiples thereof.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

#### **Permanent Global Note exchangeable for Definitive Notes**

If the relevant Final Terms specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Final Terms; or
- (ii) at any time, if so specified in the relevant Final Terms; or
- (iii) if the relevant Final Terms specifies "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or has in fact done so and no successor clearing system satisfactory to the Trustee is available or (b) any of the circumstances described in Condition 12 (*Events of Default*) occurs.

If the relevant Final Terms specify the form of Notes as "Permanent Global Note exchangeable for Definitive Notes" in circumstances other than "in the limited circumstances specified in the Permanent Global Note", such Notes may only be issued in denominations equal to or greater than EUR100,000 (or equivalent) and integral multiples thereof.

The Permanent Global Note will also become exchangeable, in whole but not in part and at the option of the Issuer, for Definitive Notes if, by reason of any change in the laws of the Cayman Islands or Kuwait, the Issuer or the Guarantor is or will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes were in definitive form.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

### **Terms and Conditions applicable to the Notes**

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which supplement those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

### **Legend concerning United States persons**

In the case of any Tranche of Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

### **Registered Notes**

Each Tranche of Registered Notes will be in the form of either individual Note Certificates in registered form ("**Individual Note Certificates**") or a global Note in registered form (a "**Global Note Certificate**"), in each case as specified in the relevant Final Terms. Each Global Note Certificate will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and registered in the name of a nominee for such depositary and will be exchangeable for Individual Note Certificates in accordance with its terms.

If the relevant Final Terms specify the form of Notes as being "Individual Note Certificates", then the Notes will at all times be in the form of Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

If the relevant Final Terms specify the form of Notes as being "Global Note Certificate exchangeable for Individual Note Certificates", then the Notes will initially be in the form of a Global Note Certificate which will be exchangeable in whole, but not in part, for Individual Note Certificates if the relevant Final Terms specify "in the limited circumstances described in the Global Note Certificate", then if either of the following events occurs (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or has in fact done so and no successor clearing system satisfactory to the Trustee is available or (b) any of the circumstances described in Condition 12 (*Events of Default*).



Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

#### **Terms and Conditions applicable to the Notes**

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms which supplement those terms and conditions.

The terms and conditions applicable to any Global Registered Note will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as supplemented by the relevant Final Terms and, with respect to the aggregate principal amount of the Programme, as amended by a notice of increase dated 23 September 2014, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.*

### 1. Introduction

- (a) **Programme:** Kuwait Projects Co.(Cayman) (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.\$2,000,000,000 in aggregate principal amount of notes (the "**Notes**") guaranteed by Kuwait Projects Company (Holding) K.S.C. (Closed) (the "**Guarantor**").
- (b) **Final Terms:** Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of final terms (the "**Final Terms**") which supplement these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail. References in these Conditions to the "relevant Final Terms" are to Part A of the Final Terms (or the relevant provisions thereof).
- (c) **Trust Deed:** The Notes are subject to and have the benefit of an amended and restated trust deed dated 10 October 2013(as amended or supplemented from time to time) (the "**Trust Deed**") between the Issuer, the Guarantor and BNY Mellon Corporate Trustee Services Limited as trustee (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees appointed under the Trust Deed).
- (d) **Agency Agreement:** The Notes are the subject of an amended and restated issue and paying agency agreement dated 10 October 2013 (the "**Agency Agreement**") between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon (acting through its New York office) in its capacity as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in accordance with the Agency Agreement in connection with the Notes), The Bank of New York Mellon in its capacity as the principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in accordance with the Agency Agreement in connection with the Notes) and the paying agents named therein (together with the Principal Paying Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).
- (e) **The Notes:** All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for inspection by Noteholders during normal business hours at the Specified Office of the Principal Paying Agent, the initial Specified Office of which is set out below.
- (f) **Summaries:** Certain provisions of these Conditions are summaries of the Agency Agreement and the Trust Deed and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Trust Deed applicable to them. Copies of the Agency Agreement and the Trust Deed are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents and the Registrar, the initial Specified Offices of which are set out below.

### 2. Interpretation

- (a) **Definitions:** In these Conditions the following expressions have the following meanings:  
  
"**Accrual Yield**" has the meaning given in the relevant Final Terms;

"**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms;

"**Business Day**" means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;
- (ii) in relation to any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and
- (iii) in relation to any sum payable in a currency other than euro and Renminbi, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

"**Business Day Convention**", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) "**Following Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) "**Modified Following Business Day Convention**" or "**Modified Business Day Convention**" means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) "**Preceding Business Day Convention**" means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) "**FRN Convention**", "**Floating Rate Convention**" or "**Eurodollar Convention**" means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
  - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) "**No Adjustment**" means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"**Calculation Agent**" means the Principal Paying Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

"**CNY**" means the lawful currency of the PRC;

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**Day Count Fraction**" means (subject as provided in Condition 6 (*Fixed Rate Note Provisions*) and Condition 7 (*Floating Rate Note Provisions*)), in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if "**Actual/Actual (ICMA)**" is so specified, means:
  - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (b) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
- (ii) if "**Actual/365**" or "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if "**30/360**", "**360/360**" or "**Bond Basis**" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Interest Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30; and

- (vi) if "**30E/360**" or "**Eurobond Basis**" is so specified means, the number of days in the Calculation Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (vii) if "**30E/360 (ISDA)**" is so specified, means the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

**"Determination Business Day"** means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in foreign exchange) in Hong Kong, London and in New York City;

**"Determination Date"** means the day which is two Determination Business Days before the due date for any payment of the relevant amount under these Conditions;

**"Early Redemption Amount (Tax)"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**"Early Termination Amount"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Final Terms;

**"EIBOR"** means, in respect of a Emirati Dirham-denominated issuance and any specified period, the interest rate benchmark known as the Emirates Interbank Offered Rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the Central Bank of the United Arab Emirates based on estimated interbank Dirham-denominated borrowing rates on various maturities which are provided by a panel of contributor banks (details of historic EIBOR rates can be obtained from the designated distributor);

**"EURIBOR"** means, in respect of any specified currency and any specified period, the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Banking Federation based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic EURIBOR rates can be obtained from the designated distributor);

**"Event of Default"** means any of the events described in Condition 12 (*Events of Default*);

**"Extraordinary Resolution"** has the meaning given in the Trust Deed;

**"Final Redemption Amount"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**"Fixed Coupon Amount"** has the meaning given in the relevant Final Terms;

**"Governmental Authority"** means any *de facto* or *de jure* government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of Hong Kong;

**"Guarantee"** means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (i) any obligation to purchase such Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (iv) any other agreement to be responsible for such Indebtedness;

**"Guarantee of the Notes"** means the guarantee of the Notes given by the Guarantor in the Trust Deed;

**"HIBOR"** means, in respect of a Hong Kong Dollar-denominated issuance and any specified period, the interest rate benchmark known as the Hong Kong Interbank Offered Rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the Hong Kong Association of Banks (HKAB) based on estimated interbank Hong Kong Dollar-denominated borrowing rates on various maturities which are provided by a panel of contributor banks (details of historic HIBOR rates can be obtained from the designated distributor);

**"Holder"** means a Holder of Registered Notes or, as the context requires, the holder of a Bearer Note or of a Coupon;

**"Holder of Registered Notes"** means the person in whose name a Registered Note is registered in the Register (or, in the case of a joint holding, the first named thereof);

**"Hong Kong"** means the Hong Kong Special Administrative Region of the PRC;

**"IFRS"** means International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee of IASB (as amended, supplemented or re-issued from time to time);

**"Illiquidity"** means that the general Renminbi exchange market in Hong Kong has become illiquid and, as a result of which, the Issuer or the Guarantor cannot obtain sufficient Renminbi in order to make a payment under the Notes, as determined by the Issuer or the Guarantor in good faith and in a commercially reasonable manner following consultation (if practicable) with two Renminbi Dealers;

**"Inconvertibility"** means the occurrence of any event that makes it impossible for the Issuer or the Guarantor to convert any amount due in respect of the Notes into Renminbi on any payment date in the general Renminbi exchange market in Hong Kong, other than where such impossibility is due solely to the failure of the Issuer or the Guarantor to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the relevant series and it is impossible for the Issuer or the Guarantor, due to an event beyond its control, to comply with such law, rule or regulation);

**"Indebtedness"** means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility;
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and IFRS, be treated as finance or capital leases;
- (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

**"Interest Amount"** means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period (other than adjusted RMB Fixed Rate Notes);

**"Interest Commencement Date"** means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

**"Interest Determination Date"** has the meaning given in the relevant Final Terms;

**"Interest Payment Date"** means the date or dates specified as such in, or determined in accordance with the provisions of, the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**"Interest Period"** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**"Investment Grade Rating"** means a rating of at least investment grade (BBB-/ Baa3/ BBB-, or their respective equivalents for the time being) from a Rating Agency;

**"ISDA Definitions"** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

**"Issue Date"** has the meaning given in the relevant Final Terms;

**"KIBOR"** means, in respect of a KD-denominated issuance and any specified period, the interest rate benchmark known as the Kuwait Interbank Offered Rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the Central Bank of Kuwait based on estimated interbank KD-denominated borrowing rates on various maturities which are provided by a panel of contributor banks (details of historic KIBOR rates can be obtained from the designated distributor);

**"KLIBOR"** means, in respect of a Malaysian Ringgit-denominated issuance and any specified period, the interest rate benchmark known as the Kuala Lumpur Interbank Offered Rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of Bank Negara Malaysia based on estimated interbank Malaysian Ringgit-denominated borrowing rates on various maturities which are provided by a panel of contributor banks (details of historic KLIBOR rates can be obtained from the designated distributor);

**"LIBOR"** means, in respect of any specified currency and any specified period, the interest rate benchmark known as the London interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the British Bankers' Association based on estimated interbank borrowing rates for a number of designated currencies and maturities which are provided, in respect of each such currency, by a panel of contributor banks (details of historic LIBOR rates can be obtained from the designated distributor);

**"Margin"** has the meaning given in the relevant Final Terms;

**"Maturity Date"** has the meaning given in the relevant Final Terms;

**"Maximum Redemption Amount"** has the meaning given in the relevant Final Terms;

**"Minimum Redemption Amount"** has the meaning given in the relevant Final Terms;

**"Non transferability"** means the occurrence of any event that makes it impossible for the Issuer or the Guarantor to deliver Renminbi between accounts inside Hong Kong or from an account inside Hong Kong to an account outside Hong Kong (including where the Renminbi clearing and settlement system for participating banks in Hong Kong is disrupted or suspended) or from an



account outside Hong Kong to an account inside Hong Kong, other than where such impossibility is due solely to the failure of the Issuer or the Guarantor to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the first Tranche of the Relevant Series and it is impossible for the Issuer or the Guarantor, due to an event beyond its control, to comply with such law, rule or regulation);

**"Optional Redemption Amount (Call)"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**"Optional Redemption Amount (Put)"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

**"Optional Redemption Date (Call)"** has the meaning given in the relevant Final Terms;

**"Optional Redemption Date (Put)"** has the meaning given in the relevant Final Terms;

**"Participating Member State"** means a Member State of the European Union which adopts the euro as its lawful currency in accordance with the Treaty;

**"Payment Business Day"** means:

- (i) if the currency of payment is not euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation or of surrender or endorsement (in the case of Registered Notes), are open for presentation and payment of bearer debt securities or for surrender or endorsement of note certificates and payment, (in the case of Registered Notes), and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre; and
  - (C) in the case of any sum payable in Renminbi, a day (other than a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; or
- (ii) if the currency of payment is euro, any day which is:
  - (A) a day on which banks in the relevant place of presentation or of surrender or endorsement (in the case of Registered Notes), are open for presentation and payment of bearer debt securities, or for surrender or endorsement of note certificates and payment, (in the case of Registered Notes), and for dealings in foreign currencies; and
  - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre;

**"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**"PRC"** means the People's Republic of China which, for the purpose of these Conditions, shall exclude Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;

**"Principal Financial Centre"** means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means Sydney and, in relation to New Zealand dollars, it means Auckland;

**"Put Option Notice"** means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Put Option Receipt"** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Rate of Interest"** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

**"Rating Agency"** means (i) Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. and its successors and (ii) Moody's Investors Service Limited and its successors or any other internationally recognised rating agency which has at the request of the Guarantor for the time being assigned a credit rating to the Guarantor;

**"Redemption Amount"** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

**"Reference Banks"** means four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

**"Reference Price"** has the meaning given in the relevant Final Terms;

**"Reference Rate"** means one of the following benchmark rates (as specified in the relevant Final Terms) in respect of the currency and period specified in the relevant Final Terms:

- (i) LIBOR;
- (ii) EURIBOR;
- (iii) KIBOR;
- (iv) SHIBOR;
- (v) HIBOR;
- (vi) KLIBOR;
- (vii) TRLIBOR or TRYLIBOR;
- (viii) SIBOR;
- (ix) EIBOR;
- (x) TIBOR; and
- (xi) SAIBOR;

**"Register"** means the register maintained by the Registrar in respect of the Registered Notes in accordance with the Agency Agreement;

**"Registrar"** means, in relation to any Series of Registered Notes, The Bank of New York Mellon;

**"Regular Period"** means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and
- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

**"Relevant Date"** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent or the Trustee as the case may be on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

**"Relevant Financial Centre"** has the meaning given in the relevant Final Terms;

**"Relevant Indebtedness"** means any present and future Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is or is capable of being listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

**"Relevant Screen Page"** means the page, section or other part of a particular information service (including, without limitation, the Reuter Money 3000 Service and the Telerate Service) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**"Relevant Time"** has the meaning given in the relevant Final Terms;

**"Renminbi"** means the lawful currency of the PRC;

**"Renminbi Dealer"** means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in Hong Kong;

**"Reserved Matter"** means any proposal (i) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment; (ii) to effect the exchange or substitution of Notes for, or the conversion of Notes into, shares, bonds or other obligations or securities of the Issuer or the Guarantor or any other person or body corporate formed or to be formed (other than in relation to Condition 16(c) (*Substitution*)); (iii) to change the currency in which amounts due in respect of Notes are payable; (iv) to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution; or (v) to amend this definition;

"**SAIBOR**" means, in respect of a Saudi Arabian Riyal-denominated issuance and any specified period, the interest rate benchmark known as the Saudi Riyal Interbank Offered Rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the Saudi Arabian Monetary Agency through Riyad Bank based on estimated interbank Saudi Arabian Riyal-denominated borrowing rates on various maturities which are provided by a panel of contributor banks (details of historic SAIBOR rates can be obtained from the designated distributor);

"**Security Interest**" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"**SHIBOR**" means, in respect of a Renminbi-denominated issuance and any specified period, the interest rate benchmark known as the Shanghai Interbank Offered Rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the National Interbank Funding based on estimated interbank Renminbi-denominated borrowing rates on various maturities which are provided by a panel of contributor banks (details of historic SHIBOR rates can be obtained from the designated distributor);

"**SIBOR**" means, in respect of a Singapore Dollar-denominated issuance and any specified period, the interest rate benchmark known as the Singapore Interbank Offered Rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the Association of Banks in Singapore based on estimated interbank Singapore Dollar-denominated borrowing rates on various maturities which are provided by a panel of contributor banks (details of historic SIBOR rates can be obtained from the designated distributor);

"**Specified Currency**" has the meaning given in the relevant Final Terms;

"**Specified Denomination(s)**" has the meaning given in the relevant Final Terms;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Final Terms;

"**Spot Rate**" means the spot CNY/U.S. dollar exchange rate for the purchase of U.S. dollars with Renminbi in the over the counter Renminbi exchange market in Hong Kong for settlement in two Determination Business Days, as determined by the Calculation Agent at or around 11 a.m. (Hong Kong time) on the Determination Date, on a deliverable basis by reference to Reuters Screen Page TRADCNY3, or if no such rate is available, on a non deliverable basis by reference to Reuters Screen Page TRADNDF. If neither rate is available, the Calculation Agent will determine the Spot Rate at or around 11 a.m. (Hong Kong time) on the Determination Date as the most recently available CNY/U.S. dollar official fixing rate for settlement in two Determination Business Days reported by The State Administration of Foreign Exchange of the PRC, which is reported on the Reuters Screen Page CNY=SAEC. Reference to a page on the Reuters Screen means the display page so designated on the Reuters Monitor Money Rates Service (or any successor service) or such other page as may replace that page for the purpose of displaying a comparable currency exchange rate;

"**Subsidiary**" means in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and IFRS, consolidated with those of the first Person;

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**TIBOR**" means, in respect of a EuroYen-denominated issuance and any specified period, the interest rate benchmark known as the Tokyo Interbank Offered Rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the Japan Bankers Association based on estimated interbank EuroYen-denominated borrowing rates on various maturities which are provided by a panel of contributor banks (details of historic TIBOR rates can be obtained from the designated distributor);

"**Treaty**" means the Treaty on the Functioning of the European Union, as amended;

"**TRLIBOR**" or "**TRYLIBOR**" means, in respect of a Turkish Lira-denominated issuance and any specified period, the interest rate benchmark known as the Turkish Lira Interbank Offered Rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the Bank Association of Turkey based on estimated interbank Turkish Lira-denominated borrowing rates on various maturities which are provided by a panel of contributor banks (details of historic TRLIBOR or TRYLIBOR rates can be obtained from the designated distributor);

"**U.S. Dollar Equivalent**" means the Renminbi amount converted into U.S. dollars using the Spot Rate for the relevant Determination Date; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms.

(b) **Interpretation:** In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Final Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 11 (*Taxation*) or any undertaking given in addition to, or in substitution for, that Condition, any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 11 (*Taxation*) or any undertaking given in addition to, or in substitution for, that Condition and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;
- (vii) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and

- (viii) any reference to the Agency Agreement or the Trust Deed shall be construed as a reference to the Agency Agreement or the Trust Deed, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

### 3. **Form, Denomination, Transfer and Title**

Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") as specified in the relevant Final Terms. Registered Notes may not be exchanged for Bearer Notes and *vice-versa*.

- (a) **Notes in Bearer Form:** Bearer Notes are issued in the Specified Denomination(s) with Coupons and, if specified in the form of Final Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Notes of one Specified Denomination will not be exchangeable for Notes of another Specified Denomination. Title to the Bearer Notes and the Coupons will pass by delivery. The Holder of any Bearer Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Bearer Note under the Contracts (Rights of Third Parties) Act 1999.
- (b) **Notes in registered form:** Registered Notes are issued in the Specified Denomination(s) and may be held in holdings equal to any specified minimum amount and integral multiples equal to any specified increments (as specified in the relevant Final Terms) in excess thereof (each, an "**Authorised Holding**"). The Holder of each Registered Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder.
- (c) **Register and Transfers of Registered Notes**
- (i) **Register:** The Registrar will maintain the Register in accordance with the provisions of the Agency Agreement. A Note Certificate (as defined in the Trust Deed) will be issued to each Holder of Registered Notes in respect of its holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (ii) **Transfers:** Subject to Conditions 3(c)(v) (*Closed periods*) and 3(c)(vi) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar, together with such evidence as the Registrar may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer **provided, however, that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Authorised Holdings. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.
- (iii) **Registration and delivery of Note Certificates:** Within 5 business days of the surrender of a Note Certificate in accordance with Condition 3(c)(ii) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each Holder of Registered Notes at its Specified Office or (at the request and risk of any such relevant Holder of Registered Notes) by uninsured first class mail (airmail if overseas) to the address specified for the purposes by such Holder of Registered Notes. In this paragraph, "**business day**" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar is located.

- (iv) *No charge*: The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (v) *Closed periods*: Holders of Registered Notes may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.
- (vi) *Regulations concerning transfers and registration*: All transfers of Registered Notes and entries in the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Holder of Registered Notes who requests in writing a copy of such regulation.

#### 4. **Status and Guarantee**

- (a) *Status of the Notes*: The Notes constitute direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (b) *Guarantee of the Notes*: The Guarantor has in the Trust Deed unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Notes. This Guarantee of the Notes constitutes direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

#### 5. **Covenants**

- (a) *Negative Pledge*: So long as any Note remains outstanding, neither the Issuer nor the Guarantor shall create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or any Guarantee of any Relevant Indebtedness;

#### 6. **Fixed Rate Note Provisions**

- (a) *Application*: This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest*: The Notes (other than where the specified currency is RMB and the applicable Final Terms specify a Business Day Convention to be applicable) bear interest from, and including, the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). In the case of a Fixed Rate Note where the Specified Currency is RMB and the applicable Final Terms specifies a Business Day Convention to be applicable (an "**Adjusted RMB Fixed Rate Note**"), each Interest Payment Date (and, accordingly, the relevant Calculation Period) will be adjusted (if required) in accordance with the relevant Business Day Convention. Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or, as the case may be, the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount*: The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Specified Denomination of Notes

is a multiple of the Calculation Amount, shall be the product of the amount for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

- (d) **Calculation of interest amount:** The amount of interest payable in respect of each Note for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest for such period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

## 7. Floating Rate Note Provisions

- (a) **Application:** This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.

