



Zain Group Financial Results

Q3 2018



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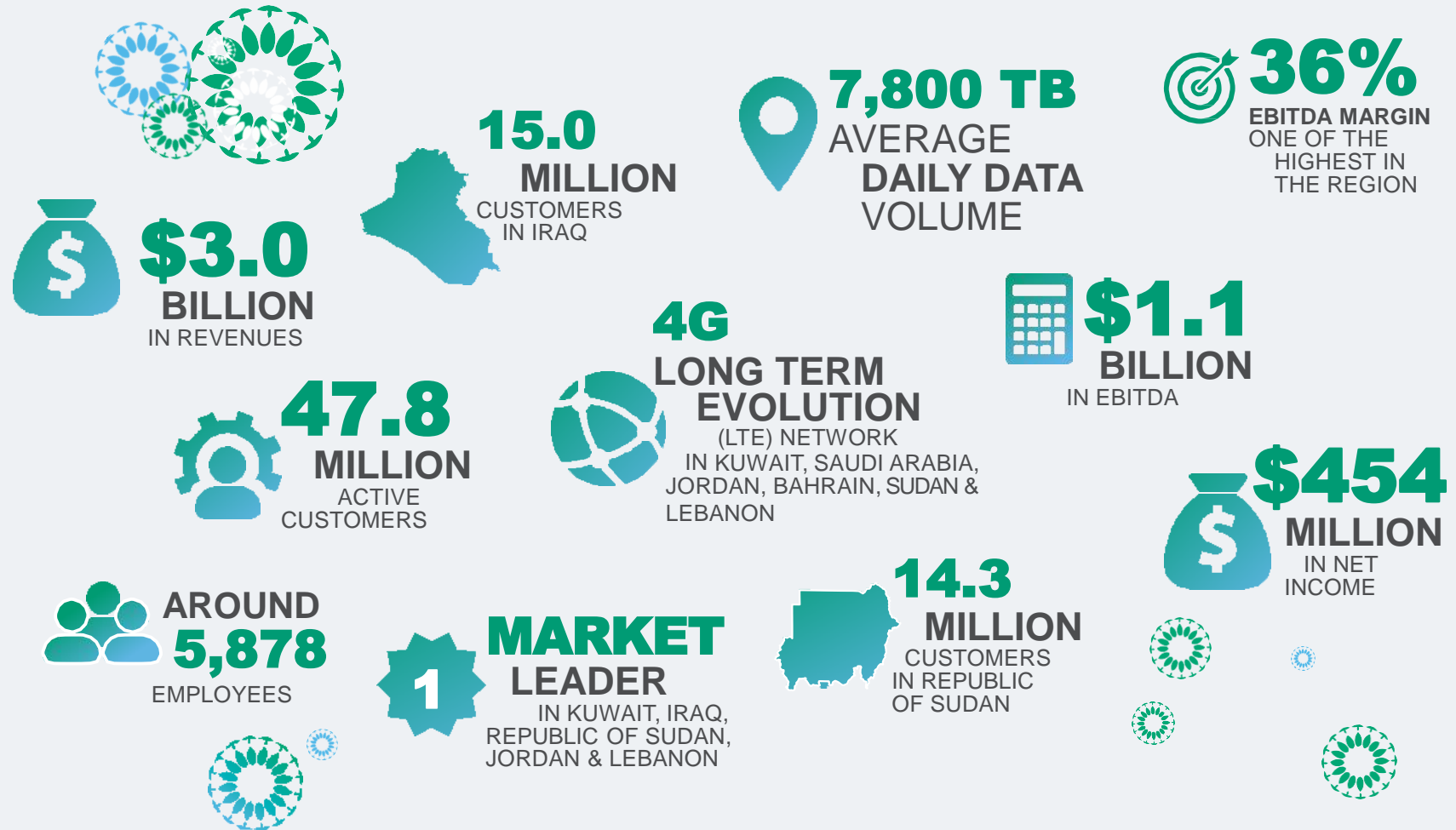
For further information about Zain Group, or the materials contained within this presentation, please direct your enquiries to our Investor Relations team via email at IR@zain.com or visit www.zain.com/en/investor-relations/

