



Zain Group Financial Results

Q4 2018



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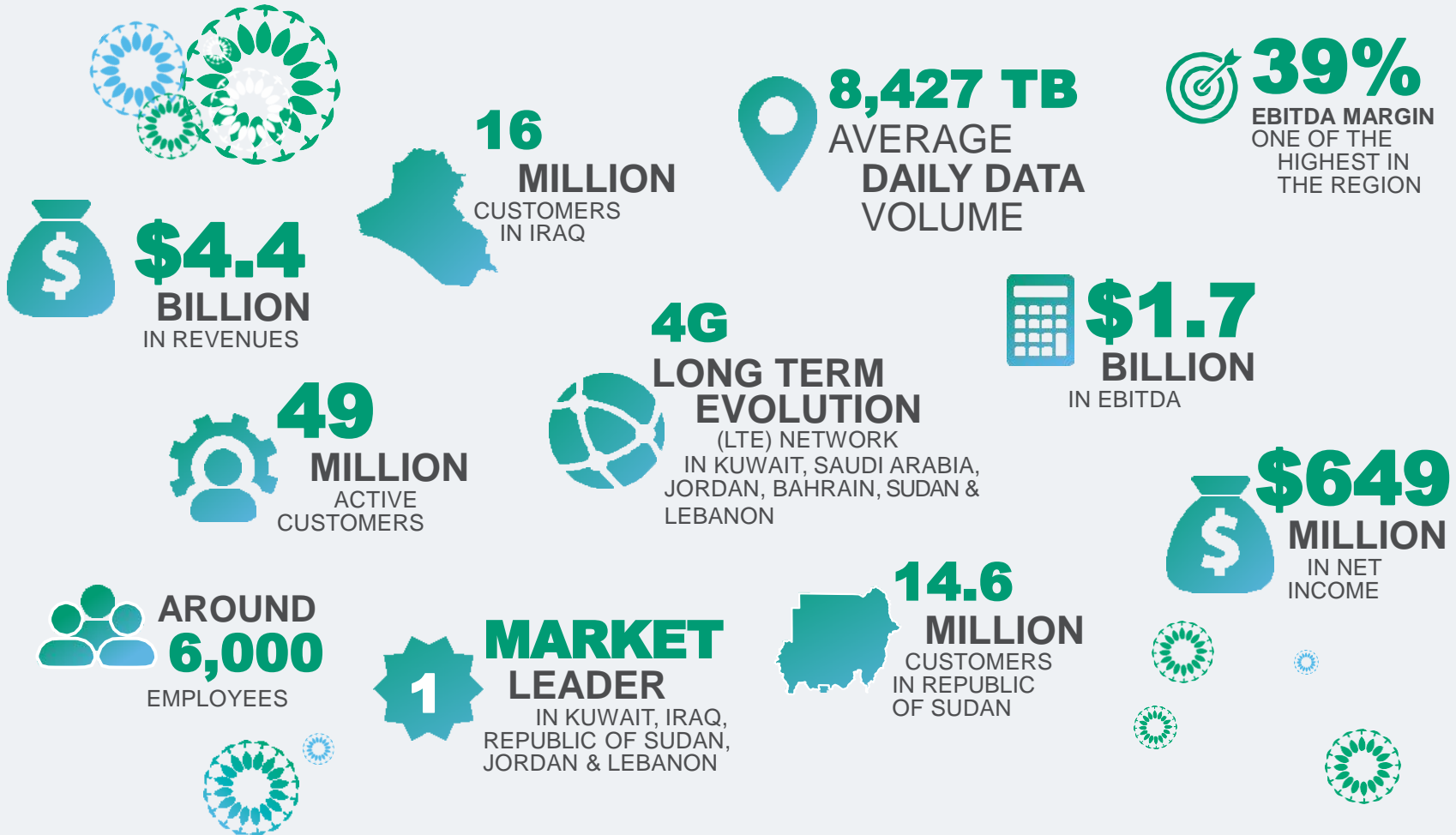
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Content