- (b) **Accrual of interest:** The Notes bear interest from, and including, the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 10 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is five days after the Principal Paying Agent or, as the case may be, the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such fifth day (except to the extent that there is any subsequent default in payment).

- (c) **Screen Rate Determination:** If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
  - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
  - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading



European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin (if any) and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin (if any) and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (d) **ISDA Determination:** If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin (if any) and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
  - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
  - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) or on the euro zone inter bank offered rate (EURIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.
- (e) **Maximum or Minimum Rate of Interest:** If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) **Calculation of Interest Amount:** The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (g) **Calculation of other amounts:** If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.
- (h) **Publication:** The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, the Guarantor, the Paying Agents, the Trustee and the listing authority, stock exchange and/or quotation system by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders in accordance with Condition 19 (*Notices*). The Calculation Agent will be entitled to recalculate

any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

- (i) **Notifications etc:** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 (*Floating Rate Note Provisions*) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Guarantor, the Trustee, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent or the Trustee in connection with the exercise or non-exercise by them of their respective powers, duties and discretions for such purposes.
- (j) **Determination or Calculation by Trustee:** If the Calculation Agent fails at any time to determine a Rate of Interest or to calculate an Interest Amount or additional Interest Amount, the Trustee will determine such Rate of Interest and make such determination or calculation which shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply all of the provisions of these Conditions with any necessary consequential amendments to the extent that, in its sole opinion and with absolute discretion, it can do so and in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances and will not be liable for any loss, liability, damage, fee, cost, charge or expense which may arise as a result thereof. Any such determination or calculation made by the Trustee shall be binding on the Issuer, the Guarantor, Noteholders and Couponholders.

#### 8. **Zero Coupon Note Provisions**

- (a) **Application:** This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) **Late payment on Zero Coupon Notes:** If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent or, as the case may be, the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

#### 9. **Redemption and Purchase**

- (a) **Scheduled redemption:** Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 10 (*Payments*).
- (b) **Redemption for tax reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part:
  - (i) at any time (if the Floating Rate Note Provisions are specified in the relevant Final Terms as not being applicable); or
  - (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) (1) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax, or any change in the application, official interpretation or enforcement of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes and (2) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (B) (1) the Guarantor has or (if a demand was made under the Guarantee of the Notes) would become obliged to pay additional amounts as provided or referred to in Condition 11 (*Taxation*) or the Guarantor has or will become obliged to make any such withholding or deduction as is referred to in Condition 11 (*Taxation*) from any amount paid by it to the Issuer in order to enable the Issuer to make a payment of principal or interest in respect of the Notes, in either case as a result of any change in, or amendment to, the laws or regulations of the State of Kuwait or any political subdivision or any authority thereof or therein having power to tax, or any change in the application, official interpretation or enforcement of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes, and (2) such obligation cannot be avoided by the Guarantor taking reasonable measures available to it,

**provided, however, that** no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts or the Guarantor would be obliged to make such withholding or deduction if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer or the Guarantor would be obliged to pay such additional amounts or the Guarantor would be obliged to make such withholding or deduction if a payment in respect of the Notes were then due or (as the case may be) a demand under the Guarantee of the Notes were then made.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver or procure that there is delivered to the Trustee (A) a certificate signed by two directors of the Issuer or (as the case may be) two directors of the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Guarantor has or will become obliged to pay such additional amounts or (as the case may be) the Guarantor has or will become obliged to make such withholding or deduction as a result of such change or amendment. The Trustee shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in (A) and (B) above, in which event they shall be conclusive and binding on the Noteholders. Upon the expiry of any such notice as is referred to in this Condition 9(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 9(b).

- (c) ***Redemption at the option of the Issuer:*** If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer giving not less than 15 nor more than 30 days' notice to the Noteholders and having notified the Trustee prior to the provision of such notice (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the

case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

(d) ***Partial redemption:***

(i) ***Partial Redemption of Bearer Notes:*** If the Notes are to be redeemed in part only on any date in accordance with Condition 9(c) (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Trustee approves and in such manner as the Trustee considers appropriate, subject to compliance with applicable law and the rules of the listing authority, stock exchange and/or quotation system by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 9(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Final Terms, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.

(ii) ***Partial Redemption of Registered Notes:*** If Registered Notes are to be redeemed in part only on any date in accordance with Condition 9(c) (*Redemption at the option of the Issuer*), each Registered Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Registered Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Registered Notes on such date.

(e) ***Redemption at the option of Noteholders:*** If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of any Noteholder redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(e), the Noteholder must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto, in the case of Bearer Notes, or deposit with the Registrar the relevant Note Certificate relating to such Note, in the case of Registered Notes, and a duly completed Put Option Notice in the form obtainable from any Paying Agent or Registrar, as the case may be. The Paying Agent or the Registrar, as the case may be, with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note or Note Certificate, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(e), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note or the Notes evidenced by any Note Certificate becomes immediately due and payable or, upon due presentation of any such Note or Note Certificate on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent or Registrar shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note or Note Certificate at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Bearer Note is held by a Paying Agent in accordance with this Condition 9(e), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

(f) ***Redemption at the option of Noteholders (Restructuring):*** If a Put Event (Restructuring) occurs the Issuer or the Guarantor shall give notice to the Noteholders (specifying the nature of the Put Event (Restructuring)), of an optional redemption date (the "**Optional Redemption Date (Restructuring)**") which shall be not less than 50 nor more than 75 days after the date of such notice and the procedure for exercising the option contained in this Condition 9(f), and the Issuer shall, at the option of any Noteholder redeem or, at the Issuer's option, purchase such Note on the Optional Redemption Date (Restructuring) at an amount equal to its principal amount together with (or, where purchased, together with an amount equal to) interest (if any) accrued to such date. In order to exercise the option contained in this Condition 9(f), the Noteholder must deliver such Note together with all unmatured Coupons, on any business day falling within the period of 45 days after the notice of a Put Event (Restructuring) is given, at the specified office of any Paying Agent, accompanied by a duly completed non-transferable Put Option Notice in the form

obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 9(f), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Restructuring), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Restructuring), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 9(f), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

For the purposes of this Condition 9(f) only:

**"business day"** means a day on which banks are generally open for business in the State of Kuwait, the Cayman Islands, New York City and in the city where the Specified Office of the Principal Paying Agent is located;

**"Group"** means the Guarantor and its Subsidiaries for the time being;

A **"Negative Rating Event"** shall be deemed to have occurred in respect of a Restructuring Event if the Guarantor does not within 120 days of a Restructuring Event obtain an Investment Grade Rating;

A **"Put Event (Restructuring)"** will be deemed to have occurred if, for so long as any Note remains outstanding, there occurs a Restructuring Event and within the Restructuring Period (i) if at the time that Restructuring Event occurs there are Rated Securities, a Rating Downgrade in respect of that Restructuring Event occurs; or (ii) if at the time that Restructuring Event occurs there are no Rated Securities, a Negative Rating Event in respect of that Restructuring Event occurs;

**"Rated Securities"** means any Notes so long as they shall have a solicited rating from any Rating Agency;

A **"Rating Downgrade"** shall be deemed to have occurred in respect of a Restructuring Event if the solicited rating assigned 30 business days prior to the Restructuring Event to the Rated Securities by a Rating Agency is withdrawn or reduced from an Investment Grade Rating to a non-Investment Grade Rating (BB+/Ba1/BB or their respective equivalents for the time being) or worse, or if any Rating Agency shall have already rated the Rated Securities below Investment Grade Rating, the rating of such Rating Agency is lowered by one or more full rating categories (for example, from BB+/Ba1/BB+ to BB/Ba2/BB or such similar lowering);

A **"Restructuring Event"** shall be deemed to have occurred if either:

- (i) any Person or any Persons (other than Al Futtooh Holding Co. K.S.C., any of its shareholders and any of their respective associates (where an associate of an individual is the individual's husband, wife or child or is a relative, or the husband or wife of a relative, of the individual or of the individual's husband or wife) ("**AFI**")) acting in concert or any Person or Persons acting on behalf of any such Person(s) at any time directly or indirectly own(s) or acquire(s) (whether or not approved by the board of directors of the Guarantor) (A) 50 per cent. or more of the issued or allotted ordinary share capital of the Guarantor or (B) such number of shares in the capital of the Guarantor carrying 50 per cent. or more of the voting rights exercisable at general meetings of the Guarantor; or
- (ii) if AFI ceases directly or indirectly to own (A) 30 per cent. or more of the issued or allotted ordinary share capital of the Guarantor or (B) such number of shares in the capital of the Guarantor carrying 30 per cent. or more of the voting rights exercisable at general meetings of the Guarantor;

**"Restructuring Period"** means the period commencing on the earlier of the date (the **"Restructuring Period Commencement Date"**) of the public announcement of the Restructuring Event or the public announcement of the intention of the relevant Person or Persons to effect a Restructuring Event and ending 120 days after the Restructuring Period Commencement Date (or such longer period for which the Rated Securities or, as the case may be, any Notes are under consideration (such consideration having been announced publicly within the period ending 120 days after the Restructuring Period Commencement Date) for rating review or, as the case may be, rating by a Rating Agency);

- (g) **No other redemption:** The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (Scheduled redemption) to (c) (Redemption at the option of the Issuer) above.
- (h) **Early redemption of Zero Coupon Notes:** Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 9(h) or, if none is so specified, a Day Count Fraction of 30E/360.

- (i) **Purchase:** The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith. Such Notes may be held, resold or, at the option of the purchaser, surrendered to any Paying Agent for cancellation.
- (j) **Cancellation:** All Notes redeemed or surrendered for cancellation and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

## 10. **Payments**

- (a) **Payments – Bearer Notes**

This Condition 10(a) is only applicable to Bearer Notes.

- (1) **Principal:** Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States (which expression, as used in these Conditions, means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction) by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in London).
- (2) **Interest:** Payments of interest shall, subject to paragraph (8) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (1) above.
- (3) **Payments in New York City:** Payments of principal or interest payable in U.S. dollars may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer

has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in U.S. dollars when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law without involving, in the opinion of the Issuer and the Guarantor, adverse tax consequences to either the Issuer or the Guarantor.

- (4) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**U.S. Internal Revenue Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 11 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (5) *Deductions for unmatured Coupons:* If the relevant Final Terms specifies that the Fixed Rate Note Provisions are applicable and a Note is presented without all unmatured Coupons relating thereto:
- (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
    - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
    - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (1) (*Principal*) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

- (6) *Unmatured Coupons void:* If the relevant Final Terms specifies that this Condition 10(a)(6) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 9(b) (*Redemption for tax reasons*), Condition 9(c)

(Redemption at the option of the Issuer), Condition 9(e) (Redemption at the option of Noteholders), Condition 9(f) (Redemption at the option of Noteholders (Restructuring)) or Condition 12 (Events of Default), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

- (7) *Payments on business days:* If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (8) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (3) (*Payments in New York City*) above).
- (9) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (10) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 13 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.
- (11) *Payment of U.S. Dollar Equivalent:* Notwithstanding the foregoing, if by reason of Illiquidity, Inconvertibility or Non transferability the Issuer or the Guarantor is not able to satisfy payments of principal or interest in respect of the Notes when due in Renminbi in Hong Kong, the Issuer or the Guarantor may, on giving not less than five or more than 30 calendar days' irrevocable notice to the Holders in accordance with Condition 19 (*Notices*) prior to the due date for payment, settle any such payment in U.S. dollars on the due date at the U.S. Dollar Equivalent of any such Renminbi-denominated amount.
- (12) *Payments in Renminbi:* Notwithstanding the foregoing, any payments in respect of the Notes to be made in Renminbi will be made in accordance with all applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in Hong Kong) by credit or transfer to an account denominated in that currency and maintained by the payee with a bank in Hong Kong.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 10(a) by the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Paying Agents and all Holders.

(b) ***Payment – Registered Notes***

- (1) This Condition 10(b) is only applicable to Registered Notes.
- (2) *Principal:* Payments of principal shall be made by cheque drawn in the currency in which the payment is due on or, upon application by a Holder of Registered Notes to the specified office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in such currency (or, if that currency is euro, any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the Principal Financial Centre of such currency (in the case of a sterling cheque, a town clearing branch of a bank in London) and (in the case of final redemption) upon surrender (or, in the case of part



payment only, endorsement) of the relevant Note Certificates at the specified office of any Paying Agent.

- (3) *Interest:* Payments of interest shall be made by cheque drawn in the currency in which the payment is due on or, upon application by a Holder of Registered Notes to the specified office of the Principal Paying Agent not later than four Payment Business Days before the due date for any such payment, by transfer to an account denominated in such currency (or, if that currency is euro, any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the Principal Financial Centre of such currency and, in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificate at the specified office of any Paying Agent.
- (4) *Payments subject to fiscal laws:* All payments in respect of the Registered Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code or otherwise imposed pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Holders of Registered Notes in respect of such payments.
- (5) *Payments on business days:* Where payment is to be made by transfer to an account, payment instruments (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payment on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the Payment Business Date immediately preceding the due date for payment. A Holder of Registered Notes shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 10(b)(5) arriving after the due date for payment or being lost in the mail.
- (6) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (7) *Record date:* Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the due date for such payment, and (ii) where in definitive form at the close of business on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.
- (8) *Payment of U.S. Dollar Equivalent:* Notwithstanding the foregoing, if by reason of Illiquidity, Inconvertibility or Non transferability, the Issuer or the Guarantor is not able to satisfy payments of principal or interest in respect of the Notes when due in Renminbi in Hong Kong, the Issuer or the Guarantor may, on giving not less than five or more than 30 calendar days' irrevocable notice in accordance with Condition 19 (*Notices*) to the Holders of Registered Notes prior to the due date for payment, settle any such payment in U.S. dollars on the due date at the U.S. Dollar Equivalent of any such Renminbi-denominated amount.

In such event, payments of the U.S. Dollar Equivalent of the relevant principal or interest in respect of Registered Notes represented by Note Certificates shall be made by a U.S. dollar denominated cheque drawn on a bank in New York City and mailed to the Holder of such Note Certificates at its address appearing in the Register, or, upon application by the Holder to the specified office of the Registrar before the Record Date, by transfer to a U.S. dollar denominated account with a bank in New York City.

- (9) *Payments in Renminbi:* Notwithstanding the foregoing, any payments in respect of the Notes to be made in Renminbi will be made in accordance with all applicable laws, rules, regulations and guidelines issued from time to time (including all applicable laws and regulations with respect to the settlement of Renminbi in Hong Kong) by credit or transfer to an account denominated in that currency and maintained by the payee with a bank in Hong Kong.

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 10(b)(8) (Payment of U.S. Dollar Equivalent) by the Calculation Agent, will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor, the Paying Agents and all Holders of Registered Notes.

## 11. **Taxation**

- (a) **Gross up:** All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer or the Guarantor shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Cayman Islands or the State of Kuwait or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Guarantor shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:
- (i) in the Cayman Islands or the State of Kuwait; or
  - (ii) by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
  - (iii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
  - (iv) by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the EU; or
  - (v) more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days assuming that day to have been a Payment Business Day.
- (b) **Taxing jurisdiction:** If the Issuer or the Guarantor becomes subject at any time to any taxing jurisdiction other than the Cayman Islands or the State of Kuwait respectively, references in these Conditions to the Cayman Islands or the State of Kuwait shall be construed as references to the Cayman Islands or (as the case may be) the State of Kuwait and/or such other jurisdiction.

## 12. **Events of Default**

If any of the following events occurs, then the Trustee at its discretion may and, if so requested in writing by Holders of at least one quarter of the aggregate principal amount of the outstanding Notes or if so directed by an Extraordinary Resolution, shall (subject in the case of the happening of any of the events mentioned in paragraphs (b) (*Breach of other obligations*), (d) (*Unsatisfied judgment*), (i) (*Failure to take action, etc.*) or (j) (*Unlawfulness*) below to the Trustee having certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders and subject, in all cases, to the Trustee having been indemnified or provided with security to its satisfaction) give written notice to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest without further action or formality:

- (a) **Non-payment:** the Issuer fails to pay any amount of principal in respect of the Notes within 5 days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 10 days of the due date for payment thereof; or
- (b) **Breach of other obligations:** the Issuer or the Guarantor defaults in the performance or observance of any of its other obligations under or in respect of the Notes, the Trust Deed or the Guarantee of the Notes and such default (i) is, in the opinion of the Trustee, incapable of remedy or (ii) being a default which is, in the opinion of the Trustee, capable of being remedied, remains unremedied for 30 days or such longer period as the Trustee may agree after written notice thereof has been received by the Issuer and the Guarantor from the Trustee; or
- (c) **Cross-default of Issuer or Guarantor:**
  - (i) any Indebtedness of the Issuer or the Guarantor is not paid when due or (as the case may be) within any originally applicable grace period;
  - (ii) any such Indebtedness becomes or is declared due and payable prior to its stated maturity otherwise than at the option of the Issuer or the Guarantor or (**provided that** no event of default, howsoever described, has occurred) any Person entitled to such Indebtedness; or
  - (iii) the Issuer or the Guarantor fails to pay when due any amount payable by it under any Guarantee of any Indebtedness;

**provided that** the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds U.S.\$20,000,000 (or its equivalent in any other currency or currencies);
- (d) **Unsatisfied judgment:** one or more final judgment(s) or order(s) for the payment of any amount exceeding U.S.\$20,000,000 is rendered against the Issuer or the Guarantor and continue(s) unsatisfied and unstayed for a period of 21 days after the date(s) thereof or, if later, the date therein specified for payment; or **Security enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or substantially the whole of the undertaking, assets and revenues of the Issuer or the Guarantor; or
- (f) **Insolvency, etc.:** (i) the Issuer or the Guarantor becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or the Guarantor or the whole or substantially the whole of the undertaking, assets and revenues of the Issuer or the Guarantor is appointed (or application for any such appointment is made), (iii) the Issuer or the Guarantor takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it or (iv) the Issuer or the Guarantor ceases or threatens to cease to carry on all or substantially the whole of its business; or
- (g) **Winding up, etc.:** an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or the Guarantor; or

- (h) **Analogous event:** any event occurs which under the laws of the Cayman Islands or the State of Kuwait has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (g) (*Winding up, etc.*) above; or
- (i) **Failure to take action, etc.:** any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under and in respect of the Notes and the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Coupons and the Trust Deed admissible in evidence in the courts of the Cayman Islands and the State of Kuwait is not taken, fulfilled or done; or
- (j) **Unlawfulness:** it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed; or
- (k) **Controlling shareholder:** the Issuer ceases to be a Subsidiary of the Guarantor; or
- (l) **Guarantee not in force:** the Guarantee of the Notes is not (or is claimed by the Guarantor not to be) in full force and effect.

### 13. Prescription

- (a) **Bearer Notes:** Claims for principal in respect of Bearer Notes shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.
- (b) **Registered Notes:** Claims for principal on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date. Claims for interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within five years of the appropriate Relevant Date.

### 14. Replacement of Notes, Note Certificates and Coupons

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the listing authority, stock exchange and/or quotation system requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by the listing authority, stock exchange and/or quotation system), subject to all applicable laws and listing authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

### 15. Trustee, Agents and Registrar

Under the Trust Deed, the Trustee is entitled to be indemnified to its satisfaction before taking certain actions, including taking enforcement proceedings, and is also entitled to be relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity relating to the Issuer or the Guarantor without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual Holders of Notes or Coupons as a result of such Holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer, the Guarantor and (to the extent provided

therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and Registrar and their respective initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer and the Guarantor reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Paying Agent or any Registrar and to appoint a successor Principal Paying Agent or Calculation Agent and additional or successor paying agents or Registrars; **provided, however, that:**

- (a) the Issuer and the Guarantor shall at all times maintain a Principal Paying Agent and a Registrar outside the United Kingdom; and
- (b) the Issuer and the Guarantor will ensure that they maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced to conform to, such Directive; and
- (c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer and the Guarantor shall at all times maintain a Calculation Agent for that Series of Notes; and
- (d) for so long as the Notes are admitted to listing, trading and/or quotation and the listing authority, stock exchange and/or quotation system requires the appointment of a Paying Agent and/or a Registrar in any particular place, the Issuer and the Guarantor shall maintain a Paying Agent and/or a Registrar each with a Specified Office in the place required by such listing authority, stock exchange and/or quotation system.