Content

1. Results Review
2. Operations review
3. Financial Statements

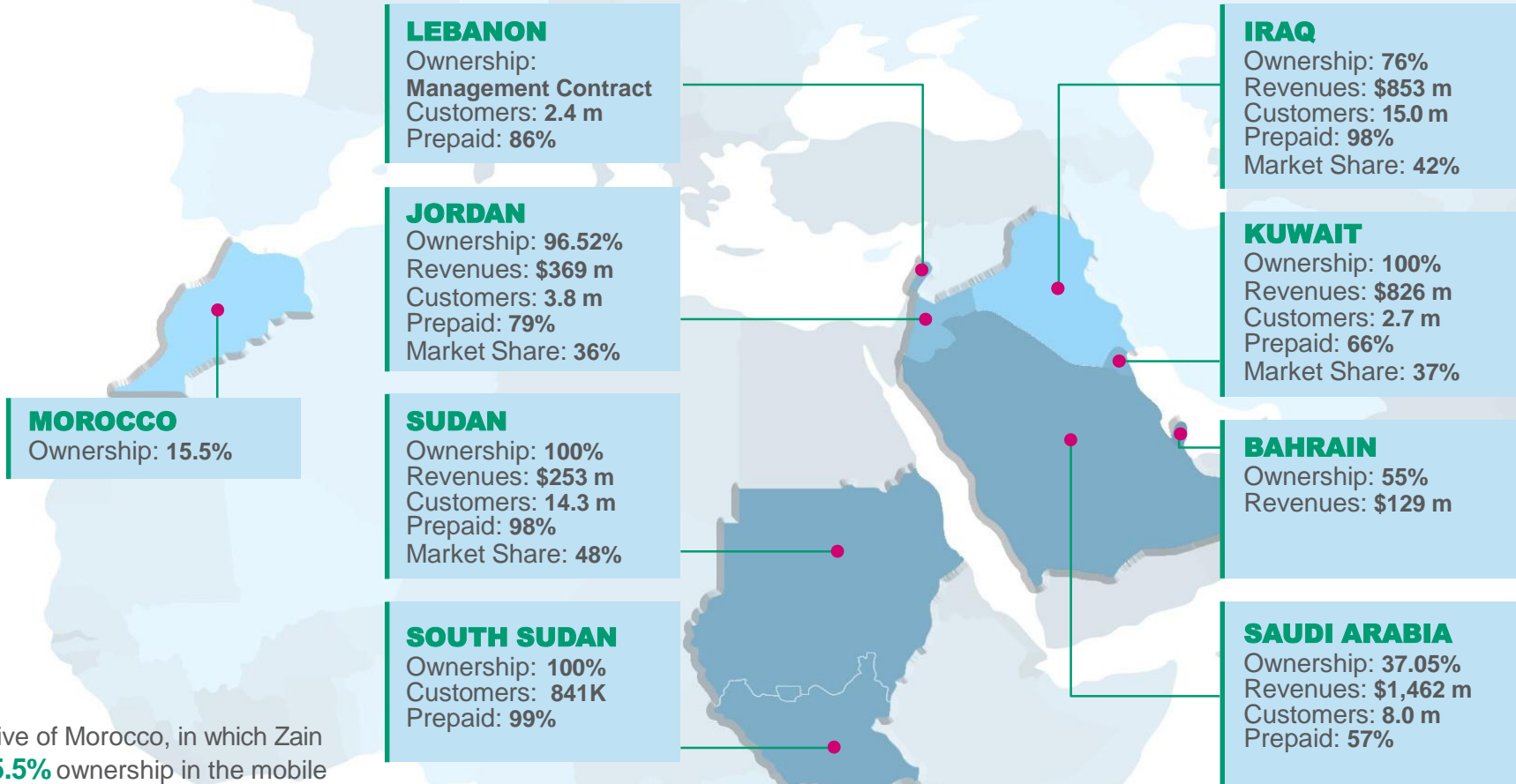


Zain At A Glance – 9M 2018



The World of Zain

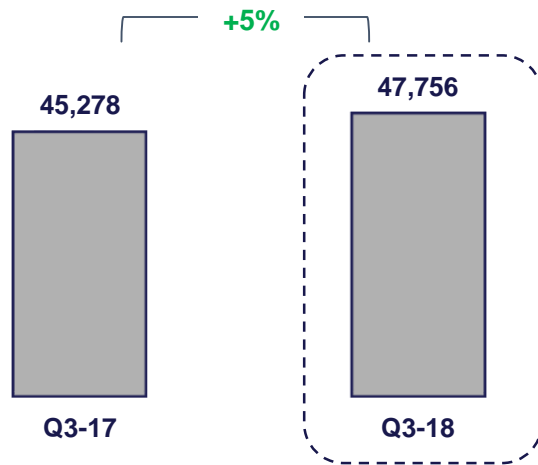
ZAIN'S WORLD CATERS TO **47.8** MILLION CUSTOMERS IN **8** COUNTRIES*



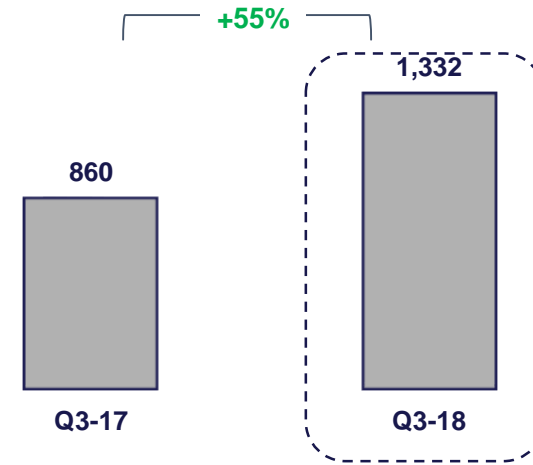
* exclusive of Morocco, in which Zain has a **15.5%** ownership in the mobile operator "INWI"

Group Financial Highlights – Q3 2018

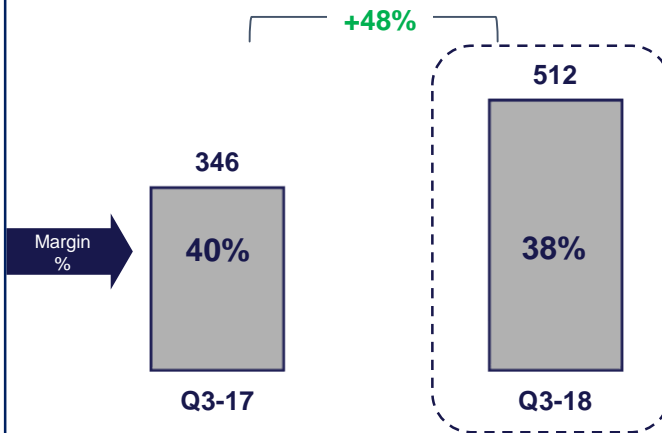
CUSTOMERS (000)



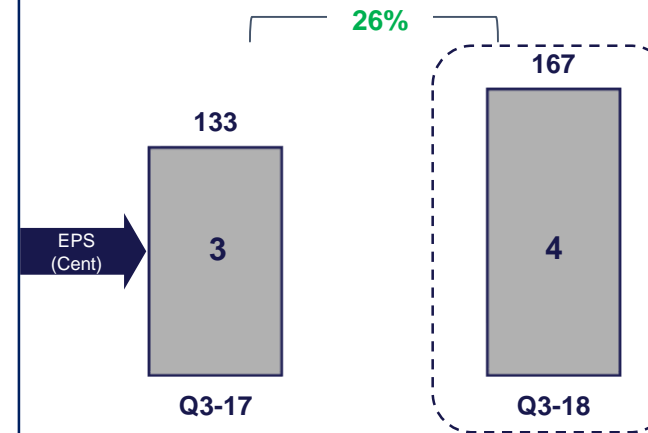
REVENUES (USDm)



EBITDA (USDm)

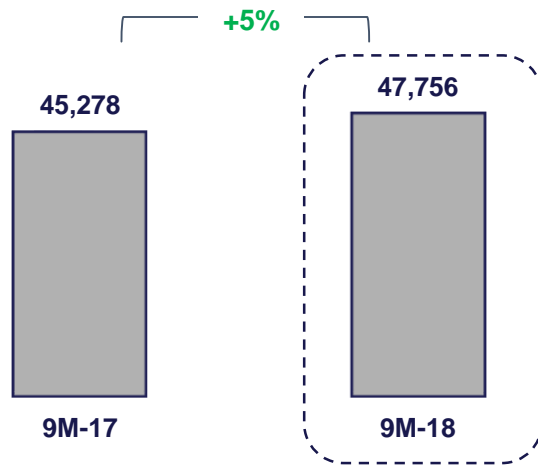


NET INCOME (USDm)

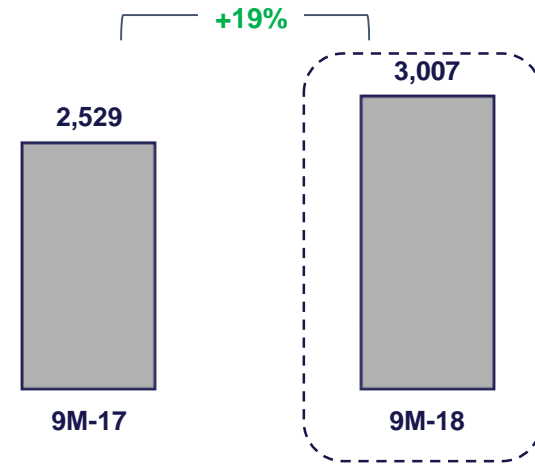


Group Financial Highlights – 9M 2018

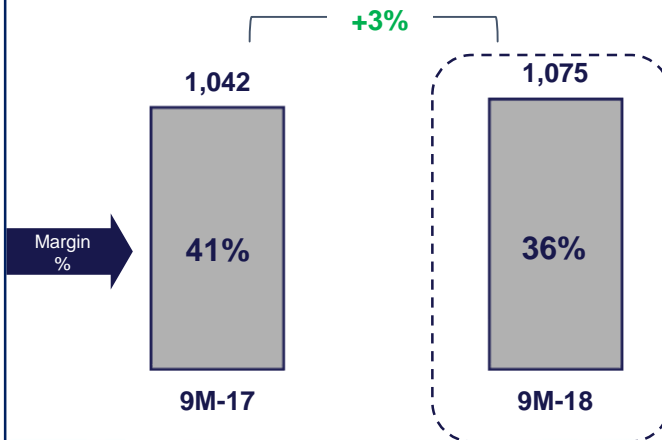
CUSTOMERS (000)



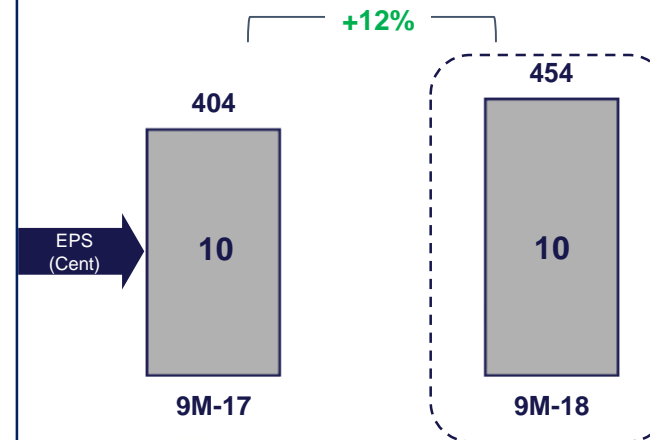
REVENUES (USDm)



