Capital Markets Authority Regulations

Regarding Regulating Shareholding Companies Purchase

of their Shares (Treasury Shares) and the Method of their Use and Disposal

No. (C.M.A/M.R.S/C.F/6/2013)

Preamble

Based on the provisions of Law No. (7) of 2010 regarding the Establishment of Capital Markets Authority and Regulating Securities Activities and its Executive Bylaws, and Decree-law No. (25) of 2012 regarding issuing the Companies Law and its amendments; the following regulations shall be taken into consideration when a company purchases its shares or disposes thereof:

Article One: Definitions

When applying the provisions of these Regulations, the following phrases and terms shall bare the meaning opposite to each of them:

Treasury Shares: The shares that the company purchases, resells and utilizes from its issued shares which are traded in the Securities Exchange, limited to the percentage specified in these Regulations.

Authority: Capital Markets Authority.

Central Bank: Central Bank of Kuwait.

Exchange: The Securities Exchange.

Company: Shareholding company listed on the Securities Exchange.

Disclosure: The disclosure of the information available at the company related to the transactions of the treasury shares, which the company shall disclose to the participants at the appropriate time according to these Regulations, and through publishing announcements in the Securities Exchange and the company's website.

Share purchase and sale: The process in which a company buys back or sells a percentage of its own shares in the Securities Exchange.

Regulatory Bodies: Capital Markets Authority and Central Bank of Kuwait, each within its own capacity).

Article Two: Scope of Application

These Regulations are applicable to all shareholding companies listed in the Securities Exchange, except companies regulated by the Central Bank.

Article Three: Utilization of Treasury Shares

Utilization of treasury shares is only permitted in the following cases:

1. Maintaining the stability of the company's share price.
2. Reduction of the company's paid-up capital.
3. Settlement of company's account receivables.
4. Repayment of company's debt.
5. Distribution as dividends to company's shareholders without causing an increase in company's capital or its number of shares issued; under the condition that Treasury Shares Reserve is not negative.
6. Asset swap, in the case of acquisition of other companies.
7. Distributing all or some treasury shares to the employees of the company as part of the company's employees stock option scheme; subject to the approval of the General Assembly, and according to the related policies that are approved by the company's General Assembly.
8. Any other cases the Authority may specify.

Article Four: Controls and Procedures

First: In order for a company to purchase its shares, the company's Memorandum or Articles of Association must permit the purchase and sale of the company's own shares; with the purchase not exceeding a percentage of 10% of the number of its issued shares in their market value. The company may purchase or sell the treasury shares in the Securities Exchange only after obtaining a written approval by the Authority in this regard, based upon a request submitted by the company to the Authority; which includes the following documents using the form attached with these Regulations:

1. Specifying the type of transaction the company requested (purchase only, sale of treasury shares only, or purchase and sale of the company's own shares).
2. A copy of the Ordinary General Assembly's Minutes of Meeting which authorizes the Board of Directors to purchase or sell a percentage that does not exceed 10% of the company's own shares; provided that the approval is effective and its validity is not more than eighteen months.
3. The number of the company's shares required to be purchased or sold.
4. The suggested sources of financing to purchase the shares.

5. A copy of the company's annual financial statements, and the latest quarterly financial statements, provided that it is approved by the relevant regulatory bodies.
6. A statement of the number of the company's treasury shares until the date of submitting the application (whether it is owned by the company itself, or one of its subsidiaries, with a confirmation of the shares balance by the clearing agency).
7. A list of the subsidiary companies, if any.
8. The value of the owned treasury shares until the date of submitting the application.
9. A comprehensive financial study clarifying the objectives of submitting a request to purchase or sell the shares and effects of it.

Second: The company’s capital may not be used as a source of financing the company's purchase process of the treasury shares. The company specifies the sources of finance used for this purpose, and notifies the Authority of the suggested sources of finance in order to obtain the Authority's approval.

It is mandatory to set-aside part of the reserves accumulated from distributions of net profit, retained earnings, and the share premium that is equivalent in value to the cost of the company’s treasury shares, and to consider it undistributable during the whole period of owing the stocks.

Third: The company may only purchase or sell the treasury shares according to the trading rules of the Securities Exchange, except for the cases which the Authority decides to exempt.

Fourth: The company agrees to announce the Authority's approval of the purchase and sale of its treasury shares upon attaining the Authority’s approval, and according to the procedures and regulations mentioned in the Authority's Regulations regarding disclosure of material information and the mechanism of announcing it.

Fifth: The company may not trade its shares before ten business days from the date of disclosing the financial statements (interim or annual) of the company or any material information that may affect the company's shares.

Sixth: The company that exercises its right to purchase the treasury shares shall submit a report to the Authority at the end of every financial year explaining the reasons behind keeping those shares, provided that the report is submitted within ten business days from the end of the financial year that the report covers.

Seventh: In case of increasing the company’s capital, the company shall comply with the following:

1. In case of increasing the company's capital by issuing stocks in return of profits or retained earnings that the company gained (Bonus Shares), the company has the same rights as those of other shareholders.
2. In case of increasing the company's capital by offering new shares for subscription, the company may not exercise the priority right in the subscription based on the ownership of those shares. This right is only limited to other shareholders.

Eighth: The company shall not pledge the treasury shares that it owns in any manner, whether directly or indirectly.

Ninth: The company may only purchase or sell its shares in the spot market.

Tenth: All companies listed on the Securities Exchange shall submit a quarterly report to the Authority that includes all transactions in its own shares for the time period that the report covers; along with a statement of balance of the treasury shares balance certified by the clearing agency. The report must be submitted within a maximum of ten business days from the end of the period specified above.