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

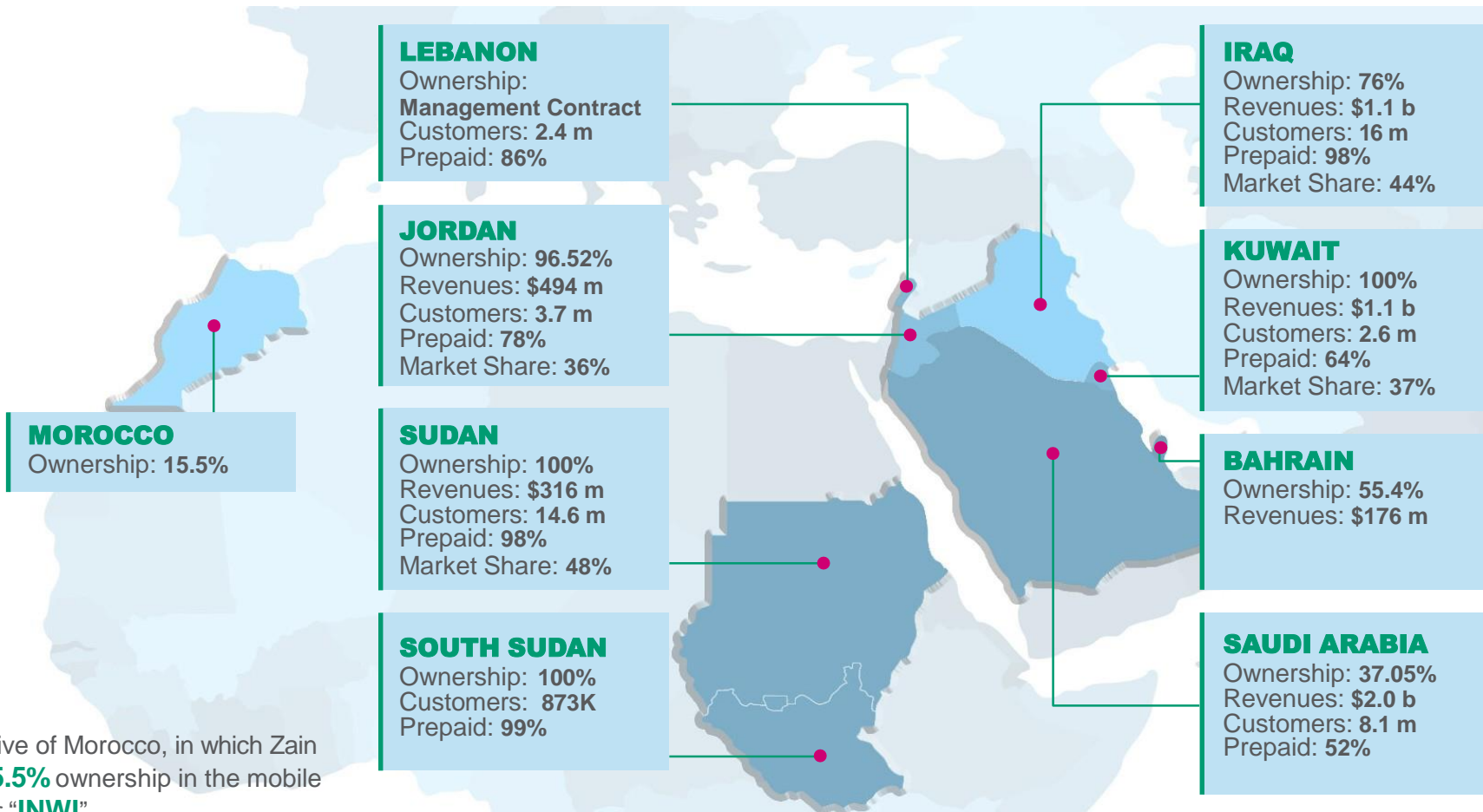


Zain At A Glance – 2018



The World of Zain

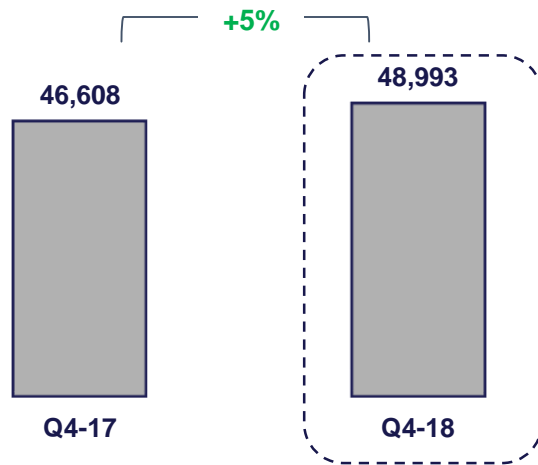
ZAIN'S WORLD CATERS TO **49** MILLION CUSTOMERS IN **8** COUNTRIES*



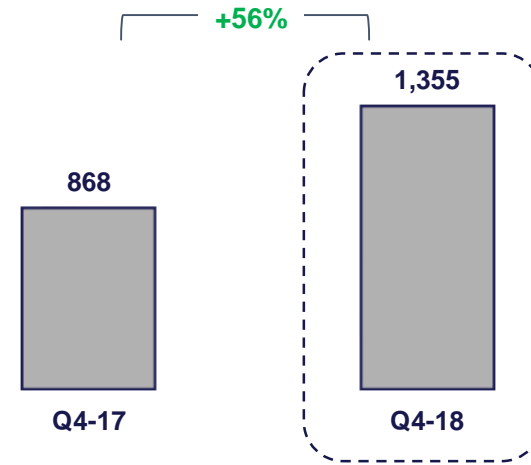
* exclusive of Morocco, in which Zain has a **15.5%** ownership in the mobile operator "INWI"