Notice of any change in any of the Paying Agents or the Registrar or in their Specified Offices shall promptly be given to the Noteholders.

#### 16. **Meetings of Noteholders; Modification and Waiver**

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Guarantor (acting together) or by the Trustee and shall be convened by the Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, one or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which one or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) **Modification and waiver:** The Trustee may, without the consent of the Noteholders or the Couponholders agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may, without the consent of the Noteholders or Couponholders authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

- (c) **Substitution:** The Trust Deed contains provisions under which the Guarantor or any other company may, without the consent of the Noteholders or Couponholders assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes **provided that** certain conditions specified in the Trust Deed are fulfilled.

No Noteholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder or (as the case may be) Couponholder except to the extent provided for in Condition 11 (*Taxation*) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

## 17. **Enforcement**

The Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the holders of at least one quarter of the aggregate principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

## 18. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders and in accordance with the Trust Deed, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes. The date on which the Notes are consolidated and form a single series is either the Issue Date or, in the case of Bearer Notes which are issued initially in the form of a temporary global note, the date on which the temporary global note is exchanged for the permanent global note, each as specified in applicable Final Terms. The Issuer may from time to time, with the consent of the Trustee, create and issue other series of notes having the benefit of the Trust Deed.

## 19. **Notices**

Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

Notices to Holders of Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an overseas address) by airmail to them (or, in the case of joint Holders, to the first-named in the Register) at their respective addresses as recorded in the Register, and will be deemed to have been validly given on the fourth Business Day after the date of such mailing.

20. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder and the Trustee on the written demand of such Noteholder or the Trustee addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Principal Paying Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder or the Trustee may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

21. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22. **Governing Law and Jurisdiction**

- (a) **Governing law:** The Notes and the Trust Deed and any non-contractual obligations arising out of or in connection with the Notes and the Trust Deed are governed by English law.
- (b) **Arbitration:** Subject to Condition 22(c) (*Trustee's option*), any dispute arising out of or in connection with the Notes or the Trust Deed (including a dispute regarding their existence, validity or termination or the consequences of their nullity or any non-contractual obligation arising out of or in connection with them) (a "**Dispute**") shall (regardless of the nature of the Dispute) be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration ("**LCIA**") (the "**Rules**"), as amended from time to time and by the rest of this Condition:
- (i) The arbitral tribunal shall consist of three arbitrators.
  - (ii) Within 15 days from receipt by the registrar of the LCIA of the response to the request for arbitration, the claimant(s) – irrespective of their number - shall nominate jointly one arbitrator and the respondent(s) – irrespective of their number - shall nominate jointly the second arbitrator. The chairman of the arbitral tribunal shall be nominated by the two party nominated arbitrators within 15 days of the last of their appointments.
  - (iii) In the event that the claimant(s) or the respondent(s) fail to nominate an arbitrator or the party nominated arbitrators fail to agree the chairman of the arbitral tribunal within the time limits specified in this Condition, the LCIA court shall, at the written request of the claimant(s) or the respondent(s), make such appointment forthwith.
  - (iv) The seat of the arbitration shall be London, England and all hearings shall take place in London, England.
  - (v) The language of the arbitration shall be English.

- (vi) The parties waive any right of application to determine a preliminary point of law under section 45 and to appeal on a question of law under section 69 of the Arbitration Act 1996.
- (vii) Upon request of a party to a Dispute or any party to the Notes or the Trust Deed which itself wishes to be joined to any reference to arbitration proceedings in relation to a Dispute, the arbitral tribunal may join any party to the Notes or the Trust Deed to any reference to arbitration proceedings in relation to that Dispute between them. Each of the parties to the Notes hereby consents to be joined to any reference to arbitration proceedings in relation to any Dispute at the request of a party to that Dispute, and to accept the joinder of a party requesting to be joined pursuant to this Condition 22(b)(vii).

(c) ***Trustee's option***

Before the Trustee has filed a Request for arbitration or Response as defined in the Rules (as the case may be), the Trustee may by notice in writing to the Issuer and the Guarantor require that a Dispute between it and the Issuer and/or the Guarantor be heard by a court of law. If the Trustee gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 22(d) (*Jurisdiction of the English courts*).

(d) ***Jurisdiction of the English courts***

In the event that the Trustee issues a notice pursuant to Condition 22(c) (*Trustee's option*), the following provisions shall apply:

- (i) Subject to Condition 22(b) (*Arbitration*), the courts of England shall have exclusive jurisdiction to settle any Dispute.
- (ii) The Issuer and/or the Guarantor agree that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that they will not argue to the contrary.
- (iii) This Condition 22(d) is for the benefit of the Noteholders and the Trustee only. As a result, and notwithstanding Condition 22(d)(i) above, the Trustee may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Trustee may take concurrent Proceedings in any number of jurisdictions.

- (e) ***Process agent:*** In the Trust Deed the Issuer and the Guarantor have each agreed that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to United Gulf Management Limited at 7 Old Park Lane, London W1Y 3LJ or, if different, its registered office for the time being in England or at any address of the Issuer or the Guarantor (as the case may be) in Great Britain at which process may be served on it in accordance with the Companies Act 2006. If such persons are not or cease to be effectively appointed to accept service of process on behalf of the Issuer or the Guarantor (as the case may be), the Issuer or the Guarantor (as the case may be) shall, on the written demand of the Trustee addressed and delivered to the Issuer or the Guarantor (as the case may be) or to the Specified Office of the Principal Paying Agent, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, the Trustee shall be entitled to appoint such a person by written notice addressed to the Issuer or the Guarantor (as the case may be) and delivered to the Issuer or the Guarantor (as the case may be) or to the Specified Office of the Principal Paying Agent. Nothing in this paragraph shall affect the right of any Noteholder or the Trustee to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.



## FORM OF FINAL TERMS

*The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly completed to reflect the particular terms of the relevant Notes and their issue.*

Final Terms dated [ ]

### **KUWAIT PROJECTS CO. (CAYMAN)**

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Guaranteed by

**Kuwait Projects Company (Holding) K.S.C.P.**

under the U.S.\$3,000,000,000

**Euro Medium Term Note Programme**

### **PART A - CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 14 October 2014 (the "**Base Prospectus**") [and the supplemental Base Prospectus dated [ ]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus [as so supplemented].

Full information on the Issuer, the Guarantor and the Notes described herein is only available on the basis of a combination of these Final Terms and the Base Prospectus. The Base Prospectus [and the supplemental Base Prospectus] is available for viewing at The Bank of New York Mellon, One Canada Square, London E14 5AL, United Kingdom and <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> and during normal business hours copies may be obtained from The Bank of New York Mellon, One Canada Square, London E14 5AL, United Kingdom. The Base Prospectus has been published on the London Stock Exchange's website in accordance with Article 14 of the Prospectus Directive.

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a base prospectus with an earlier date and the relevant terms and conditions from that base prospectus with an earlier date were incorporated by reference in this Base Prospectus.*

Terms used herein shall be deemed to be defined as such for the purposes of the [date] Conditions (the "**Conditions**") set forth in the Base Prospectus dated [original date] which are incorporated by reference in the Base Prospectus dated [current date] and are attached hereto. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus dated [current date] [and the supplemental Base Prospectus dated [date]] which [together] constitute[s] a base prospectus including the conditions incorporated by reference in the Base Prospectus for the purposes of the Prospectus Directive (the "**Base Prospectus**"). This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive.

Full information on the Issuer, the Guarantor and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus dated [current date] [and the supplemental Base Prospectus dated [dated]]. The Base Prospectuses [and the supplemental Base Prospectus] are available for viewing at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> and during normal business hours at The Bank of New York Mellon, One Canada Square, London E14 5AL, United Kingdom and copies may be obtained from The Bank of New York Mellon, One Canada Square, London E14 5AL, United Kingdom. The Base Prospectus has been published on the London Stock Exchange's website in accordance with Article 14 of the Prospectus Directive.

1. (i) Issuer: **KUWAIT PROJECTS CO. (CAYMAN)**
- (ii) Guarantor: **Kuwait Projects Company (Holding) K.S.C.P.**
2. [(i) [Series Number:] [ ]]

- (ii) [Tranche Number: [ ]
- (iii) Date on which the Notes become fungible [Not Applicable/[insert date]]
3. Specified Currency or Currencies: [[Emirati Dirham]/[euro]/[EuroYen]/[Great British Pound]/[Hong Kong Dollar]/[Kuwaiti Dinars]/[Malaysian Ringgit]/[Renminbi]/[Saudi Arabian Riyal]/[Singapore Dollar]/[Turkish Lira]/[U.S. Dollars]]
4. Aggregate Nominal Amount: [ ]
- (i) [[Series:] [ ]]
- (ii) [Tranche: [ ]]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ]]
6. (i) Specified Denominations: [ ]
- (ii) Calculation Amount: [ ]
7. (i) Issue Date: [ ]
- (ii) Interest Commencement Date: [[ ]/Issue Date/Not Applicable]
8. Maturity Date: [[ ]/Interest Payment Date falling on or nearest to [ ]]
9. Interest Basis: [ per cent. Fixed Rate]  
[[specify Reference Rate] +/- [ ] per cent. Floating Rate]  
[Zero Coupon]  
(further particulars specified at paragraphs 14-16)]
10. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount]
11. Change of Interest/Payment Basis: Not Applicable
12. Put/Call Options: [Investor Put] [Investor Put – Restructuring]  
[Issuer Call]  
[(further particulars specified at paragraphs 17-18)]
13. [Date [Board] approval for issuance of Notes [and Guarantee] obtained: [[ ] [and [ ], respectively]]/Not Applicable]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. Fixed Rate Note Provisions: [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [ ] per cent. per annum payable on each Interest Payment Date
- (ii) Interest Payment [ ] in each year [in each year up to and including the Maturity Date [adjusted in accordance with the Modified

- Date(s): Following Business Day Convention]/specify other]
- (iii) Fixed Coupon Amount[(s): [ ] per Calculation Amount
- (iv) Broken Amount(s): [ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]
- (v) Day Count Fraction: [30/360/Actual/Actual (ICMA)/Actual/365 (fixed)/other]
- (vi) Determination Date: [[ ] in each year/Not Applicable]
15. Floating Rate Note Provisions: [Applicable/Not Applicable]
- (i) Interest Period(s): [ ]
- (iii) Specified Period: [[ ]/Not Applicable]
- (iv) Specified Interest Payment Dates: [[ ]/Not Applicable]
- (v) [First Interest Payment Date]: [ ]
- (vi) Business Day Convention: [[Following Business Day Convention]/[Modified Following Business Day Convention]/ [Preceding Business Day Convention]/ [Floating Rate Convention]/ [No Adjustment]]
- (vii) Additional Business Centre(s): [[ ]/Not Applicable ]
- (viii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (ix) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Principal Paying Agent): [[ ] shall be the Calculation Agent/Not Applicable]
- (x) Screen Rate Determination:
- Reference Rate: [[ ] month LIBOR/EURIBOR/KIBOR/SHIBOR/HIBOR/KLIBOR/TRLIBOR/TRYLIBOR/SIBOR/EIBOR/TIBOR/S AIBOR]
  - Interest Determination Date(s): [ ]
  - Relevant Screen Page: [ ]
  - Relevant Time: [ ]

- Relevant Financial Centre: [ ]
- (xi) ISDA Determination:
- Floating Rate Option: [ ]
  - Designated Maturity: [ ]
  - Reset Date: [ ]
- (xii) Margin(s): [ +/- ] [ ] per cent. per annum
- (xiii) Minimum Rate of Interest: [ ] per cent. per annum
- (xiv) Maximum Rate of Interest: [ ] per cent. per annum
- (xv) Day Count Fraction: [ ]
16. Zero Coupon Note Provisions: [Applicable/Not Applicable]
- (i) [Amortisation/Accrual] Yield: [ ] per cent. per annum
  - (ii) Reference Price: [ ]
  - (iii) Day Count Fraction: [30/360/Actual/360/Actual/365 (fixed)] [ ]

**PROVISIONS RELATING TO REDEMPTION**

17. Call Option: [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [ ]
  - (ii) Optional Redemption Amount(s): [ ] per Calculation Amount
  - (iii) If redeemable in part:
    - (a) Minimum Redemption Amount: [ ] per Calculation Amount
    - (b) Maximum Redemption Amount: [ ] per Calculation Amount
18. Put Option:
- (i) Optional Redemption Date(s): [ ]

- (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s) [ ] per Calculation Amount
19. Final Redemption Amount of each Note: [ ] per Calculation Amount
20. Early Redemption Amount:  
Early Redemption Amount(s) of each Note available on redemption for taxation reasons or on event of default: [Not Applicable/[ ] per Calculation Amount]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

21. Form of Notes: **[Bearer Notes:**  
Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note.]  
[Temporary Global Note exchangeable for Definitive Notes on [ ] days' notice.]  
[Permanent Global Note exchangeable for Definitive Notes on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note].]  
**[Registered Notes**  
Global Registered Note exchangeable for Individual Note Certificates in the limited circumstances described in the Global Registered Note]
22. Additional Financial Centre(s): [[ ]/Not Applicable]
23. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No]
24. U.S. Selling Restrictions: [Reg. S Compliance Category]; [TEFRA C/TEFRA D/ TEFRA not applicable]

**THIRD PARTY INFORMATION**

[[ ] has been extracted from [ ]. Each of the Issuer and the Guarantor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced inaccurate or misleading.]

Signed on behalf of the Issuer:

By: .....  
Duly authorised

Signed on behalf of the Guarantor:

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Listing and Admission to trading: Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and listing on the Official List of the UK Listing Authority with effect from [ ].
- (ii) Estimate of total expenses related to admission to trading:

### 2. RATINGS

Ratings: The Notes to be issued have been rated:  
[S & P: [ ]]  
[Moody's: [ ]]

### 3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]

"Save as discussed in ["*Subscription and Sale*"], so far as the Issuer and the Guarantor are aware, no person involved in the offer of the Notes has an interest material to the offer."

### 4. [*Fixed Rate Notes Only* – YIELD

Indication of yield: [ ]  
[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

### 5. OPERATIONAL INFORMATION

ISIN Code: [ ]  
Common Code: [ ]  
Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking Société Anonyme and the relevant identification number(s): [[ ]/Not Applicable]  
Names and addresses of additional Paying Agent(s) (if any): [ ]

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### Clearing System Accountholders

In relation to any Tranche of Notes represented by a Global Note or a Global Note Certificate, references in the Terms and Conditions of the Notes to "**Noteholder**" are references to the bearer of the relevant Global Note or registered holder of a Global Note Certificate which, for so long as the Global Note or Global Note Certificate is held by, or as the case may be, registered in the name of a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer or the Guarantor to the bearer of such Global Note and in relation to all other rights arising under the Global Note. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note, Accountholders shall have no claim directly against the Issuer or the Guarantor in respect of payments due under the Notes and such obligations of the Issuer and the Guarantor will be discharged by payment to the bearer of the Global Note.

### Exchange of Temporary Global Notes

Whenever any interest in a Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated, to the bearer of the Temporary Global Note; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Note in accordance with its terms,

in each case in an aggregate principal amount equal to the aggregate of the principal amounts specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and received by the Principal Paying Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Principal Paying Agent within 7 days of the bearer requesting such exchange.

Whenever a Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or
- (b) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Temporary Global Note has requested exchange of the Temporary Global Note for Definitive Notes; or
- (c) a Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of a Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all



accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note or increase the principal amount thereof or deliver Definitive Notes, as the case may be) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (c) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Trust Deed). Under the Trust Deed, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### **Exchange of Permanent Global Notes**

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes duly authenticated and with Coupons and Talons attached (if so specified in the relevant Final Terms) in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer of a Permanent Global Note has duly requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) a Permanent Global Note (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Permanent Global Note in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Trust Deed). Under the Trust Deed, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### **Exchange of Global Note Certificates**

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the holder of the Global Note Certificate to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the specified office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in

particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

- (a) Individual Note Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after they are due to be issued and delivered in accordance with the terms of the Global Note Certificate; or
- (b) any of the Notes represented by a Global Note Certificate (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Note Certificate in accordance with the terms of the Global Note Certificate on the due date for payment,

then the Global Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the holder of the Global Note Certificate will have no further rights thereunder (but without prejudice to the rights which the holder of the Global Note Certificate or others may have under the Trust Deed). Under the Trust Deed, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note Certificate will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Note Certificate became void, they had been the holders of Individual Note Certificates in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

#### **Conditions applicable to Global Notes**

Each Global Note and Global Note Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to such Global Note or Global Note Certificate. The following is a summary of certain of those provisions:

**Payments:** All payments in respect of the Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that the same is noted in a schedule thereto.

Each payment in respect of a Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

Whilst the Notes are in Global Form, "**Payment Business Day**" means:

- (a) if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (b) if the currency of payment is Renminbi, any day on which commercial banks and foreign exchange markets are open for business in Hong Kong and on which commercial banks in Hong Kong are open for business and settlement of Renminbi payments; or
- (c) if the currency of payment is not euro or Renminbi, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

**Exercise of put option:** In order to exercise the option contained in Condition 9(e) (*Redemption at the option of Noteholders*) the bearer of the Permanent Global Note or the registered holder of a Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent or, as the case may be, the Registrar specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

**Partial exercise of call option:** In connection with an exercise of the option contained in Condition 9(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions.

**Notices:** Notwithstanding Condition 19 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or evidenced by a Global Note Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are) deposited with or the registered holder of a Global Note Certificate is a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 19 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

## **USE OF PROCEEDS**

The net proceeds of the issue of each Tranche of Notes will be applied by the Issuer and/or the Guarantor for its general corporate purposes, which include making a profit.

## DESCRIPTION OF THE ISSUER

### GENERAL

The Issuer was incorporated on 7 March 2006 under the Companies Law (as amended) of the Cayman Islands as an exempted company with limited liability (with registration number WK-163693). The registered office of the Issuer is c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands, Tel. +1 345 943 3100. As at 31 December 2013, the authorised share capital of the Issuer was U.S. \$50,000 divided into 50,000 ordinary shares of nominal or par value of U.S.\$1.00 each, of which one share has been issued and fully paid and is held by the Guarantor.

### BUSINESS

The Issuer is a special purpose vehicle used as the Issuer of the Notes. Pursuant to its Memorandum of Association, the objects for which the Issuer is established are unrestricted and the Issuer has full power and authority to carry out any object not prohibited by any law, as provided by Section 7(4) of the Companies Law (as amended).

All funds raised by the Issuer are on-lent to the Guarantor and the Issuer is therefore dependent on repayment of principal and interest from the Guarantor for the purposes of meeting its obligations under the Notes.

### DIRECTORS

The Directors of the Issuer are as follows:

<u>Name</u>	<u>Function</u>
Sheikh Hamad Sabah Al-Ahmad Al-Sabah .....	Director
Sheikh Abdulla Nasser Sabah Al-Ahmad Al-Sabah.....	Director
Faisal Hamad Al-Ayyar.....	Director
Abdulla Yacoub Bishara.....	Director

The business address of each of the Directors is P.O. Box 23982, Safat 13100, State of Kuwait. Biographies of each of the directors can be found under "*Description of the Guarantor - Management*" below (see page 98-99 of this Base Prospectus).

There are no potential conflicts of interest between the duties to the Issuer of the persons listed above and their private interests or other duties.

## DESCRIPTION OF THE GUARANTOR

### INTRODUCTION

#### Incorporation

Kuwait Investment Projects Company K.S.C.P. was incorporated as a closed shareholding company on 2 August 1975 under Article 94 of the Kuwaiti Commercial Companies Code, Law No. 15 1960 as amended. It was registered under commercial registration number 23118 on 15 November 1979. On 29 September 1999, it changed its structure to that of a holding company and amended its name to Kuwait Projects Company (Holding) K.S.C. (Closed). On 11 September 2014, it amended its Articles of Association to comply with a new Kuwait Companies Law, Law No. 25 of 2012 (as amended) (the "**Companies Law**"), and it is now designated as Kuwait Projects Company (Holding) K.S.C.P. (hereinafter referred to as the "**Parent Company**", "**KIPCO**" or the "**Guarantor**").

#### Registered Office

The Guarantor's registered office is P.O. Box 23982, Safat 13100, State of Kuwait, Tel. +965 1805 885.

#### Listing

The Guarantor's shares are listed on the Kuwait Stock Exchange ("**KSE**").