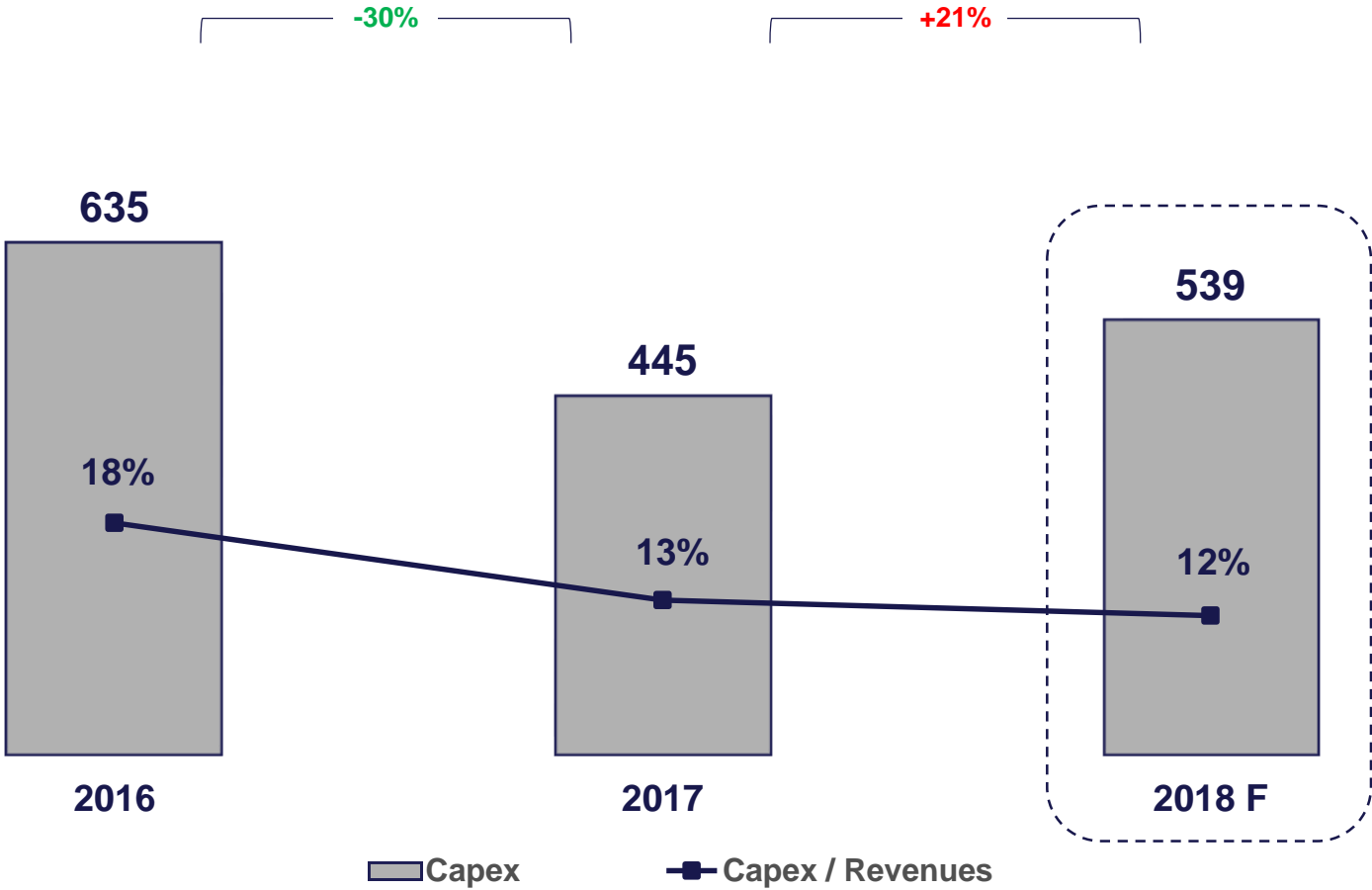
EBITDA (USDm)



NET INCOME (USDm)



CAPEX & CAPEX / REVENUES



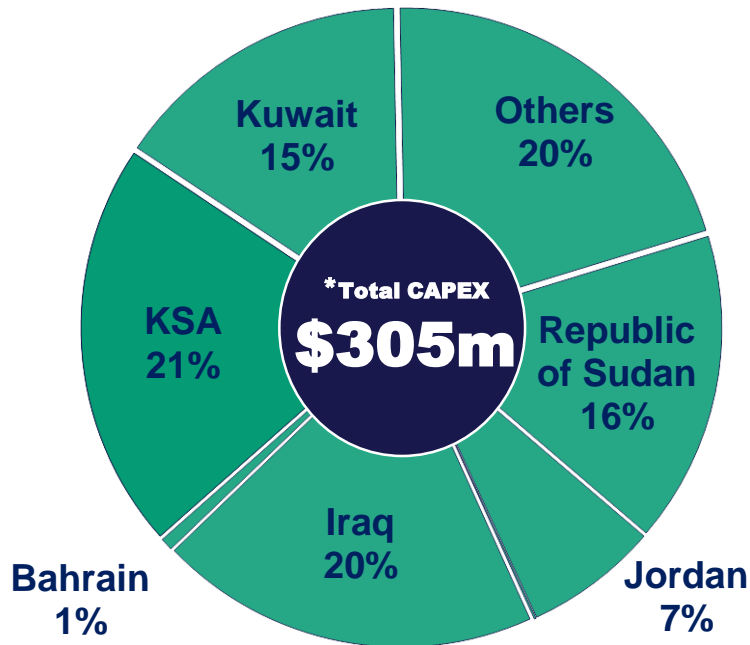
* 2016 & 2017 Capex are excluding Zain KSA

* 2018 Capex includes Zain KSA Capex from Q3 2018 onwards

* Capex includes only tangible assets

TOTAL CAPEX

CAPEX BREAKDOWN



* Group Total Capex (including Zain KSA Q3 Capex) = **USD 305 million**

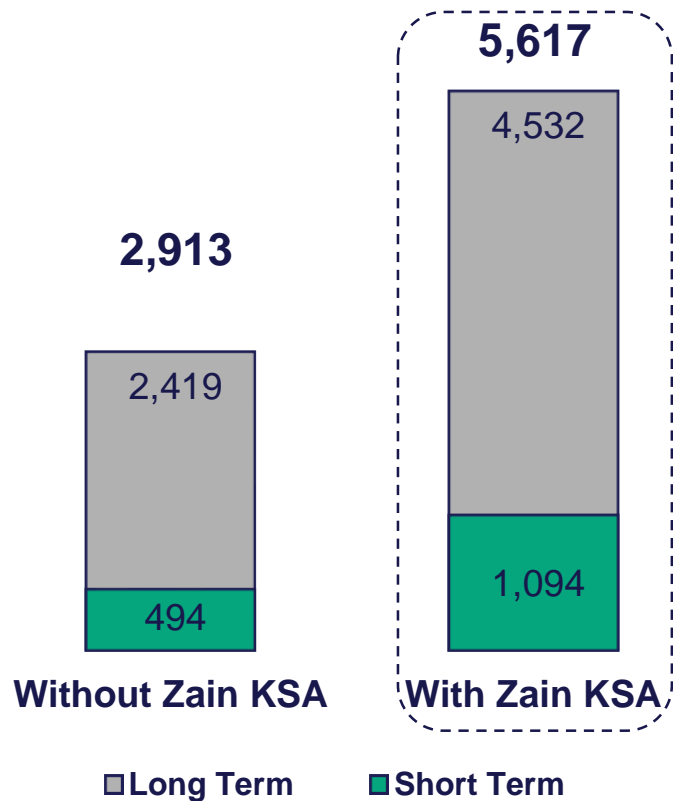
* Capex includes only tangible assets

OPCO	9M 2018 (USDm)	% OF REVENUES
Kuwait	47	6%
Iraq	60	7%
Sudan	49	19%
KSA*	64	12%
Jordan	21	6%
Bahrain	1	1%
S. Sudan	0.3	1%
Others	63	N/A