Group Financial Highlights – Q4 2018

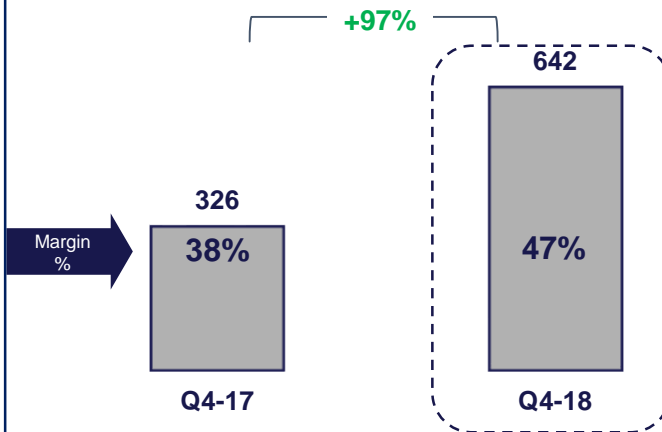
CUSTOMERS (000)



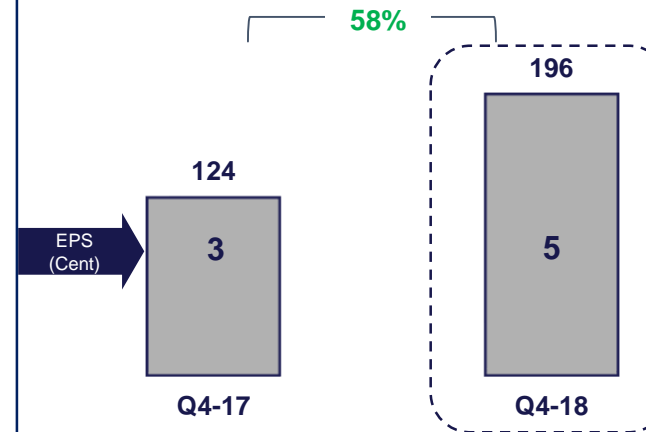
REVENUES (USDm)



EBITDA (USDm)

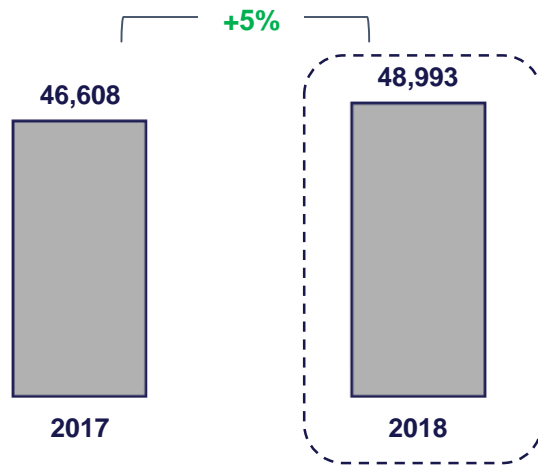


NET INCOME (USDm)

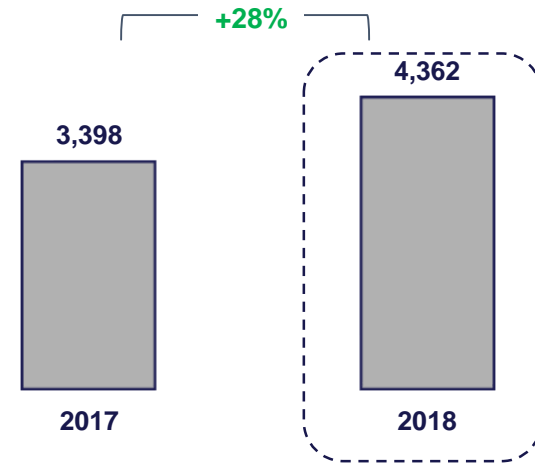


Group Financial Highlights – 2018

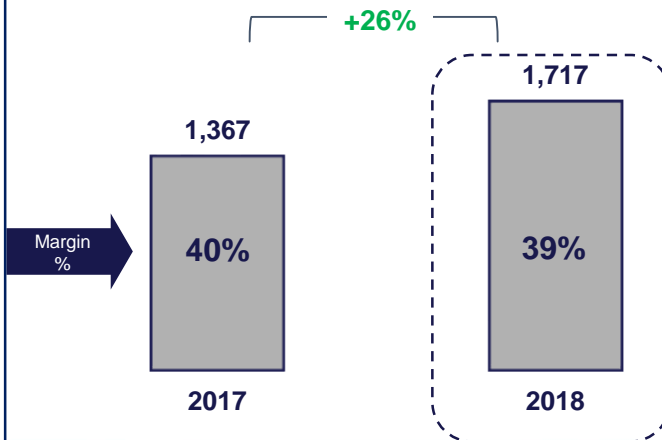
CUSTOMERS (000)