At the close of the KSE on 14 September 2014, the Guarantor's share price was KD 0.720 (U.S.\$2.513)<sup>1</sup> per share, giving it a market capitalisation of KD 1,042.8 million (U.S.\$3,639.9 million). The Guarantor's shares are actively traded on the KSE and represented 2.7 per cent. of the total traded value for the year ended 31 August 2014, as reported by the KSE.

### PRINCIPAL SHAREHOLDERS

#### Authorised and Paid Up Capital

As at 30 June 2014, the Guarantor's authorised capital was KD 200.0 million (U.S.\$709.7 million)<sup>1</sup>, consisting of 2,000,000,000 shares of KD 0.100 (U.S.\$0.355)<sup>1</sup> each. This increased from KD 140.3 million (U.S.\$497.6 million)<sup>2</sup> as at 31 December 2013.

As at 30 June 2014, the Guarantor's issued and paid-up capital was KD 147.4 million (U.S.\$522.9 million)<sup>1</sup>, consisting of 1,473,572,703 shares of KD 0.100 (U.S.\$0.355)<sup>1</sup> each.

#### Ownership

The Guarantor's principal shareholder is Al Futtooh Holding Company K.S.C. (Closed) ("**AFH**"), a Kuwaiti holding company owned by members of the Kuwaiti ruling family, with a direct holding of 44.7 per cent. as at 30 June 2014. Further, AFH along with its affiliated entities owns 61.8 per cent. as at 30 June 2014. The remainder of the shares are primarily held by financial institutions, equity funds, high net worth individuals and retail investors.

The table below sets out the percentage holdings of the Guarantor's shareholders as at 30 June 2014:

#### Per cent. Holding

Al Futtooh Holding Company K.S.C. (Closed).....	44.7
Investment Companies and other corporates.....	38.0
Retail Investors.....	5.2
High Net Worth Individuals.....	2.3
Investment Funds .....	8.0

<sup>1</sup> All figures in KD as of 14 September 2014 and as of 30 June 2014 have been converted into U.S.\$ at the exchange rates prevailing on those dates, that is (U.S.\$:KD=1:0.28650) as of 14 September 2014 and (U.S.\$:KD =1:0.28180 ) as of 30 June 2014 respectively

<sup>2</sup> Figures in KD as of 31 December 2013 have been converted into U.S.\$ at the exchange rates prevailing on that date, that is (U.S.\$:KD=1:0.28205)

## HISTORY

The Guarantor acquired shares in United Gulf Bank B.S.C. ("**United Gulf Bank**" or "**UGB**") in 1988. As at 30 June 2014, the effective interest held by the Guarantor and its subsidiaries (the "**Group**") in UGB was 96.3 per cent. The privatisation process initiated by the State of Kuwait in the early 1990s enabled the Guarantor to pursue its expansion strategy in the financial services sector. The Guarantor acquired a significant shareholding in Burgan Bank S.A.K.P. ("**Burgan Bank**") in 1995 (as at 30 June 2014, the Group's effective interest in Burgan Bank was 57.6 per cent.) and Gulf Insurance Group K.S.C.P. ("**Gulf Insurance Group**" or "**GIG**") in 1996 (as at 30 June 2014, the Group's effective interest in GIG was 45.3 per cent.). As part of its strategy to invest in promising under-served sectors, the Guarantor established a Satellite Pay-TV operator, Gulf DTH LDC ("**Gulf DTH (Showtime)**" or "**Showtime**"), with Viacom Inc. in 1995. Effective as at 31 July 2009, KIPCO entered into a joint venture by merging the operations of Showtime with the operations of the Orbit Pay TV business under a new holding company called Panther Media Group Ltd ("**Panther Media**" or "**PMG**"). PMG operates under the brand name "**OSN**". As at 30 June 2014, the effective interest held by the Group in PMG was 60.4 per cent. In addition, the Guarantor has built a portfolio of operating companies in the real estate, industrial and services sectors. The Guarantor has had a stake in United Real Estate Company S.A.K.P. ("**United Real Estate Company**" or "**URC**") since 1994 through its subsidiaries and associates, which it increased by way of direct investment through subscription to URC's rights issue in 2010 (as at 30 June 2014, the Group's effective interest in URC was 65.4 per cent.).

## OPERATING ENVIRONMENT

The Group and its associates operate in the Middle East and North Africa ("**MENA**") region, characterised by a growing population, varying levels of per capita income and relatively nascent markets presenting significant business and investment opportunities.

The majority of the assets of the Group and its associates are located in the Gulf Cooperation Council ("**GCC**") economies, which are all A or above rated stable economies, except for Bahrain, which is BBB rated. These economies offer a market for premium goods and services derived from their high per capita income and favourable demographic trends. A number of these countries are major oil and/or gas producers.

The following table sets out the key socio-economic indicators for the GCC economies:

Country	Population (in millions)	Population Growth Rate (per cent. per annum)	GDP Growth Rate (per cent. per annum)	GDP Per Capita Income (PPP in U.S.\$)	Proven Oil Reserve (Billion barrels)#
Bahrain.....	1.2	8.5	3.4	34,584.4	0.1
Kuwait.....	3.9	2.5	0.6	39,706.1	104.0
Oman.....	3.2	2.7	4.7	29,813.2	5.5
Qatar.....	2.0	5.4	10.7	98,813.7	25.4*
Saudi Arabia.....	30.0	3.1	5.5	31,244.7	267.9
UAE.....	9.0	2.3	1.9	30,122.1	97.8

# Latest available

\* Also has a large gas reserve

The above figures have been extracted from World Economic Outlook published by the International Monetary Fund (the "**IMF**") in April 2014. The population growth rate and the GDP growth rate have been calculated as the compounded annual growth rates for the period 2008 to 2013. Figures for Proven Oil Reserves have been extracted from the 2013 World Fact Book published by the Central Intelligence Agency (the "**CIA**"). The above information has been accurately reproduced and, as far as the Guarantor

is aware and is able to ascertain from the information published by the IMF and the CIA, no facts have been omitted which would render the reproduced information inaccurate or misleading.

In addition to the GCC economies, the Group and its associates also have investments in other Middle Eastern (non-GCC) and North African economies. These economies are characterised by a large population base and offer mass markets with low penetration.

The table below sets out the key socio-economic indicators for the other Middle Eastern (non-GCC) and North African economies:

Country	Population (in millions)	Population Growth Rate (per cent. per annum)	GDP Growth Rate (per cent. per annum)	GDP Per Capita Income (PPP in U.S.\$)
Algeria.....	37.9	1.8	2.8	7,534.1
Egypt.....	84.2	2.3	3.2	6,578.5
Jordan.....	6.5	2.3	3.2	6,115.0
Lebanon.....	4.5	1.3	4.5	14,845.0
Syria.....	21.4	2.0	4.7	4,996.5
Tunisia.....	10.9	1.1	2.1	9,931.7
Turkey.....	76.5	1.5	3.8	15,352.6

The above figures have been extracted from the World Economic Outlook published by the IMF in April 2014. The population growth rate and GDP growth rate have been calculated as the compounded annual growth rates for the period 2008 to 2013, except for Syria, for which the information presented is for the period 2008 to 2010. The above information has been accurately reproduced and, as far as the Guarantor is aware and is able to ascertain from the information published by the IMF, no facts have been omitted which would render the reproduced information inaccurate or misleading.

As regards accounting and reporting standards, companies in Kuwait follow International Financial Reporting Standards ("**IFRS**") whereas banks follow IFRS as adopted by the State of Kuwait. In the year ended 31 December 2013, the Guarantor's businesses in Kuwait generated revenues representing 36.7 per cent. of the Guarantor's total revenue (see Note 31 to the Guarantor's consolidated financial statements for the year ended 31 December 2013).

## **GROUP STRUCTURE**

The Guarantor, directly or indirectly, is the ultimate holding company of over 60 subsidiaries, associates (companies in which the Group holds more than 20 per cent. of the shares) and joint ventures operating in several sectors. Its assets substantially comprise shares in the Group companies. The Guarantor is dependent on revenues received from other members of the Group.

The principal subsidiaries and associates of the Guarantor operate in the financial services and real estate sectors, and the Guarantor also has a joint venture in the media sector. The remaining companies of the Group and its associates operate in the services and industrial sectors, and are primarily controlled by the Principal Companies.

The chart below sets out the Guarantor's Principal Companies as at 30 June 2014:





The table below sets out the Guarantor's consolidated effective interest in its Principal Companies as at 30 June 2014:

Company	Jurisdiction of Incorporation	Status	Year of initial investment	Group's Consolidated effective interest* (in per cent.)	Board representation **
United Gulf Bank B.S.C.	Bahrain	Subsidiary	1988	96.3	5 of 7
Gulf Insurance Group K.S.C.P.	Kuwait	Associate	1996	45.3	4 of 10 <sup>^^</sup>
Burgan Bank S.A.K.P.	Kuwait	Subsidiary	1995	57.6	6 of 9
Panther Media Group Ltd.***	Dubai International Financial Centre	Joint venture	1995****	60.4	2 of 7
United Real Estate Company S.A.K.P.	Kuwait	Subsidiary	1994 <sup>^^^</sup>	65.4	4 of 7

\* Effective interest is computed by adding the Guarantor's direct shareholding and the Guarantor's share of indirect interest held through subsidiaries and associates

\*\* Number of the Group nominated directors on the Board of the Principal Companies

\*\*\* Panther Media Group Ltd. has 7 board members, 2 from each of the Guarantor and the Mawarid group and 3 independent directors

\*\*\*\* Represents the year of initial investment in former Showtime, which merged with Orbit in 2009 to form Panther Media Group Ltd.

<sup>^</sup> OSN is licensed to operate in 24 countries in the MENA region; however, it currently operates in 19 countries

<sup>^^</sup> GIG has 10 board members, 4 from the Guarantor, 3 from Fairfax Financial Holdings and 3 independent directors

<sup>^^^</sup> The Group acquired the initial stake in 1994; however, the Guarantor acquired a significant stake in 2010

## BUSINESS OVERVIEW AND STRATEGY

### Principal Business Activities

KIPCO is a multi-sector holding company headquartered in Kuwait with operating entities across the GCC and the wider MENA regions. KIPCO's business is acquiring or creating businesses, building and growing them in order to selectively sell businesses, with a view to maximising shareholder value. The Guarantor has an experienced management team and benefits from key relationships in the region through its principal shareholders, which include members of the Kuwaiti ruling family. KIPCO's shares are publicly listed and traded on the KSE.

The principal business activities of the companies in which the Guarantor has currently invested are as follows:

- **Commercial Banking** - Historically, through Burgan Bank, KIPCO has had a strong presence in the Kuwaiti banking industry, offering a full range of commercial banking services to both retail and corporate customers. Burgan Bank was Kuwait's second largest conventional commercial bank by assets as at June 2014. As a result of the Group's strategic reorganisation of its financial services businesses in mid-2008 (the "**Reorganisation**"), KIPCO streamlined its financial services businesses into three major segments: commercial banking, asset management and investment banking ("**AMIB**") and insurance. Burgan Bank has been transformed into a regional commercial banking group offering a wide range of banking services and products across the GCC and wider MENA region as a result of purchase of UGB's stakes in Jordan Kuwait Bank ("**JKB**"), Bank of Baghdad ("**BOB**"), Gulf Bank Algeria ("**AGB**") and Tunis International Bank ("**TIB**"). Burgan Bank is listed on the KSE and had total consolidated assets of KD 7,485.8 million as at 30 June 2014.

Burgan Bank is a full service Kuwait-based bank providing consumer banking, corporate banking, private and international banking, treasury and electronic banking services. In December 2012, having obtained final approvals from the regulatory authorities in Kuwait and Turkey, Burgan Bank completed the acquisition of a 99.26 per cent. stake in Eurobank Tekfen from Eurobank EFG. On 21 December 2012, Eurobank Tekfen became a subsidiary of and has been consolidated with the Burgan Bank Group since that date. Following the acquisition, Eurobank Tekfen is now operating under the name of Burgan Bank Turkey. As at 30 June 2014, Burgan Bank Turkey had a market share of 0.4 per cent. in terms of loans.

Under a series of transactions in 2013 and 2014, Burgan Bank and United Gulf Bank completed the acquisition of FIMBank p.l.c., based in Malta ("**FIMBank**"), and currently hold 19.72 per cent. and 61.20 per cent., respectively. The total cumulative stake held in FIMBank was 80.92 per cent. as of 13 August 2014. FIMBank is an international trade finance specialist providing trade finance solutions to corporates, banks and individuals worldwide. Following completion of the Reorganisation and the subsequent acquisition of Eurobank Tekfen and FIMBank, Burgan Bank has expanded its presence in Jordan, Algeria, Tunisia, Iraq, Turkey and Malta.

- **AMIB** - KIPCO operates in the AMIB market in the MENA region through UGB and KIPCO Asset Management Company K.S.C.P. ("**KAMCO**"). UGB has a track record of incubating and growing businesses, including the four commercial banks that have been transferred to Burgan Bank as part of the Reorganisation. Following the Reorganisation, the Guarantor is in the process of developing its pan-regional AMIB services in UGB and KAMCO. KAMCO is an investment manager that offers its clients access to local and international capital markets with focus on asset management, investment advisory, investment research and financial services. KIPCO believes that KAMCO is the largest listed asset manager in Kuwait based on assets under management ("**AUM**") as at 31 December 2013. KAMCO's AUM was KD 3.5 billion (of which 80.2 per cent. represented custodial assets) as at 30 June 2014. UGB is listed on the Bahrain Stock Exchange ("**BSE**"), with total assets of U.S.\$2,521.9 million as at 30 June 2014.
- **Insurance** - KIPCO's primary insurance company, GIG, is the market leader in Kuwait with an estimated 27 per cent. market share based on direct premiums. GIG has expanded its presence in the MENA region and besides Kuwait, has a presence in Saudi Arabia, Lebanon, Egypt, Syria, Jordan, Iraq, UAE, Bahrain and Algeria. In February 2014, GIG announced the acquisition of 49 per cent. of an Algerian insurance company, "L'Algerienne des Assurance (2A)". The transaction is not yet

complete. GIG's product portfolio includes marine, aviation, property, casualty, motor, life and health insurance. GIG is listed on the KSE with total assets of KD 339.8 million as at 30 June 2014.

- **Media** - PMG comprises the Group's media segment. PMG owns and operates two previously competing platforms of Showtime and Orbit, providing Pay TV services in the MENA region through Direct-To-Home satellite distribution and third party cable, Internet Protocol television ("IPTV") and shared antenna systems. The merged group is managed as a jointly-controlled entity between Gulf DTH (Showtime) and the Mawarid group of companies. The merged entity operates under the brand "OSN" and offers a total of 137 channels to customers, showing premium sports, drama and entertainment in English, Arabic and some Asian languages spoken by expatriate populations in the region. It is licensed to distribute content in 24 countries. In March 2012, PMG launched an internet platform under the OSN brand named "OSN Play", which allows its customers to access the content to which they have subscribed on a variety of devices such as PCs, iPads, other tablets, mobile and other internet-based home electronic devices. In the second half of 2013, OSN acquired Pehla Media & Entertainment, the largest provider of South Asian pay-TV content in the Middle East and North Africa. Now called OSN Pehla, the platform broadcasts nearly 40 popular South Asian channels in Hindi, Urdu, Bengali, Tamil and Malayalam languages that are being offered to customers as a separate subscription or as a part of an OSN platform. As at 30 June 2014, OSN had a total subscriber base of 1,079,700 customers.
- **Real Estate** - URC, together with its subsidiaries and associates, comprises the Group's real estate segment. These represent 7.1 per cent. of the Group's assets as at 30 June 2014. These real estate interests mostly consist of existing hotels, commercial and office buildings in Kuwait, Bahrain, Oman, the Levant and Egypt, projects under construction in Jordan, Egypt, Lebanon & Oman, and Build-Operate-Transfer operations in Kuwait. The Guarantor owns a 65.4 per cent. consolidated effective interest in URC as at 30 June 2014. URC also provides real estate services through its own affiliates.
- **Industrial** - The Guarantor holds shares or other investments in companies active in a variety of industries representing in aggregate 2.7 per cent. of its assets as at 30 June 2014. These include petrochemical and dairy plants, some with several years of operations and others which have been recently established. These are held primarily through United Industries Company K.S.C.P. ("UIC") in which the Guarantor owns an effective interest of 72.6 per cent as at 30 June 2014.
- **Investment**<sup>3</sup> - Apart from the above principal business activities, the Guarantor holds investments in hedge funds, private equities, listed equity and fixed income investments amounting to KD 15.5 million as at 30 June 2014.

## Regional presence

The Group and its associates have a presence in the following countries:

Company	Present in
United Gulf Bank	Bahrain, Kuwait, Tunisia, UAE, Syria, Morocco and Malta
Gulf Insurance Group	Kuwait, Saudi Arabia, Lebanon, Egypt, Syria, Jordan, Iraq, UAE, Bahrain and Algeria
Burgan Bank	Kuwait, Jordan, Iraq, Algeria, Tunisia, Turkey, Malta, Lebanon (branch of BOB), Cyprus (branch of JKB), Palestine (branches of JKB) and Libya (representative office of TIB)
Panther Media Group Ltd (OSN)	Licensed to operate in 24 countries in the MENA region; however, it currently operates in 19 countries

<sup>3</sup> In accordance with IFRS 8, which requires segmental reporting to align with management responsibility and reporting, KIPCO now reports primarily on 6 main business segments (i.e. commercial banking, AMIB, insurance, media, industrial and real estate) and others. The investment segment is now included under AMIB.

United Real Estate Company	Kuwait, Jordan, Egypt, Oman, Syria, UAE and Lebanon
United Industries Company	Kuwait and Saudi Arabia

## Business Strategy

The key elements of the Group's strategy are to:

- Leverage its position and reputation in the GCC and wider MENA regions to capture further growth in these regions:** KIPCO believes it is well positioned through its network of business relationships and strong reputation to identify opportunities for growth and generate attractive returns from its businesses. KIPCO seeks to penetrate new markets with its existing businesses and at the same time look for new opportunities that will generate attractive returns. KIPCO is particularly interested in seeking to develop its businesses in countries where opportunities for development and market dynamics are similar to those that it has previously encountered. KIPCO's knowledge of the region and ability to manage local risk creates opportunities to generate attractive returns from operating environments. An example of this is reflected in KIPCO's initiative to capitalise on its growing regional presence across the financial services spectrum. KIPCO seeks to attract partners with an international presence to accelerate the development of the businesses in which it invests and to benefit from the sector expertise of successful international companies.
- Acquire, create, build and selectively sell businesses in sectors that capitalise on regional opportunities:** KIPCO currently focuses primarily on the commercial banking, AMIB, insurance, real estate and media sectors but will seek to identify under-served and nascent markets with proven potential for regional growth. KIPCO will seek to leverage its growing regional footprint in the retail and commercial banking sector together with insurance services through plans to develop savings and pensions products and services. KIPCO will continue to seek partnerships with global or local partners for investment in green field ventures for businesses with models that have been implemented successfully in other regions or countries.
- Exercise management control over businesses:** KIPCO seeks to acquire controlling or significant stakes in its businesses and majority representation on the boards of directors. Having a controlling position enables KIPCO to provide strategic direction and establish clear financial targets for its businesses. Achieving a position of control also enables the Group's businesses to attract leading management talent, monitor operational performance and establish best practices of governance, and more generally benefit from KIPCO's regional and sector know-how. KIPCO exercises control over its core businesses (being the Principal Companies), through the ownership of majority stakes in each of them, which gives KIPCO significant influence over their board and management composition, strategy and financial policies.
- Maximise value from businesses with a medium-to long-term horizon:** KIPCO seeks to maximise value from businesses by implementing a strategy of increasing its operating income, expanding sales both locally and regionally, and making acquisitions. The Company continually reviews its holdings, considering options to maximise value, including divesting of part or all of the businesses it owns. Disposals are made from time to time to take advantage of favourable market conditions. These have included sales of major holdings or strategic stakes, as was done with respect to Wataniya Telecom, GIG, Hempel Paints and Saudi New Zealand Health Products ("SNZHP"); and through listings on local or regional stock exchanges, as was done with KAMCO, Saudi Dairy and Foodstuff Company ("SADAFCO") and Buruj Co-operative Insurance Company.

## Financial Summary of the Group<sup>4</sup>

### General

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<sup>4</sup> Figures have been rounded, where appropriate. Percentage changes have been computed on full reported numbers.

Unless otherwise stated, the financial position data as on 31 December 2013 and 30 June 2014 and the consolidated income statement data for the six months ended 30 June 2013 (restated) and 30 June 2014 has been extracted from the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014. The financial position data as at 31 December 2012 (restated) and the consolidated income statement data for the year ended 31 December 2012 (restated) and 31 December 2013 has been extracted from the Group's audited consolidated financial statements for the financial year ended 31 December 2013.