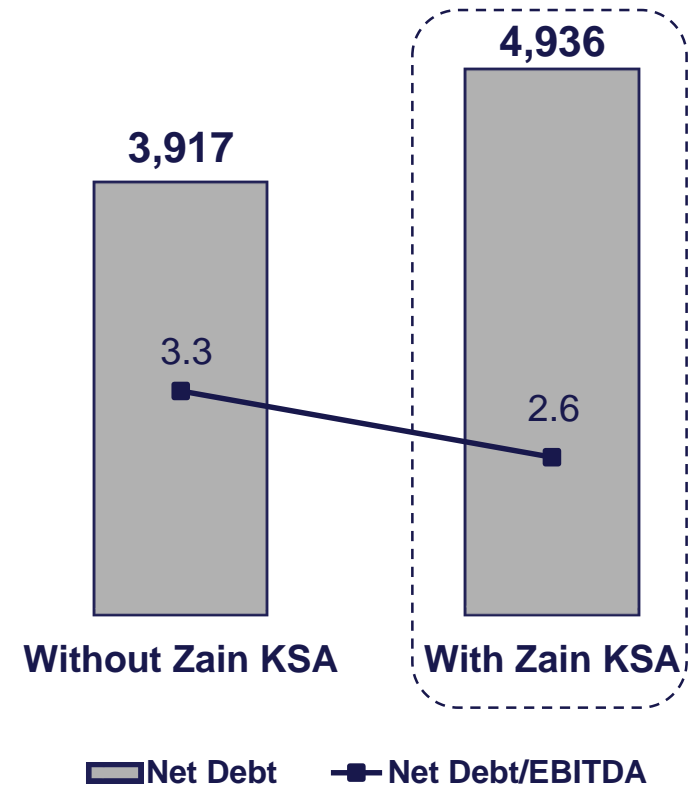
* Zain KSA Capex represents Q3 2018 only

Group Financial Highlights 9M 2018

TOTAL DEBT (USDm)



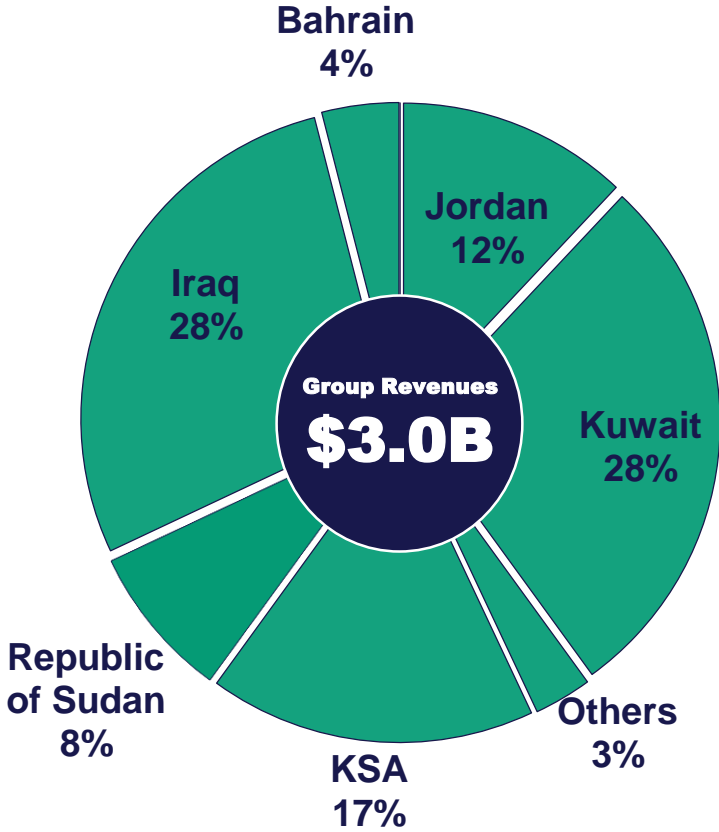
NET DEBT (USDm) & NET DEBT/EBITDA



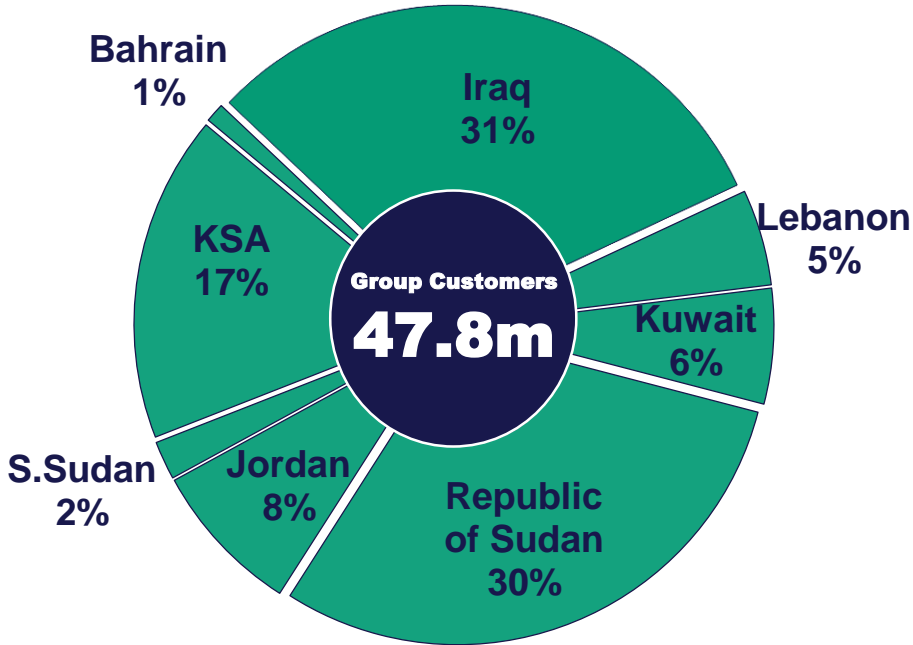
Net Debt = Total interest bearing debt (including letters of guarantee) after deducting cash and cash equivalents