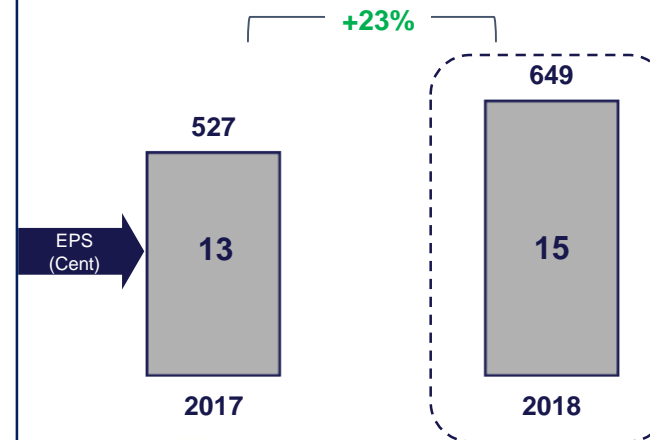
REVENUES (USDm)



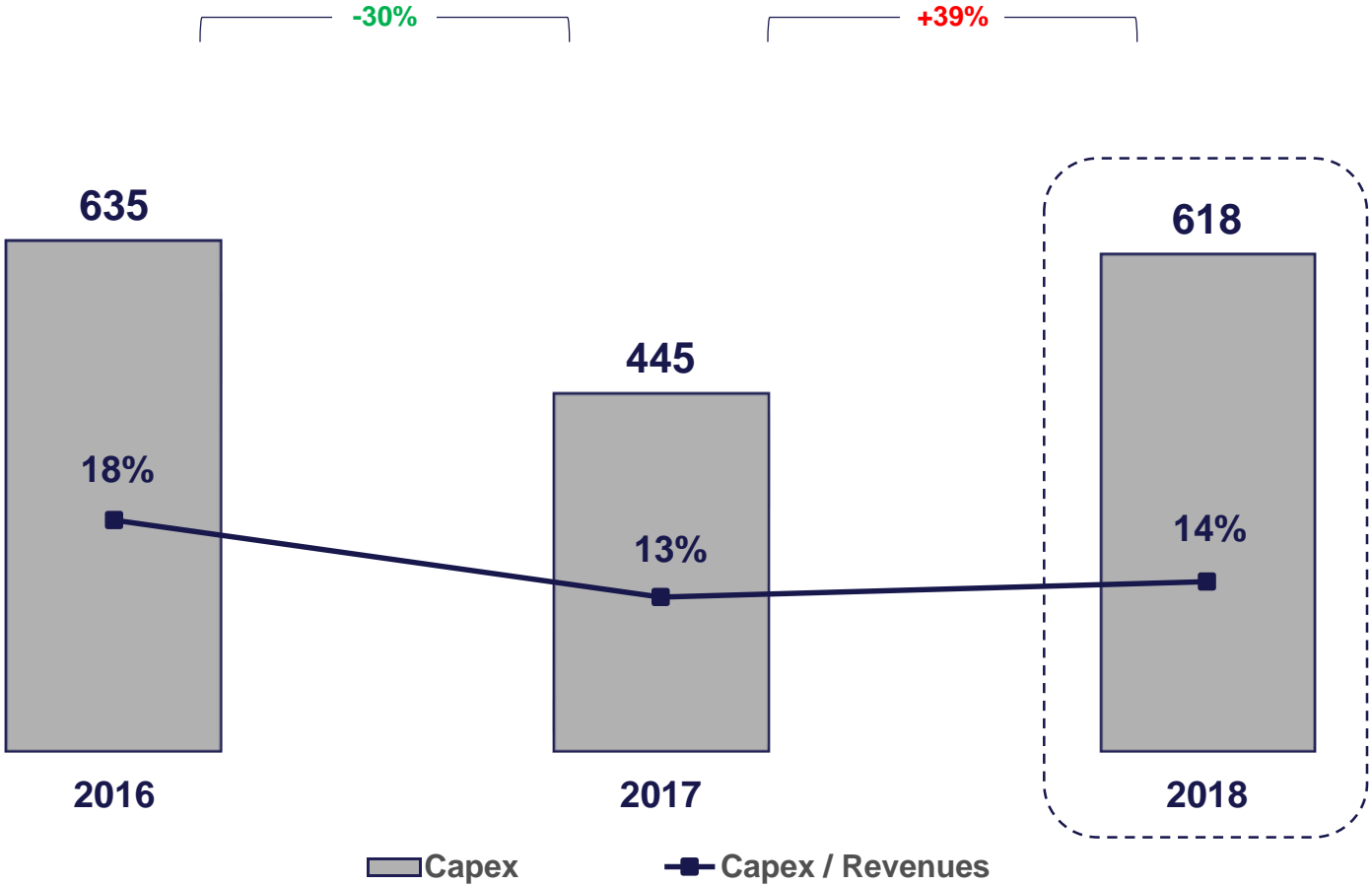
EBITDA (USDm)