The Group's audited consolidated financial statements for the financial year ended 31 December 2013 and the Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014 are incorporated by reference in this Base Prospectus.

The comparative consolidated statement of financial position as at 31 December 2012 and the comparative consolidated income statement for the year ended 31 December 2012 have been restated due to the adoption of IFRS 10 and 11 and in accordance with IFRS 3 and IAS 8, and other accounting standards as detailed in note 2 to the Guarantor's audited consolidated financial statements for the year ended 31 December 2013.

The comparative consolidated statement of financial position as at 30 June 2013 and the consolidated income statement for the period ended 30 June 2013 have been restated in accordance with IAS 8 as detailed in note 2 to the Guarantor's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014. The restatement did not have any effect on the comparative consolidated income statement, for the six month period ended 30 June 2013.

### **Consolidated Income Statement**

In 2013, total income of the Group was KD 513.0 million compared to KD 402.2 million in 2012. The increase was mainly driven by higher interest income, an increased share of results of associates and share of results of a media joint venture and higher income from digital satellite network services, hospitality and real estate services. Although, revenues from the above mentioned segments increased, revenues from investments witnessed a decline in 2013.

The increase in interest income in 2013 of KD 85.7 million over 2012 is mainly attributable to growth in the Group's loan and advances.

The Group's share of results of associates increased from KD 4.0 million in 2012 to KD 13.7 million in 2013 mainly due to higher income from Qurain Petrochemical Industries Company K.S.C.P ("**QPIC**") and Advance Technology Company K.S.C.P. ("**ATC**").

During 2013, the Group's share of the profit in the media joint venture increased from a loss of KD 2.1 million in 2012 to a profit of KD 6.3 million in 2013 mainly because of strong organic growth in the PMG subscriber base.

In 2013, digital satellite network services income increased by KD 11.0 million as a result of the full year's consolidation of United Networks Company K.S.C (Closed) ("**UNC**"). UNC became a subsidiary of the Guarantor on 21 June 2012 and revenues were consolidated only from the date from which the Guarantor exercised control of UNC.

Hospitality and real estate services income increased from KD 34.1 million in 2012 to KD 45.0 million in 2013 due to higher income from URC and the consolidation of United Towers Holding Company ("**UTHC**") in 2013.

In 2013, investment income decreased by KD 25.6 million primarily due to a KD 20.0 million gain recorded in 2012 arising from the sale of assets in Lebanon (Verdun). In addition, gains on the sale of Available for Sale ("**AFS**") investments was higher by KD 11.1 million in 2012 compared with 2013. This was partly offset by a gain on re-measurement of retained equity interest in SADAFCO of KD 9.2 million in 2013.

In 2013, the consolidated profit attributable to the equity holders of the Guarantor was KD 40.1 million, compared to KD 31.6 million in 2012. The increase in total income as mentioned above was partly offset by higher general and administrative expenses ("**G&A**"), interest expenses and provisions made for credit losses.

In the six months ended 30 June 2014, the income of the Group was KD 288.6 million compared to KD 244.2 million in the six months ended 30 June 2013. The increase in income by 18.2 per cent. was primarily driven by higher interest income, increase in investment income and increased share in income from associates.

Net profit (attributable to the equity holders of the Guarantor) increased by 20.1 percent to KD 21.7 million in the six months ended 30 June 2014 from KD 18.1 million in the six months ended 30 June 2013. The increase in profit was primarily due to higher income as explained above, partly offset by an increase in G&A and interest expense and provision for credit losses.

The following table sets out extracts from the Group's consolidated income statements for the two financial years ended 31 December 2012 and 31 December 2013 extracted from the Guarantor's audited consolidated financial statements for the financial year ended 31 December 2013 and for the six months ended 30 June 2013 and 30 June 2014 extracted from the Guarantor's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014:

	<b>2012</b> <b>(Restated)</b>	<b>2013</b>	<b>H1 2013</b> <b>(Restated)</b>	<b>H1</b> <b>2014</b>
	<i>KD million</i>			
Total income <sup>^</sup> .....	402.2	513.0	244.2	288.6
Investment income .....	66.0	40.5	14.1	25.4
Share of profit of associates .....	4.0	13.7	9.0	15.4
Total expenses.....	319.6	444.1	180.4	211.0
General and administrative expenses.....	100.2	140.2	65.7	77.2
Interest expense.....	113.0	153.6	72.8	86.9
Profit for the Year/Period.....	80.1	93.2	50.7	42.1
Profit attributable to equity holders of the Guarantor.....	31.6	40.1	18.1	21.7
Profit attributable to non controlling interest.....	48.6	53.1	32.6	20.4
Earnings per share attributable to equity holders of the Guarantor (in fils) (basic).....	23.3*	29.3	12.7**	15.3
Earnings per share attributable to equity holders of the Guarantor (in fils) (diluted).....	23.3*	29.2	12.6**	15.2

<sup>^</sup> Total income excludes revenues from discontinued operations (SADAFCO).

\* Earnings per share has been restated to reflect the effect of bonus shares issued on 31 March 2013 as set out in note 26 to the Guarantor's audited consolidated financial statements for the financial year ended 31 December 2013.

\*\* Earnings per share has been restated to reflect the effect of bonus shares issued on 31 March 2014 as set out in note 10 to the Guarantor's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014.

The earnings of companies in the financial services sector can be attributed to a strategy of regional expansion through acquisitions and/or establishment of green field operations. The strong deposit base, quality of assets and the prudent provisioning strategies adopted by these companies make them well positioned to capitalise on these opportunities. In the media sector, there is a high demand for services and exclusive content. The business model is such that once break-even is achieved, income growth is not accompanied by a proportionate increase in fixed costs, resulting in a relatively sharp growth in profit margins.

The following table sets out the Group's consolidated income broken down by segments for the two financial years ended 31 December 2012 and 31 December 2013 (See note 31 of the Guarantor's audited consolidated financial statements for the year ending 31 December 2013) and for the six months ended 30 June 2013 and 30 June 2014 (See note 13 of the Guarantor's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014):

	2012	2013	H1 2013	H1 2014
			<i>KD million</i>	
Asset Management and Investment Banking.....	73.3	57.6	15.5	28.4
Commercial Banking.....	262.1	363.6	178.7	200.8
Insurance.....	4.2	4.6	2.1	2.8
Media.....	(2.1)	6.3	2.4	4.1
Industrial*.....	119.4	148.6	22.5	23.6
Hospitality & Real Estate.....	68.5	54.4	25.9	29.1
Others.....	18.3	26.7	13.4	11.5
Inter-segmental eliminations.....	(30.3)	(20.6)	(16.3)	(11.6)
Total*.....	513.4	641.3	244.2	288.6

\* Total income by segment for the year ended 31 December 2012 and 31 December 2013 includes revenue from discontinued operations (SADAFCO).

The following table sets out the Group's consolidated profit broken down by segments for the two financial years ended 31 December 2012 and 31 December 2013 (See note 31 of the Guarantor's audited consolidated financial statements for the year ended 31 December 2013):

	2012	2013
	<i>KD million</i>	
Asset Management and Investment Banking.....	(27.0)	(44.4)
Commercial Banking.....	76.6	64.7
Insurance.....	4.2	4.6
Media.....	(2.1)	6.3
Industrial*.....	10.9	51.9
Hospitality & Real Estate.....	21.3	9.8
Others.....	3.1	2.0
Inter-segmental eliminations.....	(6.9)	(1.7)
Total.....	80.1	93.2

\*Refer to the applicable note as described above in income breakdown by segments.

The following table sets out the Group's consolidated profit before taxation broken down by segments for the six months ended 30 June 2013 and 30 June 2014 (See note 13 of the Guarantor's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014):

	H1 2013	H1 2014
	<i>KD million</i>	
Asset Management and Investment Banking.....	(15.8)	(8.8)
Commercial Banking.....	59.6	46.8
Insurance.....	2.1	2.8
Media.....	2.4	4.1
Industrial.....	3.0	5.7
Hospitality & Real Estate.....	5.1	3.8
Others.....	1.5	0.0
Inter-segmental eliminations.....	(3.2)	(4.0)
Total.....	54.7	50.3

#### Consolidated Assets

As at 31 December 2013, the consolidated total assets of the Group stood at KD 8.6 billion, an increase of 19.9 per cent. compared to KD 7.2 billion as at 31 December 2012. Cash in hand and at bank constituted 15.9 per cent. of total assets while loans and advances accounted for 50.2 per cent. as at 31 December 2013. Investments in associates accounted for 4.4 per cent. of consolidated total assets as at 31 December 2013. Financial assets available for sale and financial assets at fair value held through income statement (comprising investments in listed and unlisted securities) accounted for 5.5 per cent. of consolidated total assets as at 31 December 2013. Goodwill and intangibles relating to subsidiaries represented 3.9 per cent. of consolidated total assets as at 31 December 2013.

As at 30 June 2014, the consolidated total assets of the Group were KD 9.1 billion, an increase of 5.0 per cent. compared to the year ended 31 December 2013. Cash in hand and at bank constituted 17.5 per cent. of total assets while loans and advances accounted for 50.5 per cent. as of 30 June 2014. Investments in associates accounted for 4.3 per cent. of consolidated total assets as at 30 June 2014. Financial assets available for sale and financial assets at fair value held through income statement accounted for 5.1 per cent. of consolidated total assets while intangible assets relating to subsidiaries represented 3.6 per cent. of consolidated total assets as at 30 June 2014.

The following table sets out (i) the Group's consolidated total assets as at 31 December 2012 extracted from the Guarantor's audited consolidated financial statements for the financial year ended 31 December 2013 and (ii) the Group's consolidated total assets as at 31 December 2013 and the Group's consolidated total assets as at 30 June 2014, in each case extracted from the Guarantor's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014:

	<b>2012 (Restated)</b>	<b>2013</b>	<b>H1 2014</b>
	<i>KD million</i>		
Total assets.....	7,201.9	8,637.5	9,072.3
Cash in hand and at banks.....	1,009.7	1,373.5	1,586.0
Loans and Advances.....	3,578.8	4,334.1	4,577.5
Financial assets available for sale.....	337.5	427.9	386.5
Financial assets at fair value through income statement.....	36.7	48.6	73.4
Investment in associates.....	316.5	377.0	386.1
Goodwill and Intangible assets.....	352.5	334.7	331.0
Return on average assets.....	1.2 per cent.	1.2 per cent.	NA

The following table sets out the Group's consolidated total assets broken down by segments as at 31 December 2012 (See note 31 of the Guarantor's audited consolidated financial statements for the year ending 31 December 2013), 31 December 2013 and as at 30 June 2014 (See note 13 of the Guarantor's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014):

	<b>2012</b>	<b>2013</b>	<b>H1 2014</b>
	<i>KD million</i>		
Asset Management and Investment Banking.....	623.6	678.3	748.5
Commercial Banking.....	6,099.3	7,549.4	7,924.6
Insurance.....	67.8	70.4	69.8
Media.....	137.3	144.1	147.9
Industrial.....	251.7	195.1	244.1
Hospitality & Real Estate.....	573.1	624.7	639.8
Others.....	92.5	98.2	35.0
Inter-segmental eliminations.....	(643.2)	(722.7)	(737.4)
<b>Total.....</b>	<b>7,201.9</b>	<b>8,637.5</b>	<b>9,072.3</b>



### Consolidated Liabilities and Equity:

The consolidated total liabilities of the Group increased from KD 6.1 billion in 2012 to KD 7.5 billion in 2013. Consolidated total liabilities as at 31 December 2013 comprised of deposits from customers (62.9 per cent. of total liabilities), due to banks and other financial institutions (21.0 per cent. of total liabilities), medium term notes (5.3 per cent. of total liabilities), loans payable (3.1 per cent. of total liabilities), bonds (3.1 per cent. of total liabilities), and other liabilities (4.6 per cent. of total liabilities).

Equity attributable to the equity holders of the Guarantor increased from KD 546.6 million as at 31 December 2012 to KD 560.4 million as at 31 December 2013.

The consolidated total liabilities of the Group increased by 5.8 per cent. to KD 8.0 billion between 31 December 2013 and 30 June 2014, primarily due to an increase in the amount due to banks and the issue of five year US\$500 million (KD 140.6 million) bonds by the Issuer in February 2014 under the Programme. Consolidated total liabilities as at 30 June 2014 comprised of deposits from customers (58.2 per cent. of total liabilities), due to banks and other financial institutions (24.7 per cent. of total liabilities), medium term notes (6.8 per cent. of total liabilities), loans payable (2.9 per cent. of total liabilities), bonds (2.9 per cent. of total liabilities), and other liabilities (4.6 per cent. of total liabilities).

Equity attributable to the equity holders of the Guarantor decreased to KD 517.8 million as at 30 June 2014 from KD 560.4 million as at 31 December 2013.

The following table sets out (i) the Group's consolidated total liabilities and equity as at 31 December 2012 extracted from the Guarantor's audited consolidated financial statements for the financial year ended 31 December 2013 and (ii) the Group's consolidated total liabilities and equity as at 31 December 2013 and the Group's consolidated total liabilities and equity as at 30 June 2014, in each case extracted from the Guarantor's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014:

	<b>2012</b> <b>(Restated)</b>	<b>2013</b>	<b>H1 2014</b>
	<i>KD million</i>		
Total liabilities .....	6,106.2	7,523.4	7,963.5
Total equity .....	1,095.7	1,114.1	1,108.8
Equity attributable to equity holders of the Guarantor.....	546.6	560.4	517.8
Non controlling Interest .....	549.1	553.7	591.0

The following table sets out the Group's consolidated liabilities broken down by segments as at 31 December 2012 (See note 31 of the Guarantor's audited consolidated financial statements for the year ending 31 December 2013), as at 31 December 2013 and as at 30 June 2014 (See note 13 of the Guarantor's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014):

	<b>2012</b>	<b>2013</b>	<b>H1 2014</b>
	<i>KD million</i>		
Asset Management and Investment Banking .....	772.0	848.9	885.4
Commercial Banking .....	5,339.3	6,784.0	7,078.8
Insurance .....	-	-	-
Media .....	-	-	-
Industrial .....	92.8	55.5	103.2
Hospitality & Real Estate .....	313.3	330.7	339.2
Others .....	64.5	66.0	33.3
Inter-segmental eliminations .....	(475.7)	(561.8)	(476.4)
<b>Total</b> .....	<b>6,106.2</b>	<b>7,523.4</b>	<b>7,963.5</b>

## ADDITIONAL INFORMATION RELATING TO THE GUARANTOR

The Guarantor does not produce IFRS-compliant standalone audited financial statements. The information (extracted from the Guarantor's unaudited unconsolidated management accounts) for the two financial years ended 31 December 2012 and 31 December 2013 presented in this section represents the information that is incorporated into the figures that form part of the Guarantor's audited consolidated financial statements for the two financial years ended 31 December 2012 and 31 December 2013 of the group. The interim information (extracted from the Guarantor's unaudited unconsolidated management accounts) for the six months ended 30 June 2013 and 30 June 2014 presented in this section represents the information that is incorporated into the figures that form part of the Guarantor's unaudited interim condensed consolidated financial statements of the group for the six months ended 30 June 2013 and 30 June 2014. The basis of preparation of the information provided in this section is based on the historical cost convention, and as further explained below.

The information has been included to illustrate the Guarantor's unconsolidated position in relation to the market value of its listed Principal Companies (UGB, GIG, Burgan Bank and URC), and other selected subsidiaries, its asset coverage ratio and its cash interest coverage ratio.

### Market Value of the Guarantor's holding in listed Principal Companies and other selected subsidiaries:

The following table presents the market value of the Guarantor's holding in each of its listed Principal Companies and UIC as at 31 December 2012, 31 December 2013 and 30 June 2014. The basis of preparation is the number of shares held directly by the Guarantor (extracted from the Guarantor's unaudited unconsolidated management accounts) multiplied by the closing bid price of each share sourced from the exchange where each company has its main listing on the specified date (or if not a trading day, the last trading day before the specified date):

Com pany	31 Dec -12			31-Dec-13			30-June-14		
	No. of shares owned (million)	Bid Price (KD)	Market Value (KD million)	No. of shares owned (million)	Bid Price (KD)	Market Value (KD million)	No. of shares owned (million)	Bid Price (KD)	Market Value (KD million)
UGB *.....	714.0	0.154	109.9	714.0	0.156	111.7	714.0	0.156	111.7
GIG. .....	72.5	0.530	38.4	72.5	0.550	39.9	72.5	0.550	39.9
BB... .....	632.6	0.520	329.0	664.1	0.550	365.3	710.6	0.510	362.4
URC .....	393.3	0.118	46.4	393.3	0.116	45.6	393.3	0.102	40.1
UIC. .....	312.7	0.098	30.6	312.7	0.150	46.9	312.7	0.116	36.3

\*UGB was previously listed on two stock exchanges: Kuwait and Bahrain. In January 2013 UGB was delisted from the Kuwait Stock Exchange (KSE) and is currently traded only on the Bahrain Stock Exchange (BSE). Historical prices for 2012 were taken from the KSE (since it had higher trading volume). For December 2013 and June 2014 prices were taken from the BSE and the BSE price has been converted using an exchange rate of BHD:KD = 1:0.74523.

As at 30 June 2014, the total market value of the Guarantor's holdings in its listed Principal Companies and UIC as derived from the above table was KD 590.4 million compared to KD 609.4 million as at 31 December 2013, a decrease of 3.1 per cent.

### Guarantor's listed asset coverage ratio

The source of the data provided in this section is the Guarantor's unaudited unconsolidated management accounts which form part of the consolidated financial statements of the Group as described above. As at

30 June 2014, the Guarantor's unconsolidated net debt was KD 239.7 million. The table below sets out the listed asset coverage ratio (i.e. the ratio of market value of listed Principal Companies and selected subsidiaries to total loans, medium term notes and bonds outstanding after deducting cash and cash equivalents) as at 31 December 2012, 31 December 2013 and 30 June 2014. The listed asset coverage ratio excludes the Guarantor's investment in OSN and other unlisted investments.

The Guarantor may increase its debt (including the issuance of debt securities) in the future.

	<b>2012</b>	<b>2013</b>	<b>H1 2014</b>
	<i>KD million</i>		
Loans payable .....	40.0	40.0	40.0
Medium Term Notes .....	278.4	279.7	420.2
Bonds .....	80.0	80.0	80.0
Total debt .....	398.5	399.7	540.2
Cash and cash equivalents .....	178.9	143.2	300.5
Net debt (A) .....	219.6	256.5	239.7
Market value of listed Principal companies and selected subsidiary (B) .....	554.4	609.4	590.4
Listed Asset coverage ratio (B) / (A) .....	2.5	2.4	2.5

#### **Guarantor's cash interest coverage ratio**

The source of the data provided in this section is the Guarantor's unaudited unconsolidated management accounts which form part of the consolidated financial statements of the Group as described above. The primary sources of the Guarantor's cash inflow are its dividend stream from the Principal Companies, gains from the sale of stakes in subsidiaries and associates, gains from the sale of trading and available for sale investments and fee income.

The Guarantor's majority or significant holding in each of its Principal Companies and its influence over the Board of Directors and management allows the Guarantor to set or influence dividend policies in the main companies in which it has invested. Subject to legal and regulatory requirements, the Guarantor's influence is sufficient to ensure that dividend payout policies continue at a level similar to the historical level of payout, although this has not been the case recently in the Banks that the Guarantor controls. The blended cash dividend payout ratios (i.e. aggregated proposed dividends of listed Principal Companies divided by aggregated net income of listed Principal Companies) in 2012 was 21.3 per cent. and in 2013 was 58.8 per cent.

The Guarantor also regularly sells securities that it owns (including from time to time shares in its subsidiaries, associates and joint venture companies). This has resulted in sizeable revenues and cash inflows in every recent period. The combination of dividend and other distributions and proceeds from sales of securities has provided the Guarantor with sufficient liquidity to service its debt and fund its operating expenses.

For the year ended 31 December 2013, the Guarantor's share of dividends received was KD 11.7 million. The Guarantor also generated other operating cash flows of KD 0.5 million from gains on the sale of trading and available for sale investments and other income. Net interest payments for the year ended 31 December 2013 amounted to KD 29.2 million, comprising KD 32.5 million of interest expense and KD 3.3 million of interest income. For the six months ended 30 June 2014, the net interest outflow amounted to KD 13.4 million as a result of interest payments totalling KD 16.0 million against interest income of KD 2.6 million.