Group Financial Highlights

REVENUE CONTRIBUTION

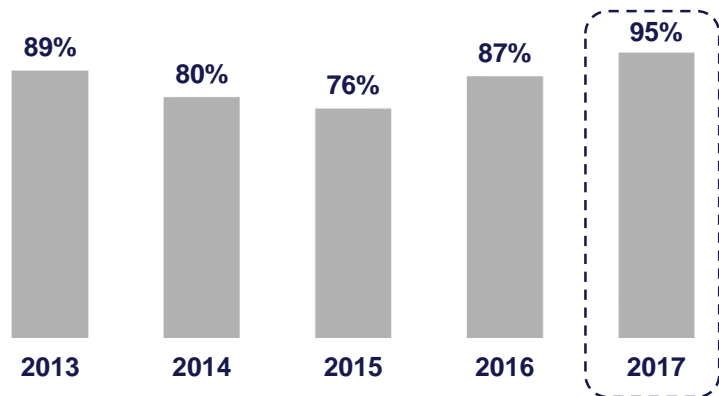


CUSTOMER CONTRIBUTION

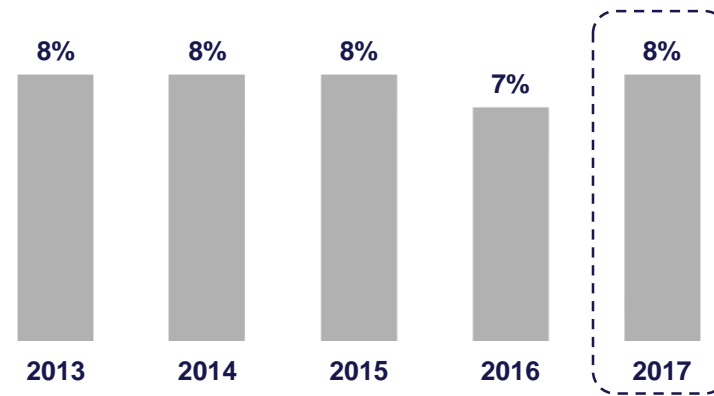


ZAIN DIVIDENDS

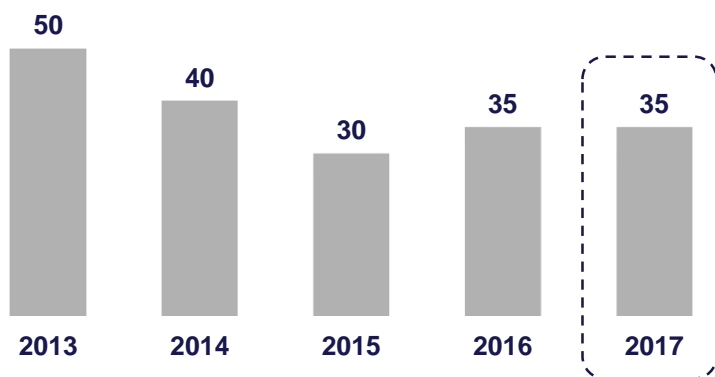
DIVIDEND PAYOUT RATIO



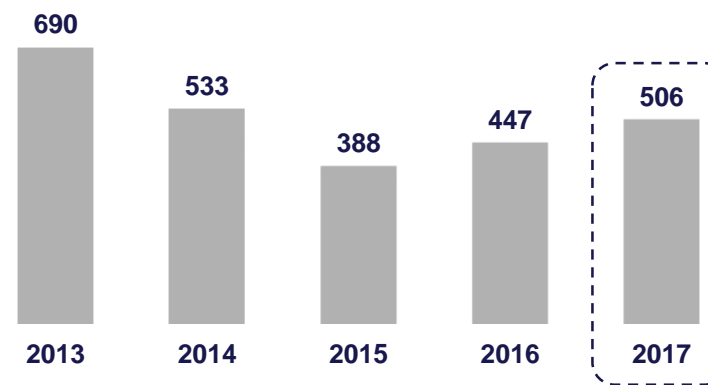
DIVIDEND YIELD (%)



DIVIDEND PER SHARE (Fils)



CASH DIVIDEND (USDm)

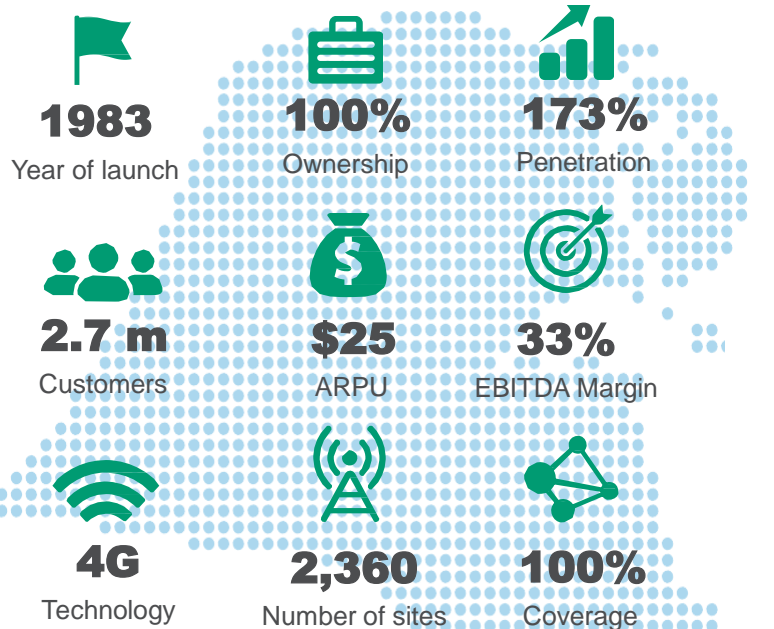


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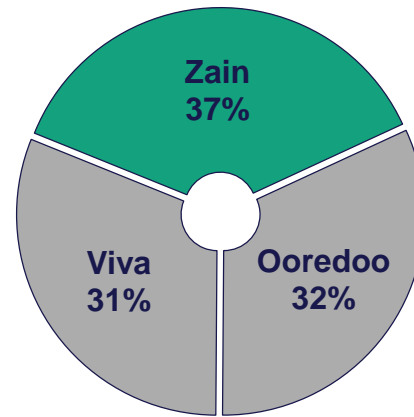
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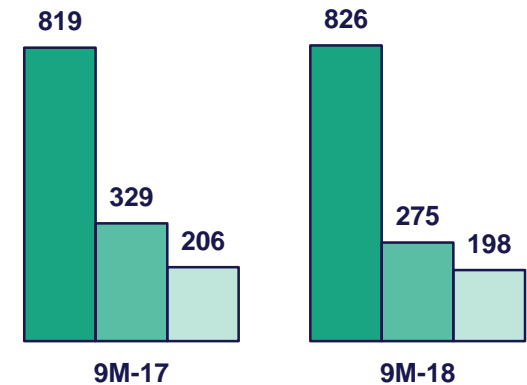
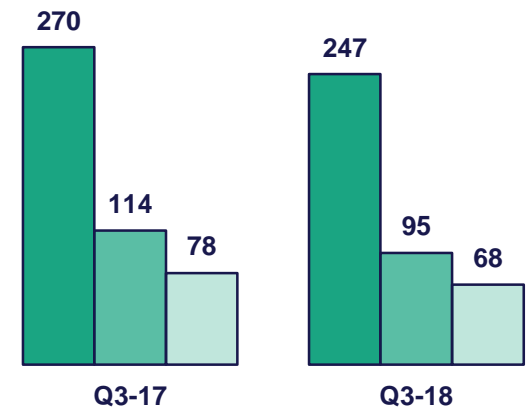
ZAIN KUWAIT



MARKET SHARE



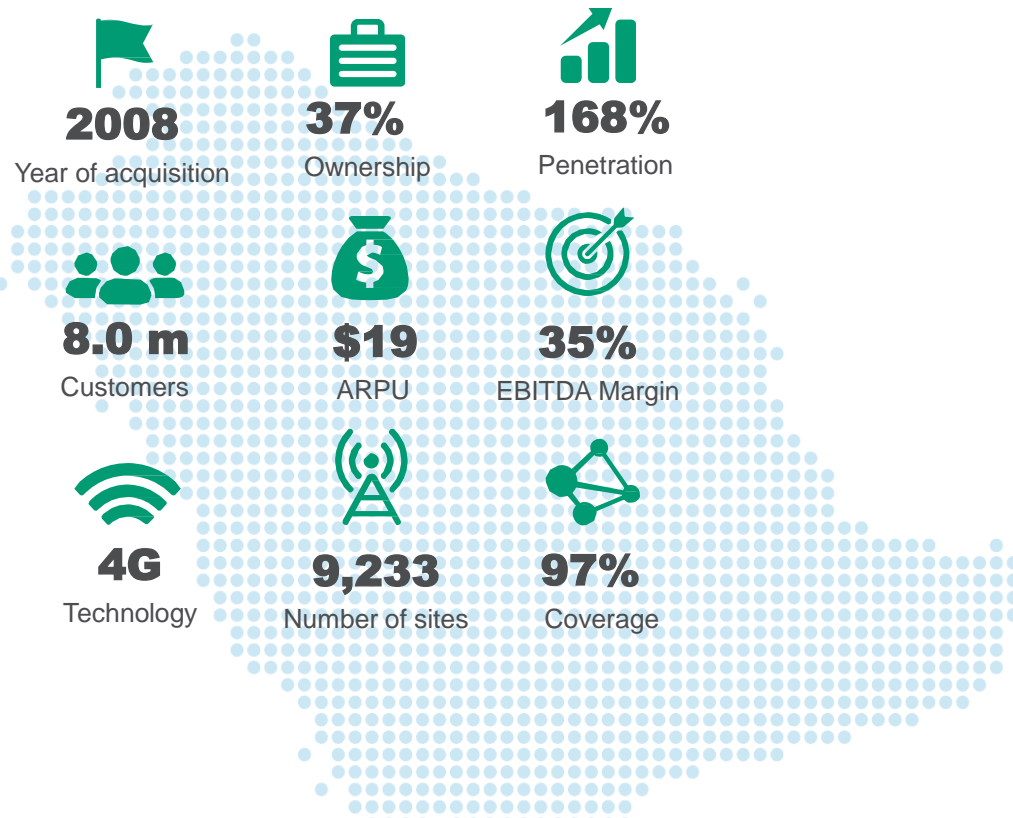
FINANCIALS (USDm)