NET INCOME (USDm)



CAPEX & CAPEX / REVENUES



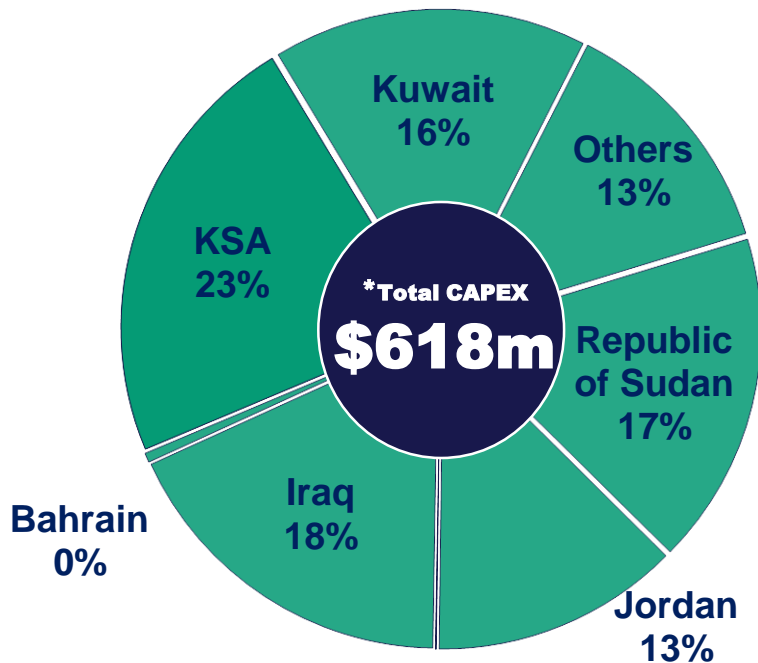
* 2016 & 2017 Capex are excluding Zain KSA

* 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 H2 2018 Capex) = **USD 618 million**

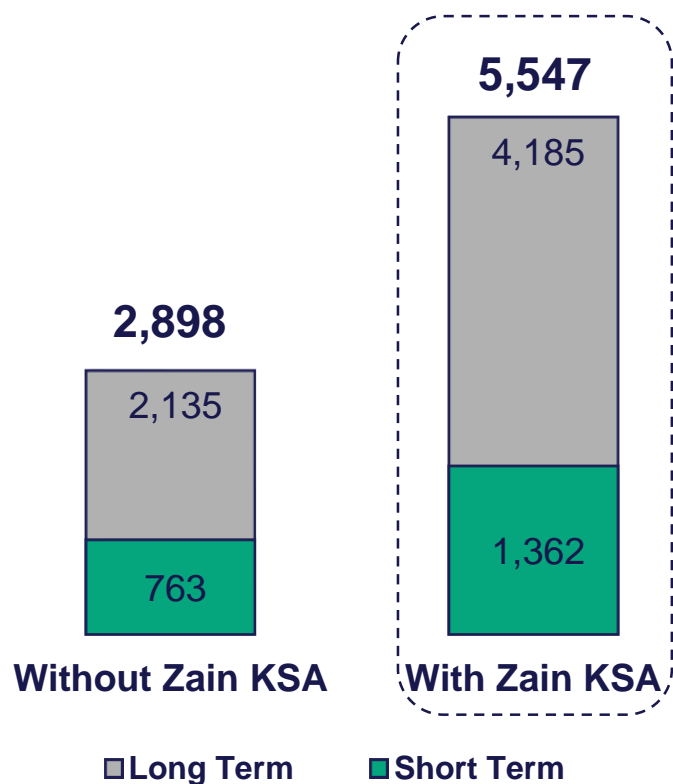
* Capex includes only tangible assets

| OPCO | 2018 (USDm) | % OF REVENUES |
|----------|-------------|---------------|
| Kuwait | 100 | 9% |
| Iraq | 111 | 10% |
| Sudan | 106 | 34% |
| KSA* | 140 | 13% |
| Jordan | 79 | 16% |
| Bahrain | 3 | 2% |
| S. Sudan | 0.3 | 1% |
| Others | 79 | N/A |