The following table sets out the cash interest coverage ratio for the two financial years ended 31 December 2012 and 31 December 2013 together with information on the six months ended 30 June 2013 and 30 June 2014:

	2012	2013	H1 2013	H1 2014
	<i>KD million</i>			
Share of dividends received# .....	9.4	11.7	9.7	32.5
Other operating cash income .....	6.1	0.5	0.2	2.4
<b>Total cash income</b> .....	<b>15.5</b>	<b>12.2</b>	<b>9.9</b>	<b>34.8</b>
Interest paid .....	31.2	32.5	16.2	16.0
Interest received .....	4.5	3.3	2.2	2.6
<b>Net Interest payments</b> .....	<b>26.7</b>	<b>29.2</b>	<b>14.0</b>	<b>13.4</b>
Cash Interest coverage ratio .....	0.6	0.4	NA	NA

#Dividends received in the current year pertain to dividends declared for the previous year based on the number of shares held at the date of record of the annual general meeting of the shareholders

In 2012, the Guarantor also received an in-kind dividend from UGB of KD 23.6 million in the form of shares in UIC and an in-kind dividend from URC of KD 6.0 million in the form of shares in United Towers Holding Company (“**UTHC**”) in 2013.

## Principal Companies

### United Gulf Bank

United Gulf Bank B.S.C. is a joint stock company incorporated in the Kingdom of Bahrain in 1980, under commercial registration number 10550, and its shares are listed on the Bahrain Stock Exchange. The principal activities of UGB and its subsidiaries comprise AMIB, treasury operations and other investment-related activities.

The address of UGB's registered office is UGB Tower, Diplomatic Area, P.O. Box 5964, Manama, Kingdom of Bahrain.

UGB was registered under an investment banking licence issued by the Central Bank of Bahrain (previously known as the Bahrain Monetary Agency (“**BMA**”)). On 1 July 2006, the Central Bank of Bahrain implemented a new regulatory and supervisory framework for licensing banks in the Kingdom of Bahrain. Under the new framework, UGB is licensed as a conventional wholesale bank.

As at 30 June 2014, the Guarantor's direct effective interest in UGB was 87.6 per cent. and its consolidated effective interest was 96.3 per cent.

UGB operates across the MENA region and it offers its clients the entire range of investment banking (including corporate finance and advisory services), asset management and brokerage services directly and through its subsidiaries and associates in the financial services sector. In addition, UGB has investments in a portfolio of companies in the banking, real estate and industrial sectors that provide a recurring revenue stream. UGB also has a diversified proprietary portfolio of investments, including listed and unlisted private equity, hedge funds, securities and other financial instruments.

As a part of the Reorganisation, UGB sold its stake in its commercial banking entities to Burgan Bank. JKB was sold in July 2008, AGB and BOB were sold in March 2009, and the sale of TIB was completed in June 2010. The only banking entity that is owned by UGB is Syria Gulf Bank (34.5 per cent. effective interest as at 30 June 2014). UGB used part of the proceeds from the sale of these commercial banks to purchase a 17.0 per cent. stake in Burgan Bank.

Under a series of transactions in 2013 and 2014, Burgan Bank and UGB completed the acquisition of FIMBank, and currently hold 19.72 per cent. and 61.2 per cent., respectively. The total cumulative stake held in FIMBank by Burgan Bank and UGB is 80.92 per cent. as of 13 August 2014. FIMBank is an international trade finance specialist providing trade finance solutions to corporates, banks and individuals worldwide.

UGB is in the process of enhancing its AMIB franchise across the MENA region and aims to replicate its past track record of building businesses.

Currently, the Group's flagship companies which provide AMIB services include KAMCO, North Africa Holding Company, Manafae Investment Company, United Gulf Financial Services Company-North Africa (Tunisia) and Al Sharq Financial Brokerage Company.

As at the end of trading on 14 September 2014, the last bid price for shares of UGB was KD 0.155 (U.S.\$0.542) per share giving it a market capitalisation of KD 126.5 million (U.S.\$441.5 million).

### Financial Summary

The financial information set out below has been extracted from UGB's audited consolidated financial statements (which are reported in U.S.\$) for the year ended 31 December 2013 and UGB's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014.

	2012	2013	H1 2013	H1 2014
	<i>U.S.\$ million</i>			
Total assets.....	1,225.6	1,258.6	1,256.0	2,521.9
Total income.....	93.0	64.3	37.6	86.5
Net profit.....	6.7	4.2	10.4	16.2
Income attributable to equity holders of the parent.....	11.0	2.6	9.7	16.4
Earnings per share (in cents) (basic).....	1.3	0.3	1.2	2.0
Earnings per share (in cents) (diluted).....	1.3	0.3	1.2	2.0

- As at 31 December 2013, UGB had a total asset base of U.S.\$1.3 billion, which increased by 2.7 per cent. compared to 31 December 2012. This was primarily due to an increase in placements with banks and increased investment in associates and joint ventures which was partially offset by a decline in non-trading investments. Investment in associates accounted for 65.5 per cent. of total assets as at 31 December 2013. Investments carried at fair value through the income statement and financial assets available for sale accounted for 16.9 per cent. of total assets as at 31 December 2013. The total capital adequacy ratio of UGB as at 30 June 2014 stood at 15.8 per cent., which is above the regulatory requirement of 12.0 per cent.
- Total income in 2013 decreased to U.S.\$64.3 million from U.S.\$93.0 million in 2012, a decrease of 30.9 per cent mainly due to lower investment income and share of results of associates and joint ventures. While the decrease in investment income was a result of lower gains on the sale of investments available-for-sale and losses incurred on the sale of investment properties, the decrease in share in results of associates and joint ventures was primarily due to lower earnings of Burgan Bank and URC. For the six months ended 30 June 2014, total income of UGB was U.S.\$86.5 million, representing an increase of 129.9 per cent. compared to the corresponding period in 2013, primarily due to the consolidation of FIMBank in H1 2014, increased investment income and increased share of results of associates and joint ventures. Investment income for H1 2014 includes U.S.\$7.8 million representing a gain on the step-acquisition of an associate. In addition, the share of results of associates and joint ventures for H1 2014 includes U.S.\$11.8 million that represents a gain on deemed disposal of an associate.
- Net profit attributable to equity holders decreased to U.S.\$2.6 million during the year ended 31 December 2013 from U.S.\$11.0 million for the same period in 2012. The decrease in profit was primarily due to the decrease in income as mentioned above, which was partially offset by lower interest expense due to the streamlining initiatives undertaken in 2012. The net profit attributable to equity holders for the six months ended 30 June 2014 was U.S.\$16.4 million compared to U.S.\$9.7 million in the corresponding period in 2013, representing an increase of 69.9 per cent. The increase in profit was primarily on account of the gain on the step-acquisition and the deemed disposal of an associate discussed above.

### Gulf Insurance Group

Gulf Insurance Group K.S.C.P. is a shareholding company incorporated in the State of Kuwait by Amiri Decree dated 9 April 1962. Its shares are listed on the Kuwait Stock Exchange.

Kuwaiti insurance companies are regulated by the Ministry of Commerce and Industry.

The address of GIG's registered office is at Ahmed Al Jaber Street, Al-Shark, Kuwait City P.O. Box 1040, Safat 13011, State of Kuwait.

GIG was privatised in 1996, following the sale of the State of Kuwait's 82 per cent. shareholding in GIG.

As at 30 June 2014, the Guarantor's direct effective interest in GIG was 40.2 per cent. and consolidated effective interest was 45.3 per cent.

GIG is the leading insurance provider in Kuwait in terms of premium income. GIG issues insurance policies under the broad categories of marine, aviation, property, casualty, life and health insurance.

Having established a presence in Kuwait, GIG has expanded across the MENA region by:

1. Acquiring a 100.0 per cent. stake in Saudi Pearl Insurance Company ("**SPI**") in the Kingdom of Saudi Arabia in 2000. Following a change in regulation, GIG along with other investors established the Buruj Cooperative Insurance Company which was listed on the Saudi Stock Exchange (Tadawul) in October 2009 and received its commercial license in February 2010. The insurance business of SPI has been transferred to the newly established company upon the completion of regulatory formalities (GIG has a 27 per cent. shareholding in Buruj Cooperative Insurance Company as at 31 December 2013);
2. Establishing Fajr Al-Gulf in Lebanon by a merger of International Trust Insurance Company SAL (ITI) with Al-Fajr Insurance and Reinsurance Company SAL ("**Al Fajr**") to form Fajr Al-Gulf in 2003 (88.0 per cent. shareholding as at 31 December 2013);
3. Acquiring a 54.0 per cent. stake in Egypt's Arab Misr Insurance Group ("**AMIG**") in February 2005 (94.85 per cent. shareholding as at 31 December 2013);
4. Acquiring a 21.4 per cent. stake in Bahrain Kuwait Insurance Company ("**BKIC**") in December 2005, which was increased to 51.2 per cent. in 2008 and to 56.1 per cent as at December 2010 (56.1 per cent. shareholding as at 31 December 2013);
5. Establishing Syrian Kuwait Insurance Company ("**SKIC**") in December 2006 with an initial 44.4 per cent. direct stake. It commenced operations in 2007 (54.3 per cent. shareholding as at 31 December 2013);
6. Establishing Gulf Life Insurance Company in Kuwait in which it holds an effective interest of 99.8 per cent. as at 31 December 2013. It started operations as a separate legal entity on 1 January 2008 after obtaining the necessary licence from the Kuwaiti authorities;
7. Acquiring a 42.0 per cent. stake in Jordan's Arab Orient Insurance in May 2009 and a further 13 per cent. stake in June 2009 from JKB (inter-group transaction) which was further increased to 88.7 per cent. as at December 2010. It is the largest insurance company in Jordan in terms of market share and revenues (88.9 per cent. shareholding as at 31 December 2013);
8. Acquiring a 59.5 per cent. stake in Egyptian Life Takaful Insurance Company (ELTIC) through GLIC (60.6 per cent. shareholding as at 31 December 2013);
9. Acquiring a 51.0 per cent. stake in Dar Al Salam Insurance Company, Iraq in 2011 (51.0 per cent. shareholding as at 31 December 2013); and
10. Acquiring a 20.0 per cent. interest in Alliance Insurance in the UAE in 2012 (20.0 per cent. shareholding as at 31 December 2013).

GIG's underlying strategy is to become a regional market leader by increasing its customer focus and becoming the single contact for all of the insurance needs of its customers. In addition to existing economies, GIG is focusing on North African economies (Algeria, Tunisia, Morocco, etc.) for expansion. GIG has also established a multi-phase plan for its Customer Relationship Management programme directed at gaining insight into customer purchasing behaviour.

GIG is also focusing on Takaful products (insurance products compliant with Islamic Shariah laws) and will look for new distribution channels and new partner banks. In 2008, GIG established its Takaful unit which offers Shariah compliant life and non-life insurance products.

In September 2010, the Guarantor announced that it had entered into a strategic relationship with Fairfax Financial Holdings, a global leader in insurance and re-insurance headquartered in Canada. As part of the transaction, a Fairfax affiliate purchased a 41.3 per cent. stake in Gulf Insurance Group.

As at the end of trading on 14 September 2014, the last bid price for shares of GIG was KD 0.620 (U.S.\$2.164) per share giving it a market capitalisation of KD 111.9 million (U.S.\$390.7 million).

### Financial Summary:

The financial information set out below has been extracted from GIG's audited consolidated financial statements for the year ended 31 December 2013 and GIG's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014.

	2012	2013	H1 2013	H1 2014
	<i>KD million</i>			
Total assets.....	298.3	320.4	296.4	339.8
Gross premium written.....	145.4	157.0	72.9	83.3
Net underwriting income.....	8.7	8.5	3.4	3.4
Net profit.....	11.1	12.0	5.6	7.1
Profit attributable to the equity of the parent.....	9.3	10.2	4.9	6.1
Earnings per share (fils) (basic).....	50.5	55.7	26.5	33.4
Earnings per share (fils) (diluted).....	50.5	55.7	26.5	33.4

- Gross Premiums Written ("GPW") increased from KD 145.4 million in 2012 to KD 157.0 million in 2013 representing a growth of 8.0 per cent. driven by growth in the medical and life insurance business lines and a growth in the motor vehicle insurance business. For the six months ended 30 June 2014, GPW increased by 14.3 per cent. to reach KD 83.3 million as against KD 72.9 million for the six months ended 30 June 2013 driven by growth in the life and medical insurance and motor risk business.
- Net underwriting income decreased from KD 8.7 million in 2012 to KD 8.5 million in 2013, which represents a decrease of 2.6 per cent. due to higher growth in claims incurred as compared to the growth in premiums earned. Net underwriting income remained constant in the six months ended 30 June 2014 at KD 3.4 million as compared to the six months ended 30 June 2013.
- Net profit attributable to equity holders increased from KD 9.3 million in 2012 to KD 10.2 million in 2013, an increase of 9.9 per cent. The increase in net profit was mainly driven by an increase in net investment income, partly offset by claims incurred. GIG recorded a net profit attributable to equity holders of KD 6.1 million for the six months ended 30 June 2014 as compared to KD 4.9 million for the six months ended 30 June 2013 due to higher investment income.

### BURGAN BANK

Burgan Bank S.A.K.P. is a public shareholding company incorporated in the State of Kuwait by Amiri Decree dated 27 December 1975 and its shares are listed on the Kuwait Stock Exchange. The bank is regulated by the Central Bank of Kuwait. As at 30 June 2014, the Guarantor's direct effective interest in Burgan Bank was 41.2 per cent. and consolidated effective interest was 57.6 per cent.

The address of the bank's registered office is P.O. Box 5389, Safat 12170, State of Kuwait.

Burgan Bank offers a full range of banking services to both retail and commercial customers in Kuwait, Jordan, Turkey, Iraq, Tunisia and Algeria. It operates under four divisions which are corporate banking, retail banking, private banking and investment banking and treasury.

Under its **corporate banking division**, Burgan Bank provides overdraft facilities, business loans, working capital finance, commercial loans, letters of credit and letters of guarantee. The corporate banking division includes six main units, namely: the services and energy unit for establishing banking and credit relationships with clients in the service and the energy sectors in Kuwait; the investment and real estate unit, which provides short and medium-term financing (primarily on a secured basis) to prime investment and real estate corporate entities; the trading and automotive unit and the trading and manufacturing unit, which provides financial assistance to trading and manufacturing companies; the international banking unit, which provides a full range of banking services to multinational corporations operating in Kuwait and the GCC and the contracting unit providing working capital finance to major contracting companies. The bank offers a range of **retail banking** products and services, including a range of customer accounts, loans, remittances, electronic banking, safe deposit boxes, credit and debit cards. It has a network of around 235 branches and nearly 382 ATM machines to serve its customers as at 30 June 2014.

Through its **private banking** division, Burgan Bank provides wealth management services and investment vehicles targeted at high net worth Kuwaitis and expatriates.

Burgan Bank's **investment banking and treasury** segment is responsible for all wholesale financial market transactions, both domestically and internationally, and comprises the treasury, investment and financial institutions divisions. The treasury division is responsible for the management of foreign exchange positions, asset-liability management, and overall management of Burgan Bank's balance sheet, interest rate and liquidity positions. The investment banking division manages Burgan Bank's proprietary investments and also the investments of the two mutual funds under Burgan Bank's management. The financial institutions division is responsible for Burgan Bank's relationships with other banks and other financial institutions. Through these divisions, Burgan Bank provides products and services in investments and new issues, investment funds, foreign exchange, money markets, corporate sales and financial institutional lending.

Burgan Bank has been aligning and focusing its businesses to improve profitability and asset quality and is building on its strategy for growth through continuing diversification of products, businesses and geographies.

The Kuwaiti banking sector in general has witnessed higher loan loss provisions and securities impairment charges over the last few years, primarily on account of the weaker performance of real estate and investment companies. On a cautionary note, Burgan has been conducting periodic stress testing of its loan portfolio since early 2008 to anticipate potential problems. At 30 June 2014, Burgan Bank's ratio of non-performing assets to gross credit facilities was 3.8 per cent. and the ratio of total provision for impairment to non-performing assets (aggregate of collateral) was 164.7 per cent. In addition to specific provisions, Burgan Bank has also been undertaking general provisions which accounted for 63.2 per cent. of total provisions for impairment as at 30 June 2014.

In April 2010, Burgan Bank completed its KD 100.8 million capital increase through a rights issue by offering 360 million shares each at a nominal value of 100 fils and a premium of 180 fils. It also raised U.S.\$400 million at 7.875 per cent. through a subordinated debt issue in September 2010 which was 3.9 times oversubscribed. In December 2012, through another subordinated debt issue, the bank issued KD 100 million bonds due in 2022.

In December 2012, having obtained final approvals from the regulatory authorities in Kuwait and Turkey, Burgan Bank completed the acquisition of a 99.26 per cent. stake in Eurobank Tekfen from Eurobank EFG. On 21 December 2012, Eurobank Tekfen became a subsidiary of Burgan Bank and has been consolidated with the Burgan Bank Group since that date. Following the acquisition, Eurobank Tekfen is now operating under the name of Burgan Bank Turkey.

The total capital adequacy ratio of Burgan Bank as at 31 December 2013 stood at 15.4 per cent. which is above the regulatory requirement of 12.0 per cent..

Under a series of transactions in 2013 and 2014, Burgan Bank and UGB completed the acquisition of FIMBank and currently hold 19.72 per cent. and 61.20 per cent., respectively. The total cumulative stake held in FIMBank by Burgan Bank and UGB is 80.92 per cent. as of 13 August 2014. FIMBank is an international trade finance specialist providing trade finance solutions to corporates, banks and individuals worldwide.



As at the end of trading on 14 September 2014, the last bid price for shares of Burgan Bank was KD 0.530 (U.S.\$1.850) per share giving it a market capitalisation of KD 915.2 million (U.S.\$3,194.2 million).

### Financial Summary:

The financial information set out below has been extracted from Burgan Bank's audited financial statements for the year ended 31 December 2013 and its unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014. Burgan Bank's financial statements are prepared in accordance with the IFRS as adopted by the State of Kuwait.

	2012 (Restated)*	2013	H1 2013	H1 2014
		<i>KD million</i>		
Total assets.....	5,972.9	7,154.8	6,387.7	7,485.8
Loans and advances to customers.....	3,374.8	3,954.8	3,405.8	4,122.9
Net interest income.....	118.9	165.4	78.1	89.1
Operating income.....	190.1	253.6	127.0	130.5
Net income attributable to equity holders of the bank.....	55.6	20.1	27.9	33.3
Earnings per share (fils) (basic).....	36.0	13.0	16.9	20.0
Earnings per share (fils) (diluted).....	36.0	13.0	16.9	20.0

\* Only Balance Sheet numbers are restated

- Burgan Bank's asset base grew 19.8 per cent. to reach KD 7.2 billion as at 31 December 2013 mainly due to increase in loans and advances to customers and higher cash and cash equivalents. Total assets as at 30 June 2014 were KD 7.5 billion, an increase of 4.6 per cent. from 31 December 2013 primarily on account of an increase in loans and advances and cash and cash equivalents.
- For the year ended 31 December 2013, net interest income increased by 39.1 per cent. to KD 165.4 million. This increase was principally the result of a 41.6 per cent. increase in interest income (from KD 190.9 million for the year ended 31 December 2012 to KD 270.4 million for the year ended 31 December 2013), as a result of increases in loans and advances and investment securities during 2013. For the six months ended 30 June 2014, net interest income increased by 14.2 per cent. to KD 89.1 million as against KD 78.1 million for the six months ended 30 June 2013.
- In 2013, net income attributable to equity holders of the bank was KD 20.1 million, a decrease of 63.8 per cent. over 2012. This was a result of 149.1 per cent. increase in provisions for impairment of loans and advances, from KD 36.1 million for the year ended 31 December 2012 to KD 89.9 million for the year ended 31 December 2013. The reason for the increase in provisions during 2013 was primarily due to the more conservative provisioning policy by Burgan Bank in respect of its general provision on corporate loans and advances. Net income attributable to equity holders for the six months ended 30 June 2014 increased by 19.5 per cent. to KD 33.3 million as against the corresponding figure for the six months ended 30 June 2013, mainly due to increased net interest income on loans and advances. This was partly offset by lower gains on foreign currency translations.

### Panther Media Group

PMG was incorporated in 2009 as a joint venture between KIPCO and Al Mawarid to merge the operations of two leading pay TV operators in the Middle East region, Showtime and Orbit. The Guarantor is the majority shareholder in PMG with an effective equity holding of 60.4 per cent., with the balance held by Al Mawarid. PMG is registered in the Dubai International Financial Centre with its headquarters in Dubai.