■ Revenues ■ EBITDA □ Net Income

- Customer base increased by 6%
- 9M Revenues increase due to higher enterprise revenues
- Lower MEW gross margins impacted EBITDA
- Strong concentration on cost optimization initiatives
- Data revenues (excluding SMS & VAS) grew 7% YoY, and formed 34% of total revenues

ZAIN KSA



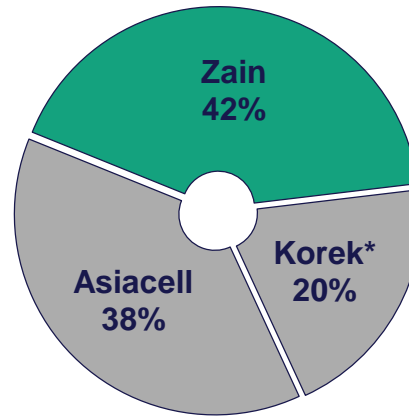
- Best-ever quarterly results since inception, showing record growth levels
- All time high revenue and net income \$521m and \$13m respectively
- Customers down by 4% due to the bio-metric verifications and two-sim policy for expats
- Major focus on the enterprise B2B segment resulted in healthy growth
- Data revenues (excluding SMS & VAS) formed 52% of total revenues

FINANCIALS (USDm)

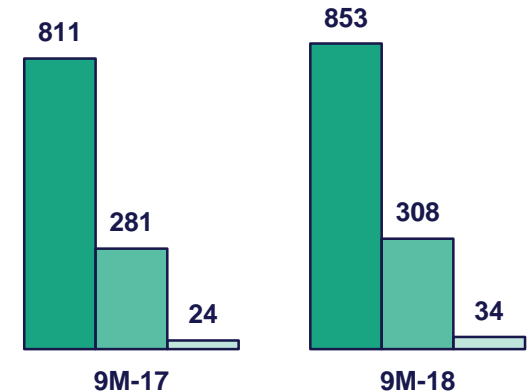


ZAIN IRAQ

MARKET SHARE*

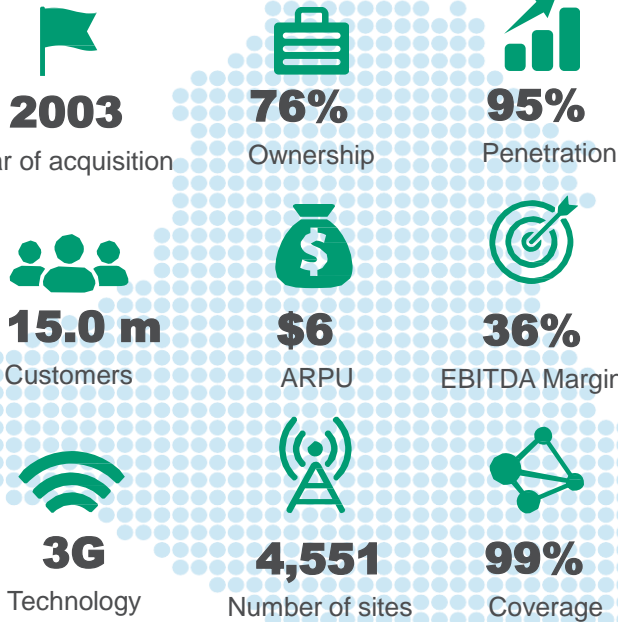


FINANCIALS (USDm)



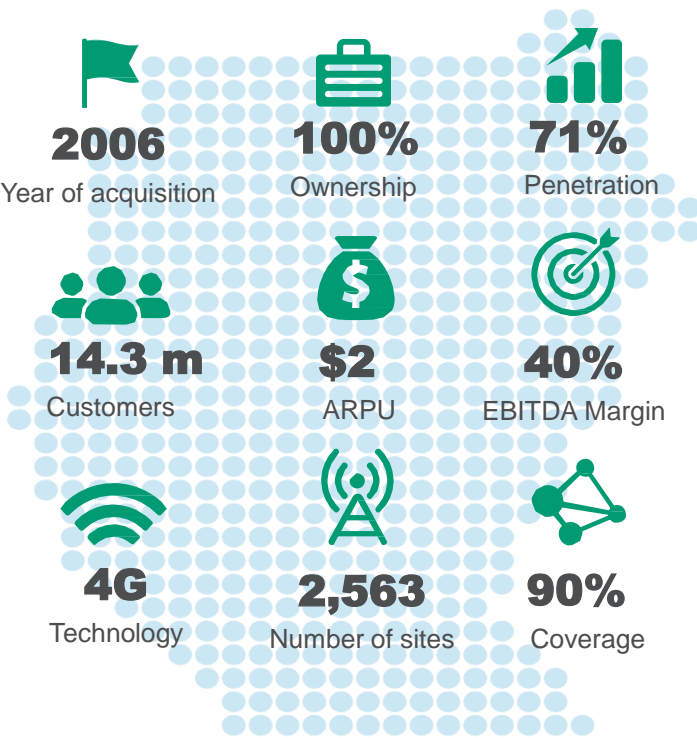
■ Revenues ■ EBITDA □ Net Income

*Korek market share estimated based on Q1 2018

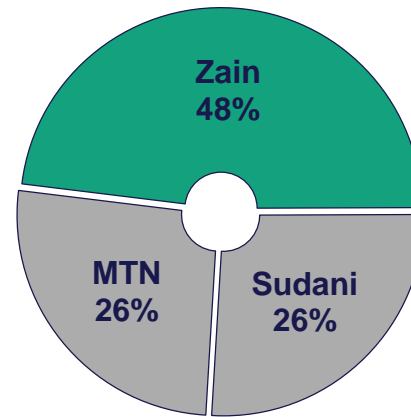


- Solid 9M performance, supported by strong acquisition initiatives in the core regions; customer base jumped by 10%
- Continuation of new BTL offers on Know Your Offer (KYO) platform, and improving customer experience by successful communication plans
- CVM activities boosted Voice and Data revenues
- Strong focus on cost optimization
- Robust growth in enterprise (B2B) segment