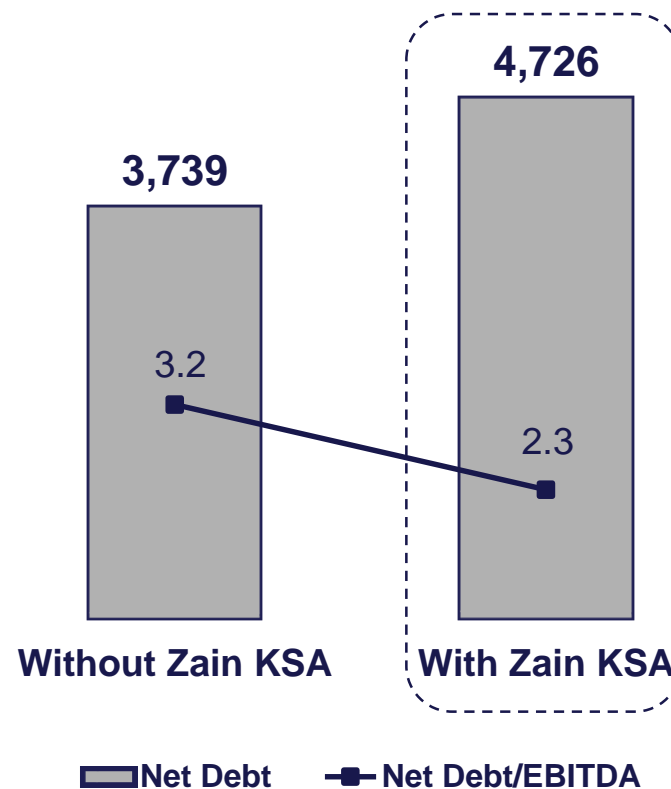
* Zain KSA Capex represents H2 2018 only

Group Financial Highlights 2018

TOTAL DEBT (USDm)



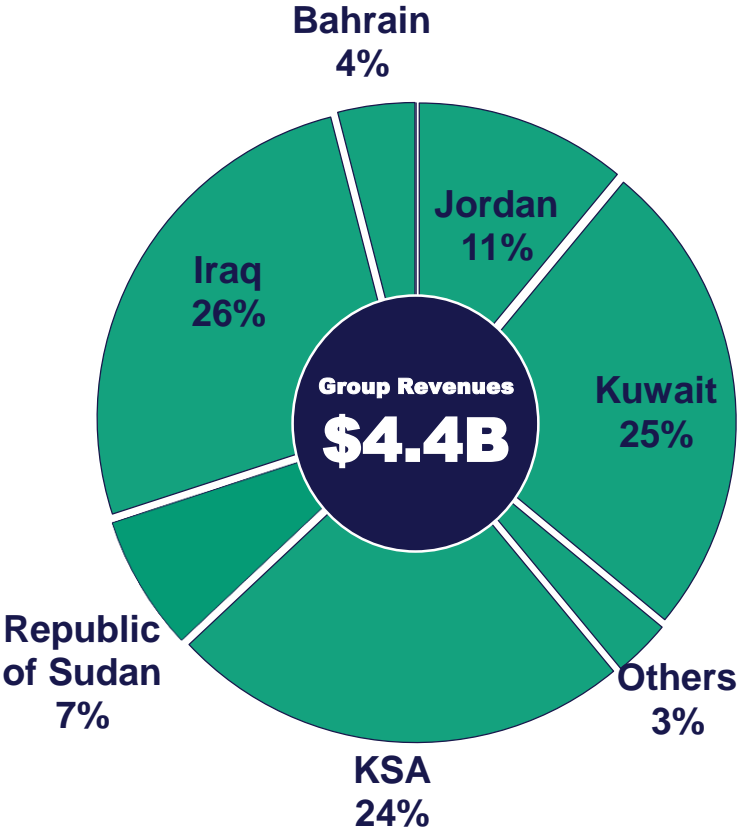
NET DEBT (USDm) & NET DEBT/EBITDA



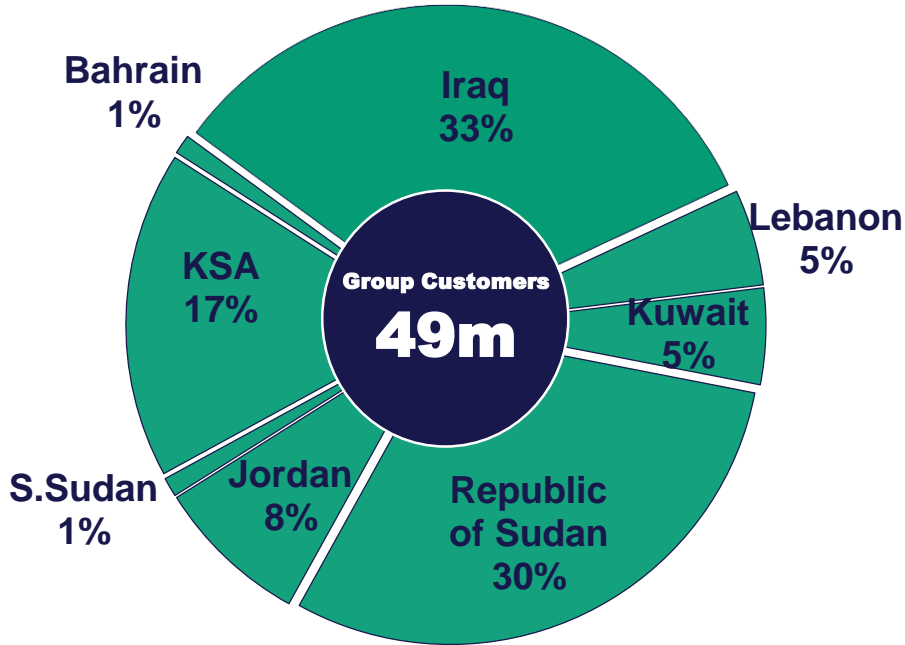
Net Debt = Total interest bearing debt (including letters of guarantee) after deducting cash and cash equivalents