The address of the principal place of business of PMG is: PO Box 502211, Dubai, United Arab Emirates.

Panther Media Group operates under the brand name "OSN". It has operating licences in 24 countries; however, it currently only operates in 19 countries. As at 30 June 2014, the subscriber base of Panther

Media Group was 1,079,700 customers. PMG provides satellite pay TV services. PMG addresses the demand for both quality western and Arabic programming in the MENA region through its 137 premium channels (which includes 46 HD channels), showing premium sports, drama and entertainment in English, Arabic and some Asian languages spoken by expatriate populations in the region. It offers the latest Hollywood movies and series for the first time in the Middle East. It carries some of the world's largest global TV brands including Disney, E! Entertainment and MTV as well as Arabic brands such as MBC+, Al Yawm and Shasha. PMG has exclusive first release pay TV rights with all major Hollywood studios.

In the second half of 2013, OSN acquired Pehla Media & Entertainment, the largest provider of South Asian pay-TV content in the Middle East and North Africa. Now called OSN Pehla, the platform broadcasts nearly 40 popular South Asian channels in Hindi, Urdu, Bengali, Tamil and Malayalam languages that are being offered to customers as separate subscription or as part of an OSN platform. OSN acquired Pehla's existing customer contracts as part of the transaction.

Until December 2012, the media segment reported in the consolidated financial statements of the Group represented the Guarantor's proportionate interest in PMG as accounted for in accordance with the accounting policy for interests in joint ventures using proportionate consolidation. However, the application of IFRS 11 "Joint Arrangements" (which is effective for annual periods beginning on or after 1 January 2013) replaced the proportionate consolidation of the joint venture in PMG with the equity method of accounting (see notes 2 and 4 to the Guarantor's audited consolidated financial statements for the year ended 31 December 2013). The financial information set out below has been extracted from the notes to the Guarantor's audited consolidated financial statements for the year ended 31 December 2013 (see note 31, Segment Information) and the notes to the Guarantor's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014 (see note 13, Segment Information).

	<b>2012</b>	<b>2013</b>	<b>H1 2013</b>	<b>H1 2014</b>
			<i>KD million</i>	
Media segment revenue.....	(2.1)	6.3	2.4	4.1
Media segment results.....	(2.1)	6.3	2.4	4.1

### **United Real Estate Company**

United Real Estate Company S.A.K.P. ("**URC**") was established in 1973 under the Amiri decree as a Kuwait shareholding company (registration number 19140) and was listed on the "KSE" in 1984. The registered office of URC is at Al-Shaheed Tower, Khalid bin Al-Waleed Street, Sharq, P.O. Box 2232, Safat 13023, Kuwait.

URC is an integrated real estate company, which provides real estate services across the real estate value chain including Facility Management, Contracting, and Project Management. It invests, manages and develops real estate properties in Kuwait and within the MENA region. URC's properties are owned directly and indirectly through subsidiaries or investment arms. URC's property portfolio includes a combination of retail, office, hospitality and residential properties.

With an asset base of KD 491.2 million (as at 30 June 2014), URC is the fifth largest real estate company listed on the KSE by market capitalisation and the second largest by total assets.

As at 30 June 2014, the Guarantor's direct effective interest in URC was 36.8 per cent. and its consolidated effective interest was 65.4 per cent.

Historically, URC's real estate operations have been primarily focused in Kuwait and were largely Built Operate Transfer ("**BOT**") projects. However, in the last decade it has shifted its strategy to diversify its assets across various business segments and expand into the region (Jordan, Egypt, Oman, UAE, Lebanon and Syria). In recent years, URC rationalised many of its assets especially those non-earning / non-strategic assets and conducted a planned phased sales program of these assets. In addition, it has also focused on reducing its dependence on BOT projects. Its landmark projects include Salalah Gardens Mall and Salalah Gardens residences (Oman), Marina World, Marina Hotel and Marina Plaza (Kuwait), Abdali Mall (Jordan) and Fairmount Hotel (Egypt). In addition, URC has projects under development in

Lebanon (residential project of Raouche View at 1090) and Egypt (residential project of Aswar Residences).

On 27 December 2010, the Guarantor invested KD 40.5 million and acquired a 19 per cent. stake in URC in connection with URC's rights issue. As a result of this, URC is now a 65.4 per cent. (consolidated effective stake) subsidiary of the Guarantor and its results (and those of its subsidiaries) are consolidated with those of the Guarantor from 27 December 2010. .

As at the end of trading on 14 September 2014, the last bid price for shares of URC was KD 0.108 (U.S.\$0.377) per share giving it a market capitalisation of KD 115.5 million (U.S.\$403.2 million).

### Financial Summary

The financial information set out below has been extracted from URC's audited consolidated financial statements for the year ended 31 December 2013 and URC's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014.

	2012 (Restated)	2013	H1 2013 (Restated)	H1 2014
	<i>KD million</i>			
Total assets.....	550.9	473.2	457.3	491.2
Total revenue.....	39.0	42.1	20.5	22.8
Net profit.....	22.6	11.0	5.8	3.4
Income attributable to equity holders of the parent....	22.5	11.2	6.0	3.5
Earnings per share (in fils) (basic).....	19.9	10.4	5.4	3.3
Earnings per share (in fils) (diluted).....	19.9	10.3	5.4	3.3

- As at 31 December 2013, URC had a total asset base of KD 473.2 million, which decreased by 14.1 per cent, compared to 31 December 2012 primarily due to the deconsolidation of UTHC (a subsidiary of URC), which resulted from a partial stake in UTHC being distributed as dividend in kind. Total assets increased by 3.8 per cent. to KD 491.2 million as at 30 June 2014 compared to 31 December 2013 primarily due to an increase in properties held for trading and investment properties.
- Total revenue in 2013 increased to KD 42.1 million from KD 39.0 million in 2012, an increase of 7.9 per cent. The increase is explained by higher rental income and contracting and services revenue. This was partly offset by lower revenues from the sale of properties held for trading. For the six months ended 30 June 2014, total revenue of URC was KD 22.8 million, representing an increase of 11.0 per cent. compared to the corresponding period in 2013. The increase was primarily attributable to an increase in contracting and services revenue.
- Net profit attributable to equity holders decreased to KD 11.2 million in 2013 from KD 22.5 million in 2012, representing a decrease of 50.3 per cent. This decrease in profits primarily due to a gain on the disposal of its investment in an associate (Verdun 1544 SAL Holding) in 2012 which increased 2012 net profit. The net profit for the six months ended 30 June 2014 was KD 3.5 million compared to KD 6.0 million in the corresponding period in 2013, primarily due to increased contracting and services cost and lower foreign exchange gains.

### Other Major Subsidiary

#### United Industries Company (UIC)

Established in 1979, United Industries Company (UIC) is a closed shareholding company based in the State of Kuwait.

It was listed on the KSE in 1997. The Company's authorised and paid up capital was KD 49.5 million as at 30 June 2014.

The address of UIC's registered office is Sharq Area - Khalid Bin Al-Waleed St., Al-Shaheed Tower, P.O. Box 25821, Safat 13119, Kuwait.

As at 30 June 2014, the Guarantor's direct effective interest in UIC was 70.1 per cent. and consolidated effective interest was 72.6 per cent.

UIC's major investments are:

**Qurain Petrochemical Industries Company K.S.C.P (QPIC)** (*effective stake of 30.6 per cent. held by the Group*) – As part of the Government of Kuwait's strategy to privatise the hydro carbon industry, QPIC was incorporated in 2004 by Petrochemical Industries Company (PIC), the petrochemical arm of the government of Kuwait that contributed to 10 per cent. of its share capital and the balance of 90 per cent. of its shares were listed on Kuwait Stock Exchange on 9 July 2007. It is a holding company investing in the oil and gas and petrochemical sector.

**Advanced Technology Company K.S.C.P (ATC)** - UIC holds a 29.0 per cent. equity interest in ATC, one of the largest medical equipment supplier and solution provider in Kuwait.

On 29 June 2010, the Guarantor invested KD 14.0 million in UIC in connection with UIC's rights issue and in September 2010 purchased an additional stake in UIC from KAMCO for KD 10.9 million, thus acquiring a direct 23 per cent. stake in UIC. As a result UIC became a 69.5 per cent. (consolidated effective stake) subsidiary of the Guarantor and its results (and those of its subsidiaries) were consolidated with those of the Guarantor from 29 June 2010..

As at the end of trading on 14 September 2014, the last bid price for shares of UIC was KD 0.110 (U.S.\$0.384) per share giving it a market capitalisation of KD 49.1 million (U.S.\$171.3 million).

#### Financial Summary:

The financial information set out below has been extracted from UIC's audited financial statements for the year ended 31 December 2013 and its unaudited interim condensed consolidated financial statements for the six months ended 30 June 2014.

	2012 (Restated)	2013	H1 2013	H1 2014
		<i>KD million</i>		
Long-term investments*.....	110.4	161.5	117.5	208.5
Total assets.....	217.1	170.2	235.4	216.0
Total operating income (loss).....	4.4	6.3	5.2	6.9
Net profit.....	10.4	34.8	9.2	5.4
Profit attributable to the equity holders of the parent..	3.3	28.1	5.3	5.4
Earnings per share (in fils) (basic).....	7.1	62.7	11.8	12.1
Earnings per share (in fils) (diluted).....	7.1	62.7	11.8	12.1

\* Includes investment in Available for Sale, investment in associates and investment properties

- As at 31 December 2013, the total assets decreased by 21.6 per cent. to KD 170.2 million as compared to 31 December 2012 mainly due to deconsolidation of SADAFCO on account of the sale of a 29 per cent. equity interest in SADAFCO on 31 October 2013 to a related party. Total assets increased by 26.9 per cent. to KD 216.0 million as at 30 June 2014 as against 31 December 2013 due to an increase in investment in associates on account of acquiring a 29 per cent. stake in ATC on 27 April 2014.
- Total operating income increased to KD 6.3 million for the year ended 31 December 2013 as compared to KD 4.4 million for the year ended 31 December 2012. The increase is primarily due to an increase in share of results from associates. For the six months ended 30 June 2014, the total operating income of UIC was KD 6.9 million, representing an increase of 32.6 per cent. compared to the corresponding period in 2013, mainly due to an increase in share of results from associates (on account of UIC's investment in ATC and its higher stake in QPIC) and increased dividend income.
- Net profit attributable to shareholders of the Parent increased to KD 28.1 million for the year ended 31 December 2013 from KD 3.3 million for the year ended 31 December 2012, primarily due to the

net gain arising from the disposal of SADAFCO. The net profit attributable to equity holders for the six months ended 30 June 2014 was KD 5.4 million compared to KD 5.3 million in the corresponding period in 2013.

## **Management**

### **The Board of Directors of the Guarantor**

Pursuant to its Articles of Association, the Guarantor's Board of Directors consists of five directors. The Guarantor's Articles of Association provide that each director is elected at an ordinary general meeting of shareholders for a three-year term and is eligible for re-election upon the expiration of such term. The Board of Directors has the power to appoint and remove the Chairman and Chief Executive Officer ("CEO") at any time provided there is a quorum of three directors.

The members of the Board of Directors are as follows. Each Director was re-elected for a term of three years at the Annual General meeting on 31 March 2014. Each Director's business address is P.O. Box 23982, Safat 13100, State of Kuwait.

#### **Sheikh Hamad Sabah Al Ahmad Al Sabah (Chairman, Age 66)**

- Chairman of Kuwait Projects Company (Holding)
- Chairman of Saudia Dairy and Foodstuffs Group of Companies, KSA
- Chairman of Gulf Egypt Hotels and Tourism Company, Egypt
- Chairman Mashare'a Al-Khair Est., Kuwait
- Director of the Issuer (KUWAIT PROJECTS CO. (CAYMAN), issuer of KIPCO International Bonds)

#### **Faisal Hamad Al-Ayyar (Vice Chairman, Age 59)**

- Chairman of Orbit Showtime Network, UAE
- Chairman of Kuwait Association for Learning Differences, Kuwait
- Vice Chairman of Kuwait Projects Company (Holding)
- Vice Chairman of United Gulf Bank, Bahrain
- Vice Chairman of Gulf Insurance Group, Kuwait
- Vice Chairman of Jordan Kuwait Bank, Jordan
- Vice Chairman of Mashare'a Al-Khair Est., Kuwait
- Board member of Saudia Dairy and Foodstuffs Group of Companies, KSA
- Board member of Gulf Egypt Hotels and Tourism Company, Egypt
- Trustee of American University of Kuwait, Kuwait
- Director of the Issuer (KUWAIT PROJECTS CO. (CAYMAN), issuer of KIPCO International Bonds)

#### **Sheikh Abdullah Nasser Sabah Al-Ahmed Al-Sabah (Director, Age 38)**

- Chairman of KIPCO Asset Management Company
- Vice-Chairman of Al Deaiya United Real Estate Company
- Board member of Kuwait Projects Company (Holding)
- Board member of United Gulf Bank, Bahrain
- Director of the Issuer (KUWAIT PROJECTS CO. (CAYMAN), issuer of KIPCO International Bonds)

#### **Sheikh Sabah Nasser Sabah Al-Ahmed Al-Sabah (Director, Age 35)**

- Board member of Kuwait Projects Company (Holding)
- Board member of United Agriculture Production Company, Kuwait

#### **Abdullah Yacoub Bishara (Director, Age 78)**

- Chairman of North Africa Holding Company
- Board member of Kuwait Projects Company (Holding)
- Member of G.C.C. Supreme Advisory Assembly
- President of Diplomatic Centre for Strategic Studies
- Director of the Issuer, (KUWAIT PROJECTS CO. (CAYMAN), issuer of KIPCO International Bonds)

There are no potential conflicts of interest between the duties to the Guarantor of the persons listed above and their private interests or other duties.

### **The Executive Management of the Guarantor**

The table below sets forth certain information with respect to the Executive Management of the Guarantor. The business address of each member of the Executive Management is P.O. Box 23982, Safat 13100, State of Kuwait.

### **Management**

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Years with the Group</b>
Faisal Hamad Al-Ayyar	59	Vice Chairman	24
Samer Subhi Khanachet	63	Group Chief Operating Officer	24
Masaud Mahmoud Jowhar Hayat	61	Chief Executive Officer – Banking	16
Tariq Mohammad Abdulsalam	49	Chief Executive Officer – Investments	21
Pinak Maitra	56	Group Chief Financial Officer	25
Khaled Abdul Jabbar Al Sharrad	50	Group Chief Human Resources and Administration Officer	18
Mohsen Ali Hussain	45	Group Chief Audit Executive	8
Mazen Isam Hawwa	39	Group Senior Vice President, Finance & Operations	13
Declan Sawey	50	Group Treasurer	7
Robert Drolet	57	Senior Vice President – Technology & Media	8
Osama Talat Al Ghoussein	56	Senior Vice President, Banking	1
Adel Jassem Al Waqayan	53	Treasurer	18
Eman Mohammad Al Awadhi	36	Group Communications Director	4

Iqbal Mohamed	60	President, United Gulf Management Inc.	21
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There are no potential conflicts of interest between the duties to the Guarantor of the persons listed above and their private interests or other duties.

## **RISK MANAGEMENT**

Risk is inherent in the Group's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability.

Each subsidiary of the Group is responsible for managing its own risks and has its own board committees, including audit and executive committees, in addition to other management committees such as the credit / investment committee and (in the case of major subsidiaries) the asset liability committee, or equivalent, with responsibilities generally analogous to the Group's committees.

The independent risk control process does not cover business risks such as changes in the business environment, technology and industry. These risks are monitored through the Group's strategic planning process.

The board of directors is ultimately responsible for the overall approach to risk management and for approving the risk strategies and principles.

Monitoring and controlling risk is primarily performed based on limits established by the Group. These limits reflect the business strategy of the Group and the market environment in which the Group operates, as well as the level of risk that the Group is willing to accept, with additional emphasis on selected geographic and industrial sectors. In addition, the Group monitors and measures its overall risk-bearing capacity in relation to its aggregate risk exposure across all risk types and activities.

The operations of certain Group subsidiaries are also subject to regulatory requirements within the jurisdictions where they operate. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default by or insolvency of banking and insurance companies and to meet unforeseen liabilities as these arise.

As a part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in interest rates and foreign exchange rates.

The risk profile is assessed before entering into hedge transactions, which are authorised by an officer with the appropriate level of seniority within the Group.

The Group classifies the risks faced as part of its monitoring and controlling activities into certain categories of risks and accordingly specific responsibilities have been given to various officers for the identification, measurement, control and reporting of these identified categories of risks.

## **REGULATION**

Company formation and governance is governed by the Companies Law which is administered by the Ministry of Commerce and Industry.

Consolidated financial statements of the Guarantor and Principal Companies are audited in accordance with International Standards on Auditing. Kuwait is a member of the International Federation of Accountants (IFAC) and adopted IAS in 1990.



## TAXATION

The following is a general description of certain Cayman Islands, Kuwaiti and other tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

### Cayman Islands

Payments of interest and principal on Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of Notes or will gains derived from the disposal of Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of Notes. Notes themselves will be stampable if they are executed in or brought into the Cayman Islands.

The Issuer has received an undertaking dated 21 March 2006 from the Governor in Cabinet of the Cayman Islands under the Tax Concessions Law (as amended) of the Cayman Islands. Such undertaking provides that for a period of 20 years from the date of the issue of such undertaking:

- (a) no law which is thereafter enacted in the Cayman Islands imposing any tax or duty to be levied on the profits, income, gains or appreciations shall apply to the Issuer or its operations; and
- (b) no tax in the nature of estate duty or inheritance tax will be payable on the shares, debentures or other obligations of the Issuer; or by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (as amended) of the Cayman Islands.

### Kuwait

*This summary of taxation in Kuwait is based on the Kuwait Income Tax Decree No. 3 of 1955 (the "Decree"), as amended by Law No. 2 of 2008 "Amending Certain Provisions of Kuwait Income Tax Decree No. 3 of 1955" (the "Amendment"), the Executive Bylaws of the Amendment (the "Regulations"), and various ministerial resolutions and circulars relating thereto issued by the Ministry of Finance (the "MOF") (together, the "Taxation Laws") as interpreted and implemented by the MOF's Department of Income Tax ("DIT") as at the date of this Prospectus. Any subsequent changes in either the Taxation Laws or the interpretation or implementation of the same by the DIT would alter and affect this summary.*

#### *Income tax*

Under the Taxation Laws, income tax (at a flat rate of 15 per cent.) is levied on, *inter alia*, the net income and capital gains realised by any corporate entity (interpreted by the DIT to mean any form of company or partnership), wherever incorporated, that conducts business in Kuwait. However, the DIT to date has granted a concession to such corporate entities incorporated in Kuwait or in any other GCC country (being referred to in this Prospectus as "**GCC corporate entities**") and has only imposed income tax on corporate entities which are not GCC corporate entities (being referred to in this Prospectus as "**non-GCC corporate entities**") which, for the avoidance of doubt, includes shareholders of GCC corporate entities which are themselves non-GCC corporate entities, in each case, conducting business in Kuwait. The following paragraphs in this section are therefore applicable only to non-GCC corporate entities.

Pursuant to the Regulations, income generated from the lending of funds inside Kuwait is considered to be income realised from the conducting of business in Kuwait, and is therefore subject to income tax. As the Regulations have been implemented relatively recently, there has been no official statement made publicly by the DIT regarding its interpretation of, and/or application of, the requirement described in the previous paragraph in the context of a transaction such as the issue of the Notes, in particular where the

issuer thereof is not incorporated in Kuwait. Similarly, the Kuwaiti courts (who will be the final arbiters on the matter) have not been required to interpret such requirement to date.

The DIT has not enforced the imposition of income tax referred to above (or the retention of payments referred to under "*Retention*" below) on non-GCC corporate entity "lenders" in the context of transactions to date which are similar to the issue of the Notes (such as other international bond issues which are made through offshore special purpose vehicles and/or loans extended to Kuwaiti borrowers by non-GCC corporate entity bank lenders).

Notwithstanding the foregoing, the application and enforcement of the Kuwaiti income tax regime remains uncertain, especially as a result of the lack of DIT and/or Kuwaiti court precedent referred to above and as a result of the fact that the DIT has to date not always adopted consistent rulings on Kuwaiti tax matters more generally. Accordingly, prospective investors in the Notes are advised that there remains a possibility that any Noteholder which is a non-GCC corporate entity may become subject to the Kuwaiti income tax regime in the future, should the DIT and/or the Kuwaiti courts determine that the income received by it in respect of any Notes held by it (whether payments are received directly from the Issuer or are received from the Guarantor under the Trust Deed, should there be a call on the Guarantee of Notes) represents the "**lending of funds inside Kuwait**" (and hence constitutes the conducting of business in Kuwait for the purposes of the income tax regime described above), even if the Noteholder is not incorporated or otherwise located in Kuwait.