Eleventh: The companies managing the investment portfolios are not permitted to purchase or sell shares of a listed company for the interest of an investment portfolio owned by the same listed company or one of its board members.

Twelfth: All the board members of the company, its executive managers, spouses, or their first degree relatives are not permitted to engage in the transactions that the company conducts to purchase or sell its own shares.

Article Five: Accounting Treatment

First: The percentage of ownership by the parent company of the company's treasury shares - whether owned by the company itself or one of its subsidiaries - shall not exceed 10% of the total number of the shares it issued.

Second: The treasury shares shall be included in the company's financial statements under the item of Shareholders' Equity. Treasury shares are not entitled to receiving any cash dividends and have no voting rights at the General Assembly of the shareholders during the period of the company's ownership of those shares, except for the treasury shares owned by the subsidiary companies of the parent company.

Third: The company shall disclose in the Notes section of the financial statements the following minimum information:

1. Number of purchased shares.
2. Cost of purchase.
3. Percentage of number of treasury shares to total number of issued shares.
4. The weighted average of the market value of the shares on the date of preparing the financial statements.

The company shall also disclose information about setting-aside a part of the reserves, retained earnings, and share premium (if any) which equals the purchased treasury stocks, and consider them not distributable during the holding period.

Fourth: The company shall comply with the international accounting standards, the International Financial Reporting Standards (IFRS), and Resolution No. (10) of 2011 issued by the CMA regarding recognizing the international accounting standards at the CMA according to the following:

1. Recording the treasury shares at cost, and listing them under a separate item within the Shareholders' Equity, and shall be given the title "Treasury Shares".
2. Present “Treasury Shares Reserve” account under Shareholders' Equity.
3. Treasury Shares Reserve shall be undistributable during the period of holding the treasury shares.
4. Profits and losses resulting from selling treasury shares are included in the Treasury Shares Reserve account.
5. If losses resulting from selling treasury shares exceed the balance of the Treasury Shares Reserve, excess losses shall be deducted from the retained earnings account, then the reserves, and then the share premium. When recognizing any gains later on as a result of selling the treasury shares, part of these gains equivalent to the losses that have been previously deducted from the mentioned accounts shall be added back to those accounts; and the remaining shall be added to the Treasury Shares Reserve account.
6. When liquidating the treasury shares, the company can transfer the balance in the Treasury Shares Reserve account to the General Reserve or Voluntary Reserve.
7. The value of the bonus shares distributed to treasury shares shall not be included in Revenues in the profit and loss account.
8. The value of the bonus shares shall not be added to the cost of the treasury shares purchase.
9. The holdings of the purchased treasury shares portfolio shall be adjusted with the number of bonus shares that the company received, which shall result in reducing the cost of the treasury shares purchase.
10. When the company utilizes treasury shares to reduce capital, the following shall be taken into consideration:
    a. Reducing the capital in the par value of the used shares used in reducing the capital.
    b. If the cost of the treasury shares is less than the par value, the remaining balance is transferred to the voluntary reserve account or legal reserve.
    c. If the cost of the treasury shares is more than the par value, it's amortization shall be through the following accounts in order:
        - Treasury shares value.
        - Retained earnings.
        - Voluntary reserve.
        - Legal reserve.
        - Share premium.

<u>Article Six: Incompliance</u>

Incompliance with these Regulations shall expose violators to punitive accountability according to Law No. (7) of 2010 and its Executive Bylaw.

Article Seven: Coming into Force

These Regulations shall come into force from the date of their issuance.

Date of issue: 30/12/2013

(Attachment)

Application for the Purchase or Sale of a Shareholding Company of its Shares (Treasury Shares)

No. (C.M.A/ R.M.S/ C.R/6/20 13)

a. Basic Information

1. Date:
2. Company's Name:
3. Number of Issued Shares:
4. Balance of Currently owned Shares by the Company:
5. Percentage of Current Ownership:
6. Date of the General Assembly's Authorization to the Board of Directors to Purchase or Sell:
7. Cost of Owned Treasury Shares Up to This Date (K.D):

b. Information Related to Purchase or Sell Application:

1. Type of Transaction the Company Requested # Purchase Only #Sell Only # Purchase & Sell
2. Reasons of Purchasing or Selling
3. Number of Shares Required to be Purchased or Sold:
4. Period of Purchase or Sale from / / to / /
Financing Sources (Specified in detail & mentioning the amounts in KD) - - - - - -
The Brokerage Company Assigned for Purchasing & Selling Process:
Attachments: - A copy of the Ordinary General Assembly's minutes of meeting which authorizes the Board of Directors of purchase or sell a percentage not more than 10% of the Company's shares, provided that the authorization is effective and its period is not more than eighteen months. - A copy of the company's annual financial statements and the last quarterly financial statements which are approved by the relevant regulatory bodies. - A statement of the number of company's owned treasury shares until the date of submitting the application (whether owned by the company itself or one of its subsidiaries). The shares balance shall be approved by the Clearing Agency. - A list of the subsidiaries names, if any. - A comprehensive financial study explaining the reasons of requesting purchasing or selling shares and its impacts. - A detailed statement of the previously purchased shares and their dates, if any. - A list of the Authority’s approvals of previous purchase transactions, if any. - A list of the announcements made for the Authority and the Securities Exchange and previous selling dates, if any.
Date of Submitting the Application: / / (Chairman of the Board of Directors, or his/her representative) Applicant's Name: .... Signature............................ Title...................... Company’s Contacts: Name................ Title................ Phone Number:... Email:.............................