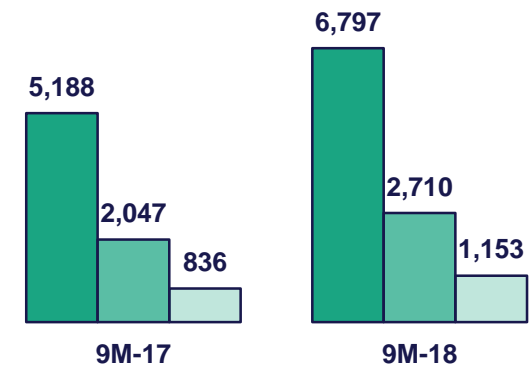
ZAIN SUDAN



MARKET SHARE



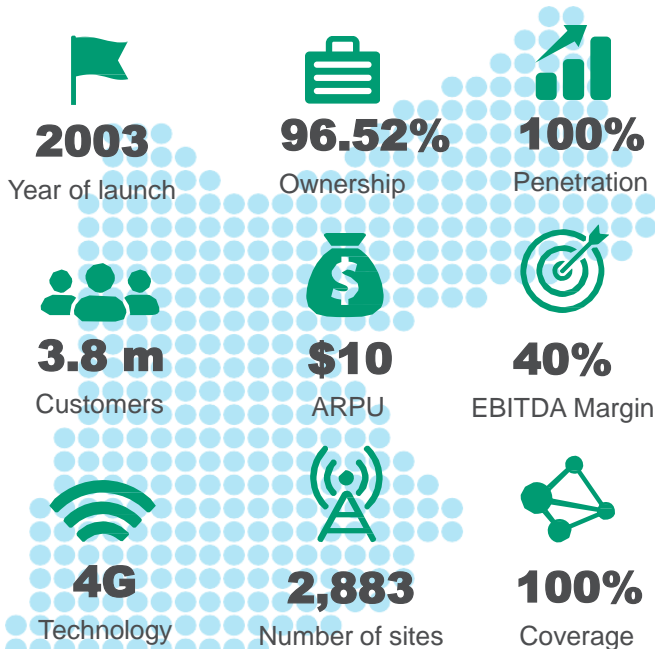
FINANCIALS (SDGm)



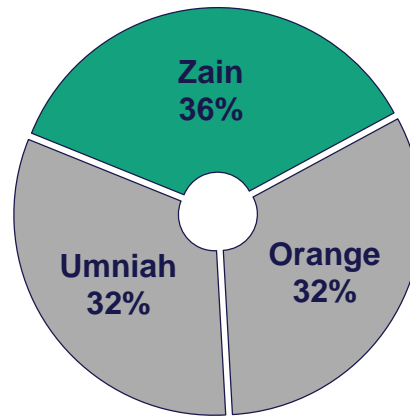
■ Revenues ■ EBITDA □ Net Income

- Impressive YoY growth in local currency SDG terms
- Customers grew by 10%, to reach 14.3 million
- ~40% currency devaluation affected the financial results in USD terms (from an average of 16.5 in 9M-17 to 27.1 SDG/USD in 9M-18)
- Significant cost optimization savings
- Data revenues (excluding SMS & VAS) grew 53% YoY, and formed 18% of total revenues

ZAIN JORDAN



MARKET SHARE

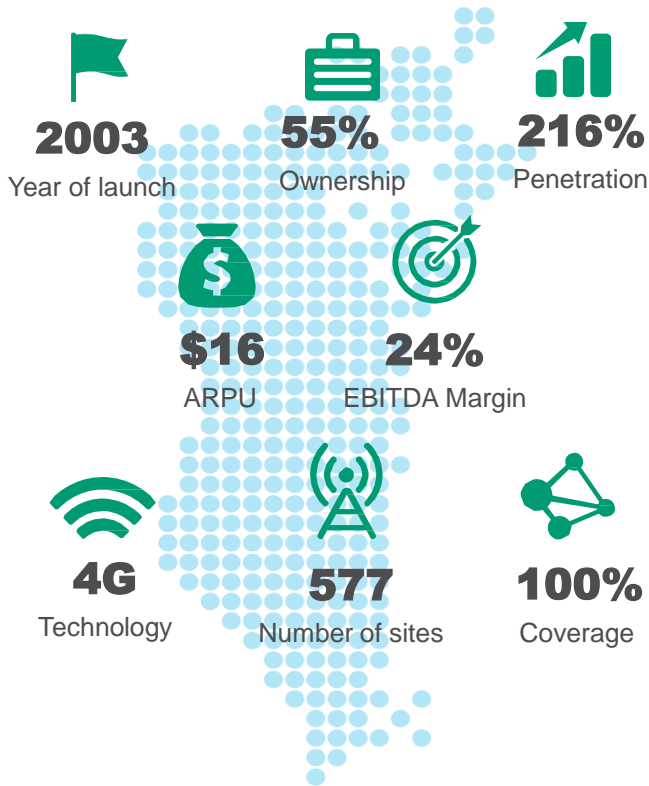


FINANCIALS (USDm)



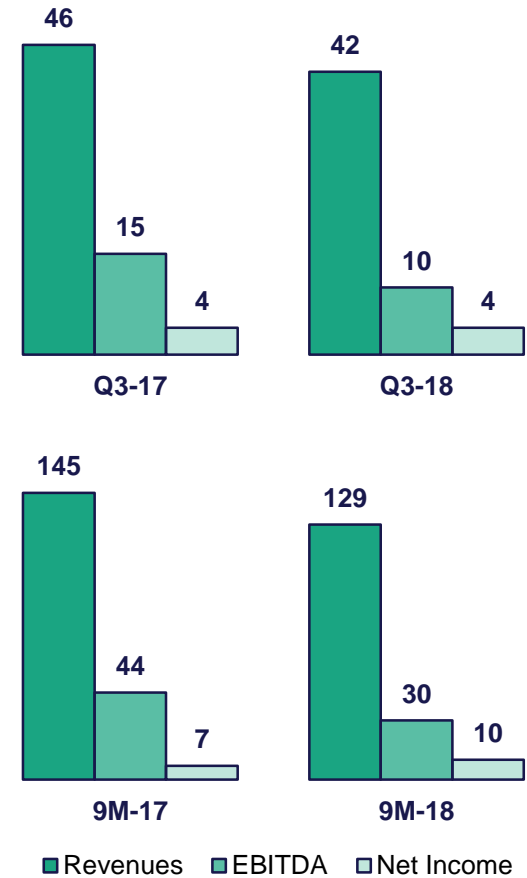
- Customer base decreased by 9% due to aggressive price competition
- Stable revenue for the period mainly due to higher interconnect and data revenues
- EBITDA dropped by 15%, mainly due to lower gross margin (IFRS 15 impact) and higher Opex due to the expiration of some regulatory charges exemption in 2018
- Data revenues (excluding SMS & VAS) grew by 1% YoY, and formed 38% of total revenues

ZAIN BAHRAIN



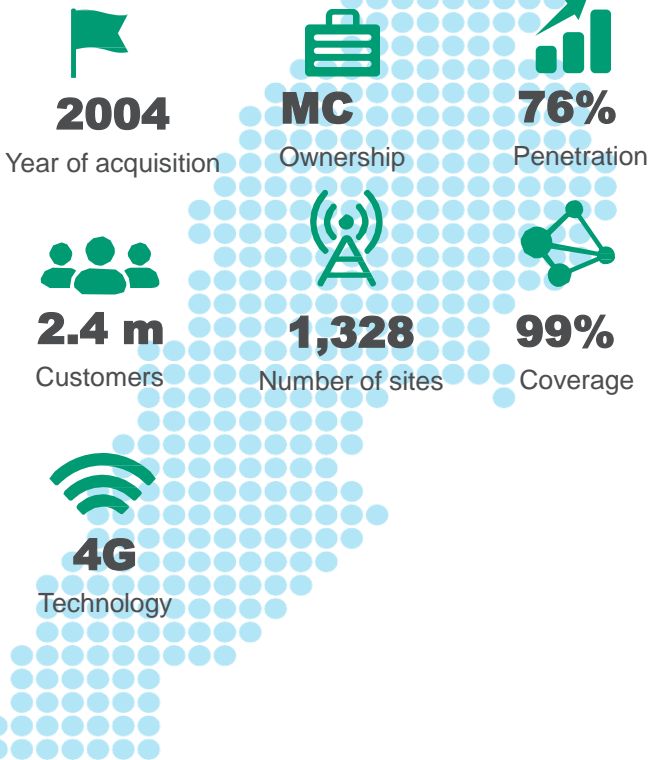
- Net Income jumped by 32% YoY due to better monetization and operational efficiencies.
- Data revenues (excluding SMS & VAS) formed 46% of total revenues