Group Financial Highlights

REVENUE CONTRIBUTION

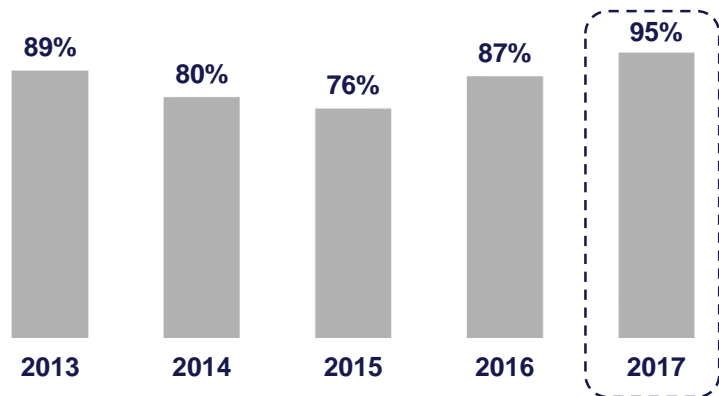


CUSTOMER CONTRIBUTION

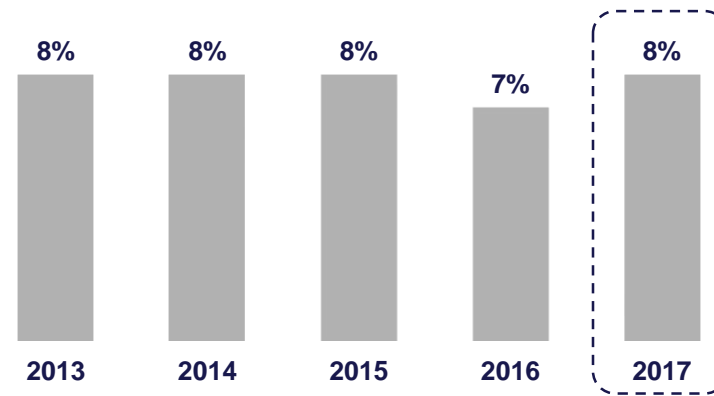


ZAIN DIVIDENDS

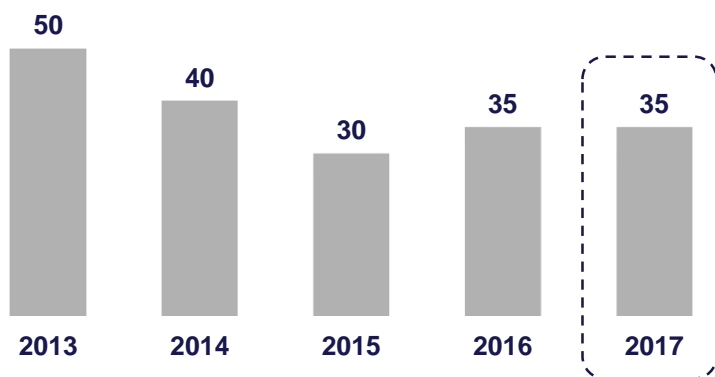
DIVIDEND PAYOUT RATIO



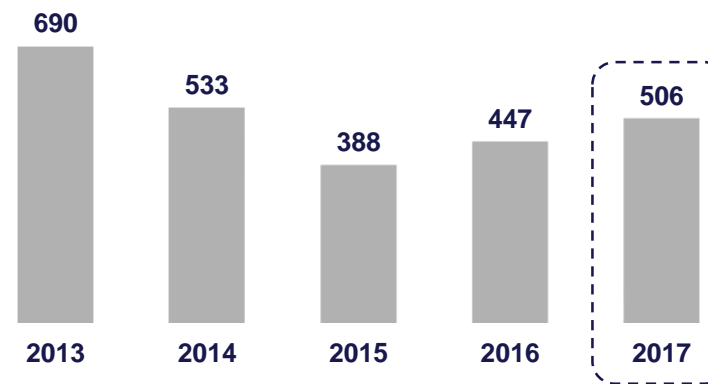
DIVIDEND YIELD (%)