Given the lack of precedent of the DIT enforcing the imposition of income tax on non-GCC corporate entity lenders in the circumstances described above, it is not possible to state definitively how the DIT and/or the Kuwaiti courts may implement or enforce the Taxation Laws in practice.

Individuals are not subject to any Kuwaiti income tax on their income or capital gains.

#### *Retention*

Under the Regulations, a Kuwaiti-based party making a payment (being referred to in this section as the "**payer**") to any other party (being referred to in this section as the "**payee**"), wherever incorporated, is obliged to deduct five per cent. of the amount of each such payment until such time as the DIT issues a tax clearance certificate approving the release of such amount. The payer is not required to transfer the deducted amount to the DIT immediately, but instead retains such amount and releases it either (i) to the payee upon presentation to the payer by such payee of a tax clearance certificate from the DIT confirming that the payee is not subject to or is exempt from income tax, or has realised a loss, or has paid or guaranteed the payment of its income tax; or (ii) in the absence of such a tax clearance certificate, to the DIT, on demand.

According to a literal interpretation of the Regulations, payments which are subject to a deduction as described above would include principal and interest payments. Accordingly, the Guarantor would be required to deduct five per cent. from every payment made by it to the Issuer (in repayment of any amounts on-lent from the Issuer to the Guarantor pursuant to any Note issue) and the Noteholders (if there is a call on the Guarantee), which amount would be released by the Guarantor upon presentation to it by the Issuer or the relevant Noteholder of a tax clearance certificate from the DIT.

However the Noteholders shall be able to rely on the provisions in the Notes and the Trust Deed which require that all payments be grossed up by an amount equal to any deduction, irrespective of whether a tax clearance certificate is presented or not.

#### *Other taxes*

Save as described above, all payments in respect of the Notes and the Guarantee may be made without withholding, deduction or retention for, or on account of, present taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of Kuwait.

No stamp, registration or similar duties or similar taxes will be payable in Kuwait by Noteholders in connection with the issue or any transfer of the Notes.

## **Hong Kong**

### *Withholding Tax*

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

### *Profits Tax*

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112 of the Laws of Hong Kong) (the "**Inland Revenue Ordinance**") as it is currently applied by the Inland Revenue Department of Hong Kong, interest on the Notes is not subject to Hong Kong profits tax except under the following circumstances:

- i. interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- ii. interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or
- iii. interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Notes may be subject to profits tax.

Sums derived from the sale, disposal or redemption of Bearer Notes may be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. Similarly, such sums in respect of Registered Notes received by or accrued to either the aforementioned person and/or a financial institution will be subject to Hong Kong profits tax if such sums have a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed.

### *Stamp Duty*

Stamp duty will not be payable on the issue of Bearer Notes provided either:

- i. such Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- ii. such Notes constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117 of the Laws of Hong Kong)(the "**Stamp Duty Ordinance**")).

If stamp duty is payable, it is payable by the Issuer on the issue of Bearer Notes at a rate of 3 per cent. of the market value of the Notes at the time of issue. No stamp duty will be payable on any subsequent transfer of Bearer Notes.

No stamp duty is payable on the issue of Registered Notes. Stamp duty may be payable on any transfer of Registered Notes if the relevant transfer is required to be registered in Hong Kong. Stamp duty will, however, not be payable on any transfer of Registered Notes **provided that** either:

- i. the Registered Notes are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- ii. the Registered Notes constitute loan capital (as defined in the Stamp Duty Ordinance).

If stamp duty is payable in respect of the transfer of Registered Notes, it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by each of the seller and the purchaser) normally by reference to the value of the consideration. If, in the case of either the sale or purchase of such Registered Notes, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Registered Notes if the relevant transfer is required to be registered in Hong Kong.

### **People's Republic of China**

The following summary describes the principal PRC tax consequences of ownership of the Notes by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as "non-PRC Noteholders" in this section. In considering whether to invest in the Notes, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Pursuant to the *PRC Enterprise Income Tax Law*, (promulgated on 16 March 2007 and effective on 1 January 2008) (the "**New Enterprise Income Tax Law**") and its implementation regulations, enterprises that are established under the laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management bodies" are within the territory of China shall be treated as PRC tax resident enterprises for the purpose of the New Enterprise Income Tax Law and they shall pay EIT at a rate of 25 per cent. in respect of their income sourced from both within and outside China. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of China, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the New Enterprise Income Tax Law and be subject to enterprise income tax at the rate of 25 per cent. for its income sourced from both within and outside PRC. As confirmed by the Issuer, as of the date of this Base Prospectus, the Issuer has not been given notice or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the New Enterprise Income Tax Law. On that basis, holders of the Notes will not be subject to the withholding of PRC income tax or any other applicable taxes or duties imposed by any governmental authority in China in respect of the holding of the Notes or any repayment of principal and payment of interest made thereon.

However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the New Enterprise Income Tax Law and related implementation regulations in the future. Pursuant to the New Enterprise Income Tax Law and its implementation regulations, any non-resident enterprise who does not have an establishment within China or whose income has no actual connection to its establishment inside China shall pay EIT at a rate of 10 per cent. on the income sourced from within China, while, according to the *PRC Individual Income Tax Law* (last amended on 30 June 2011 and effective on 1 September 2011), non-resident individuals shall pay IIT at a rate of 20 per cent. on the income sourced from inside China, and such income tax shall be withheld by sources with the PRC payer acting as the obligatory withholder (if any), who shall withhold the tax amount from each payment or payment due. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future and the income from the Notes is deemed as income sourced from within China, the Issuer shall withhold income tax from the payments of interest in respect of the Notes for any non-PRC Noteholder according to PRC law. However, despite the potential withholding of PRC tax by the Issuer, the Issuer has agreed to pay additional amounts to holders of the Notes so that holders of the Notes would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Notes.

**According to the double taxation arrangement between China and Hong Kong, residents of Hong Kong will not be subject to PRC income tax on any capital gains from a sale or exchange of the Notes. For other investors of the Notes, according to the New Enterprise Income Tax Law and related implementation regulations, it is unclear whether the capital gains of non-resident enterprises derived from a sale or exchange of the Notes will be subject to PRC income tax. If such capital gains are determined as income sourced from within China by PRC tax authority, those non-PRC Noteholders, other than Hong Kong residents, may be subject to EIT at a rate of 10 per**

**cent. or IIT at a rate of 20 per cent. for the gains from a sale or exchange (unless other tax preferential treatments are provided by any special tax arrangements).**

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC (the "**Savings Directive**") on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or other similar income) paid by a person within its jurisdiction to, or collected by such person for, an individual resident in that other Member State or to certain limited types of entity established in that other Member State. However, for a transitional period, Austria and Luxembourg may instead apply (unless during that period they elect otherwise) a withholding system in relation to such payments, deducting tax at a rate of 35.0 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Luxembourg has announced that it will no longer apply the withholding tax system as from 1 January 2015 and will provide details of payments of interest (or similar income) as from this date.

A number of non-EU countries and certain dependent or associated territories of certain Member States, including Switzerland, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The Council of the European Union formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or secured for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover additional types of income payable on securities.

Investors who are in any doubt as to their position should consult their professional advisers.

### **Foreign Account Tax Compliance Act**

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States account" of the Issuer (a "**Recalcitrant Holder**"). The Issuer and the Guarantor may be classified as FFIs.

The new withholding regime is currently in effect for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterized as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "**grandfathering date**", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date, and additional Notes of the same series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to

FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **"Reporting FI"** not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **"FATCA Withholding"**) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and the Cayman Islands have entered into an agreement (the **"US-Cayman Islands IGA"**) based largely on the Model 1 IGA. The United States and Kuwait have reached an agreement in substance on the terms of an IGA based largely on the Model 1 IGA. Kuwait will be treated as having a Model 1 IGA in effect until December 31, 2014, at which time an IGA (the **"US-Kuwait IGA"**) must be signed in order for Kuwait to continue to be treated as an IGA jurisdiction.

If the Issuer and the Guarantor are treated as Reporting FIs pursuant to the US-Cayman Islands IGA and the US-Kuwait IGA, respectively, they do not anticipate that they will be obliged to deduct any FATCA Withholding on payments they make. There can be no assurance, however, that the Issuer and the Guarantor will be treated as Reporting FIs, or that they would in the future not be required to deduct FATCA Withholding from payments they make. Accordingly, the Issuer, the Guarantor and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, the Guarantor, any paying agent and the Common Depositary, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Notes will only be printed in remote circumstances.

**FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.**

#### **The proposed financial transactions tax ("FTT")**

On 14 February 2013, the European Commission issued a proposal (the **"Commission's Proposal"**), including a draft directive, for a financial transaction tax (**"FTT"**) to be adopted in certain participating EU member states (including Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia) (the **"participating Member States"**).

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, may not apply to dealings in the Notes.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of BNP Paribas, Commerzbank Aktiengesellschaft, HSBC Bank plc, Crédit Agricole Corporate and Investment Bank and Emirates NBD Capital Ltd (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated Dealer Agreement dated 10 October 2013 (the "**Dealer Agreement**") and made between the Issuer, the Guarantor and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement provides for the resignation, or termination of appointment, of existing Dealers, and for the appointment of additional or other Dealers, either generally in respect of the Programme, or in relation to a particular Tranche of Notes.

**United States of America:** *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Final Terms or neither if TEFRA is specified as not applicable in the relevant Final Terms.*

Each Dealer has acknowledged that the Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in the preceding sentence have the meanings given to them by the United States Internal Revenue Code and Treasury regulations thereunder. The applicable Final Terms will identify whether TEFRA C or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Principal Paying Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Principal Paying Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### **Public Offer Selling Restriction Under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented, warranted and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Prospectus as completed by the Final Terms in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) **Qualified investors:** at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive; or
- (b) **Fewer than 100 offerees:** at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal



persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

- (c) **Other exempt offers:** at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

**provided that** no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

### **Selling Restrictions Addressing Additional United Kingdom Securities Law**

In relation to each Tranche of Notes, each Dealer has represented, warranted and undertaken to the Issuer, the Guarantor and each other Dealer (if any) that:

- (a) **No deposit-taking:** in relation to any Notes having a maturity of less than one year:
- (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Cayman Islands**

In relation to each Tranche of Notes, each Dealer has represented, warranted and undertaken to the Issuer, the Guarantor and each other Dealer (if any) that Notes may not be offered to the public in the Cayman Islands unless at the time of such offer the Issuer is listed on the Cayman Islands Stock Exchange.

### **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

#### **Dubai International Financial Centre**

Each Dealer has represented and agreed that it has not offered and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Law 2012 of Dubai Financial Services Authority (the "DFSA"); and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

#### **Kingdom of Bahrain**

Each Dealer has represented, warranted and undertaken that it will only make an offer pursuant to this Base Prospectus available on a private placement basis to persons in Bahrain who are "accredited investors".

For this purpose, an "accredited investor" means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

#### **State of Kuwait**

Each Dealer has represented, warranted and agreed and each further Dealer appointed under the Programme will be required to represent, warrant and agree the following:

No Notes have been licensed for offering in the State of Kuwait by the Kuwait Capital Markets Authority or any other relevant Kuwaiti government agency. The offering of Notes in the State of Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Decree Law No. 31 of 1990, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended governing the issue, offering and sale of securities. No private or public offering of Notes is being made in the State of Kuwait, and no agreement relating to the sale of Notes will be concluded in the State of Kuwait. No marketing or solicitation or inducement activities are being used to offer or market Notes in the State of Kuwait.

#### **Kingdom of Saudi Arabia**

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Notes. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires Notes pursuant to an offering should note that the offer of Notes is a private placement under Article 10 and/or Article 11 of the "**Offer of Securities Regulations**" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated 4 October 2004 and amended by the Board of the Capital Market Authority resolution number 1-28-2008 dated 18 August 2008 (the "**KSA Regulations**"), through a person authorised by the Capital Market Authority ("**CMA**") to carry on the securities activity of arranging and following a notification to the CMA under the KSA Regulations.

The Notes may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "sophisticated investors" under Article 10 of the KSA Regulations or by way of a limited

offer under Article 11 of the KSA Regulations. Each Dealer has represented and agreed that any offer of Notes to a Saudi Investor will comply with the KSA Regulations.

### **People's Republic of China**

Each Dealer has represented, warranted and agreed that the offer of the Notes is not an offer of securities within the meaning of the PRC Securities Law or other pertinent laws and regulations of the PRC and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan) except as permitted by the securities laws of the PRC.

### **Hong Kong**

In relation to each Tranche of Notes to be issued by the Issuer under the Programme, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme be required to represent, warrant and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a "structured product" as defined in the Securities and Future Ordinance (Cap. 571) of Hong Kong (the "**SFO**"), other than (i) to "professional investors" as defined in the SFO and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "Prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong (the "**Companies Ordinance**") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

### **Singapore**

Each Dealer has acknowledged that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase nor will it offer or sell the Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, nor has it circulated or distributed nor will it circulate or distribute this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor;

shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law; or
- (iv) as specified in Section 276(7) of the SFA.

### **General**

Each Dealer has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes the Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Guarantor, the Trustee and any other Dealer shall have any responsibility therefor.

None of the Issuer, the Guarantor, the Trustee and any of the Dealers have represented that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Final Terms (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or (in any other case) in a supplement to this Base Prospectus.

## GENERAL INFORMATION

### **Listing**

The admission of the Programme to trading on the London Stock Exchange-Regulated Market is expected to take effect on or around 20 October 2014. The price of the Notes on the price list of the London Stock Exchange will be expressed as a percentage of their principal amount (exclusive of accrued interest). Any Tranche of Notes intended to be admitted to trading on the London Stock Exchange-Regulated Market will be so admitted to trading upon submission to the London Stock Exchange of the relevant Final Terms and any other information required by the London Stock Exchange, subject to the issue of the relevant Notes. Prior to admission to trading, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions will normally be effected for delivery on the third working day in London after the day of the transaction.

### **Authorisations**

The update of the Programme was authorised by written resolutions of the directors of the Issuer on 30 September 2014. The giving of the guarantee contained in the Amended and Restated Trust Deed was authorised by way of passing the applicable resolutions at a meeting of the directors of the Guarantor on 29 September 2014. Each of the Issuer and the Guarantor has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the notes and the giving of the guarantee relating to them.

### **Clearing of the Notes**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Series will be specified in the Final Terms relating thereto. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### **Use of proceeds**

The net proceeds of the issue of each Tranche of Notes will be applied by the Issuer and/or the Guarantor for its general corporate purposes, which include making a profit.

### **Litigation**

There are no, and have not been, any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor is aware) during the 12 months before the date of this Base Prospectus which may have, or have had in the recent past, significant effects on the financial position or profitability of the Issuer or of the Guarantor and its subsidiaries taken as a whole.

### **No significant change**

There has been no material adverse change in the prospects of the Issuer, the Guarantor and its Subsidiaries since 31 December 2013, nor has there been any significant change in the financial or trading position of the Issuer since 31 December 2013, nor any significant change in the financial or trading position of the Guarantor and its Subsidiaries, taken as a whole, since 30 June 2014.

### **Auditors**

The financial statements of the Issuer for the financial years ended 31 December 2012 and 31 December 2013 incorporated by reference in the base prospectus have been prepared in accordance with IFRS and have been audited by Ernst and Young (Al Aiban, Al Osaimi and Partners), 18<sup>th</sup> floor, Baitak Tower, Safat Square, Ahmed Al Jaber Street, P.O. Box 74, Safat 13001, State of Kuwait. The consolidated financial statements of the Guarantor for the years ended 31 December 2012 and 2013 incorporated by

reference in the Base Prospectus have been prepared in accordance with IFRS and have been audited by Ernst and Young (Al Aiban, Al Osaimi and Partners), 18<sup>th</sup> floor, Baitak Tower, Safat Square, Ahmed Al Jaber Street, P.O. Box 74, Safat 13001, State of Kuwait, and Albazie and Co. (Member of RSM International), Public Accountants, Kuwait Airways Building, 7<sup>th</sup> Floor Shuhada Street, P.O. Box 2115, Safat 13022, State of Kuwait. Ernst and Young (Al Aiban, Al Osaimi and Partners) is a partnership incorporated under Kuwait law, which is an independent member firm of Ernst & Young Global.

### **Documents available for inspection**

For the period of 12 months following the date of this Base Prospectus, copies and, where appropriate, English translations of the following documents may be inspected during normal business hours at the specified office of the Principal Paying Agent and Registrar and from the registered office of the Issuer, namely:

- (a) the constitutive documents of the Issuer and the Guarantor;
- (b) a copy of this Base Prospectus and any supplements thereof;
- (c) the Agency Agreement;
- (d) the Trust Deed;
- (e) the Dealer Agreement;
- (f) the Programme Manual (which contains the forms of the Notes in global and definitive form);
- (g) the unaudited interim condensed consolidated financial statements of the Guarantor as at and for the six month period ended 30 June 2014, together with the notes thereto and the auditors' review report thereon;
- (h) the audited consolidated financial statements of the Guarantor as at and for the years ended 31 December 2013 and 31 December 2012, together with the notes thereto and the auditors' reports thereon;
- (i) the audited financial statements of the Issuer as at and for the years ended 31 December 2013 and 31 December 2012, together with the notes thereto and the auditors' reports thereon;
- (j) the most recent publicly available financial statements (if any) of the Issuer and the most recently published audited consolidated financial statements of the Guarantor and the most recently published unaudited interim condensed consolidated financial statements (if any) of the Guarantor, in each case together with the notes thereto and any auditors' report or review report (as applicable) thereon; and
- (k) any future offering circulars, prospectuses, information memoranda and supplements relating to the Programme, including any Final Terms relating to Notes.

### **Post Issuance Information**

The Issuer does not intend to provide any post-issuance information in relation to any Note issues.

**REGISTERED OFFICE OF THE ISSUER**

**KUWAIT PROJECTS CO. (CAYMAN)**  
Intertrust Corporate Services (Cayman) Limited  
190 Elgin Avenue  
George Town, Grand Cayman, KY1-9005  
Cayman Islands, British West Indies

**REGISTERED OFFICE OF THE GUARANTOR**

**Kuwait Projects Company (Holding) K.S.C.P.**  
P.O. Box 23982  
Safat 13100  
State of Kuwait

**DEALERS**

**BNP Paribas**  
10 Harewood Avenue  
London NW1 6AA  
United Kingdom

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ  
United Kingdom

**Crédit Agricole Corporate and  
Investment Bank**  
Broadwalk House  
5 Appold Street  
London EC2A 2DA  
United Kingdom

**Commerzbank  
Aktiengesellschaft**  
Kaiserstrasse 16  
(Kaiserplatz)  
60311 Frankfurt am Main  
Germany

**Emirates NBD Capital Ltd**  
DIFC, The Gate  
East Wing, Level 4  
P.O. Box 506710  
Dubai  
United Arab Emirates

**TRUSTEE**

**BNY Mellon Corporate Trustee Services Limited**  
One Canada Square  
London E14 5AL  
United Kingdom

**PRINCIPAL PAYING AGENT**

**The Bank of New York Mellon**

One Canada Square  
London E14 5AL  
United Kingdom

**REGISTRAR**

**The Bank of New York Mellon**

101 Barclay Street  
New York  
NY 10286  
United States of America

**LEGAL ADVISERS**

*To the Issuer and the Guarantor as to English law:*

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One Bishops Square  
London E1 6AD  
United Kingdom

*To the Guarantor as to Kuwait law:*

**ASAR – Al Ruwayeh & Partners**

P.O. Box 447  
Safat 13005  
State of Kuwait

*To the Dealers as to English law:*

**Clifford Chance LLP**

Building 6, Level 2  
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Dubai  
United Arab Emirates

*To the Dealers as to Kuwait law:*

**The Law Office of**

**Bader Saud Al-Bader & Partners**

P.O. Box 64046  
ShuwaikhB  
State of Kuwait

*To the Issuer and the Guarantor as to Cayman Islands law:*

**Walkers (Dubai) LLP**

Fifth Floor, The Exchange Building  
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United Arab Emirates

**AUDITORS TO THE GUARANTOR**

**Ernst and Young (Al Aiban, Al Osaimi and Partners)**

18<sup>th</sup> Floor, Baitak Tower,  
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Safat 13001  
State of Kuwait

**Albazie and Co. (Member of RSM International), Public Accountants**

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7<sup>th</sup> Floor Shuhada Street  
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State of Kuwait