FINANCIALS (USDm)

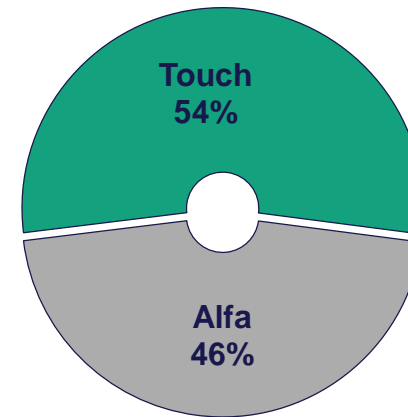


TOUCH - LEBANON

Management Contract



MARKET SHARE



- Zain operates in Lebanon under a management contract since June 2004, when it was rebranded to mtc-touch, and subsequently to “touch”

Content

1. Results Review
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BALANCE SHEET

	Unaudited	Audited	Unaudited
	30-Sep-18	31-Dec-17	30-Sep-17
	KD '000		
Assets			
Current assets			
Cash and bank balances	282,185	244,398	283,932
Trade and other receivables	587,208	455,801	491,095
Contract assets	55,866	-	-
Inventories	26,984	34,402	24,536
Investment securities at FVTPL	13,181	778	989
Non-current assets held for sale	7,656	7,656	7,656
	973,080	743,035	808,208
Non-current assets			
Contract assets	12,804	-	-
Investment securities at FVOCI	7,030	-	-
Investment securities available for sale	-	16,118	17,110
Investments in associates and joint ventures	68,672	188,412	189,877
Due from associates	-	415,759	407,265
Other assets	15,285	15,131	15,081
Property and equipment	1,188,077	743,586	747,589
Intangible assets and goodwill	2,185,399	911,630	935,096
	3,477,267	2,290,636	2,312,018
Total assets	4,450,347	3,033,671	3,120,226

	Unaudited	Audited	Unaudited
	30-Sep-18	31-Dec-17	30-Sep-17
	KD '000		
Liabilities and equity			
Current liabilities			
Trade and other payables	904,672	467,616	496,229
Deferred revenue	107,518	47,768	59,203
Due to banks	331,317	199,564	206,608
	1,343,507	714,948	762,040
Non-current liabilities			
Due to banks	1,160,848	670,637	719,576
Other non-current liabilities	323,283	38,482	29,230
	1,484,131	709,119	748,806
Equity			
Attributable to the Company's shareholders			
Share capital	432,706	432,706	432,706
Share premium	1,707,164	1,707,164	1,707,164
Legal reserve	216,353	216,353	216,353
Foreign currency translation reserve	(1,305,915)	(1,189,469)	(1,152,322)
Investment fair valuation reserve	894	3,251	4,237
Other reserves	398	(326)	(247)
Retained earnings	227,733	281,919	244,552
	1,279,333	1,451,598	1,452,443
Non-controlling interests	343,376	158,006	156,937
Total equity	1,622,709	1,609,604	1,609,380
Total liabilities and equity	4,450,347	3,033,671	3,120,226

INCOME STATEMENT

	Nine months ended	
	30-Sep	
	2018	2017
	KD'000	
Revenue	906,260	767,431
Cost of sales	(283,354)	(214,147)
Gross profit	622,906	553,284
Operating and administrative expenses	(289,129)	(230,577)
Depreciation and amortization	(152,456)	(141,849)
Provision for impairment - trade and other receivables	-	(6,571)
Expected credit loss on financial assets (ECL)	(9,649)	-
Operating profit	171,672	174,287
Interest income	15,641	18,057
Investment income	1,686	502
Share of results of associates and joint ventures	(3,627)	1,067
Other expenses	(34,034)	(5,765)
Fair value gain on the previously held equity interest	30,931	-
Finance costs	(44,555)	(30,596)
Provision for impairment loss on property and equipment	(9,648)	(21,292)
Loss from currency revaluation	(9,496)	(18,500)
Net monetary (loss) / gain	45,714	25,506
Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration	164,284	143,266
Contribution to Kuwait foundation for Advancement of Sciences (KFAS)	(1,074)	(881)
National Labour Support Tax (NLST) and Zakat	(4,065)	(4,904)
Income tax expenses	(15,226)	(11,558)
Board of Directors' remuneration	(206)	(206)
Profit for the period	143,713	125,717
Attributable to:		
Shareholders of the Company	137,075	122,450
Non-controlling interests	6,638	3,267
	143,713	125,717

	Nine months ended	
	30-Sep	
	2018	2017
Earnings per share		
Basic – Fils	32	31

CASH FLOW STATEMENT

	Nine months ended		Nine months ended	
	30-Sep		30-Sep	
	2018	2017	2018	2017
	KD'000		KD'000	
Cash flows from operating activities				
Profit for the period before income tax	158,939	137,275		
Adjustments for:				
Depreciation and amortization	152,456	141,849		
ECL/provision for impairment	9,649	6,571		
Interest income	(15,641)	(18,057)		
Investment income	(1,686)	(502)		
Share of results of associates and joint ventures	3,627	(1,067)		
Provision for impairment loss on property and equipment	9,648	21,292		
Finance costs	44,555	30,596		
Loss from currency revaluation	9,496	18,500		
Net monetary gain	(45,714)	(25,506)		
Fair value gain on the previously held equity interest	(30,931)	-		
Loss on sale of property and equipment	147	-		
Operating profit before working capital changes	294,545	310,951		
Increase in trade and other receivables	(66,852)	(88,408)		
Decrease/(increase) in inventories	13,941	(8,400)		
Increase/(decrease) in trade and other payables	52,351	(12,707)		
Cash generated from operations	293,985	201,436		
Paid to KFAS	(319)	(250)		
NLST and Zakat paid	(5,492)	(7,427)		
Income tax paid	(10,165)	(11,838)		
<i>Net cash from operating activities</i>	278,009	181,921		
Cash flows from investing activities				
Deposits maturing after three months and cash at bank under lien			(69)	(6,382)
Investments in securities			(3,989)	(4,129)
Investment in subsidiaries			103,276	-
Proceeds from sale of investments			1,919	9,360
Increase in due from associates			(7,039)	(10,178)
Acquisition of property and equipment (net)			(88,940)	(82,254)
Acquisition of intangible assets (net)			(18,286)	(11,357)
Interest received			3,632	18,613
Dividend received			253	246
<i>Net cash used in investing activities</i>			(9,243)	(86,081)
Cash flows from financing activities				
Proceeds from bank borrowings			194,235	228,986
Repayment of bank borrowings			(233,467)	(340,424)
Dividends paid to Company's shareholders			(150,573)	(136,324)
Dividends paid to minority shareholders of subsidiaries			(611)	(1,718)
Finance costs paid			(30,240)	(29,251)
Proceeds from sale of treasury shares			-	255,172
<i>Net cash used in financing activities</i>			(220,656)	(23,559)
Net increase in cash and cash equivalents			48,110	72,281
Effect of foreign currency translation			(3,895)	(3,483)
Transition adjustment on adoption of IFRS 9			(6,497)	-
Cash and cash equivalents at beginning of period			206,432	177,150
Cash and cash equivalents at end of period			244,150	245,948



THANK YOU

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