DIVIDEND PER SHARE (Fils)



CASH DIVIDEND (USDm)

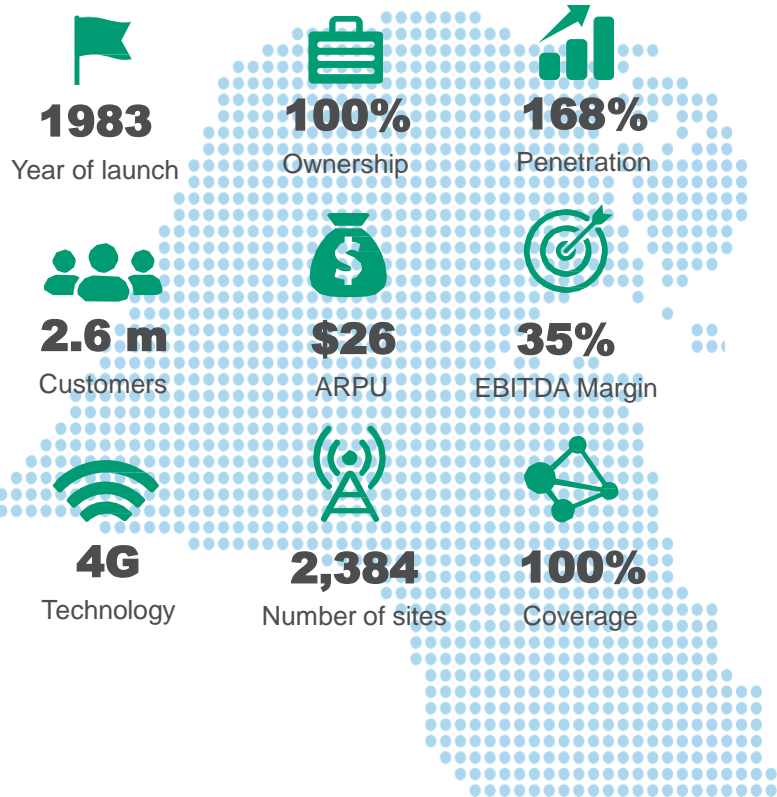


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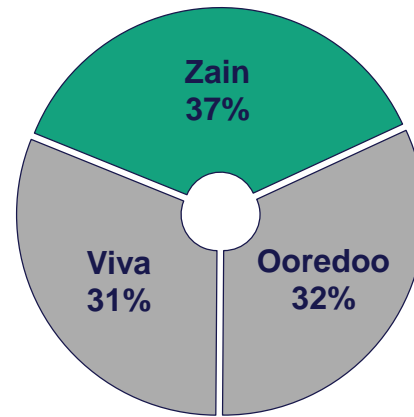
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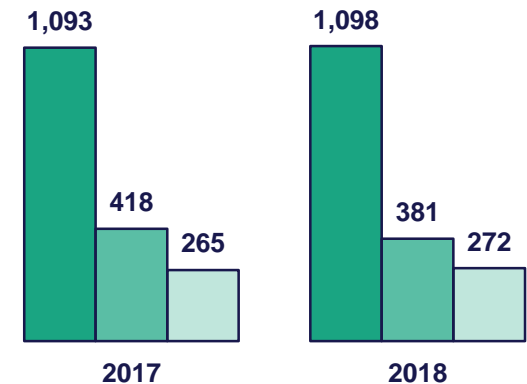
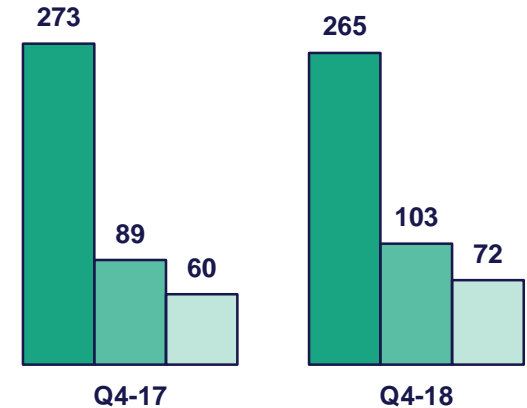
ZAIN KUWAIT



MARKET SHARE



FINANCIALS (USDm)



■ Revenues ■ EBITDA □ Net Income

- Stable revenue despite the USD34 million IFRS 15 impact
- Lower enterprise projects and bulk sale margins impacted EBITDA
- Strong concentration on cost optimization initiatives
- Data revenues (excluding SMS & VAS) grew 10% YoY, and formed 35% of total revenues

ZAIN KSA

2008
Year of acquisition

37%
Ownership

129%
Penetration

8.1 m
Customers

\$19
ARPU

40%
EBITDA Margin

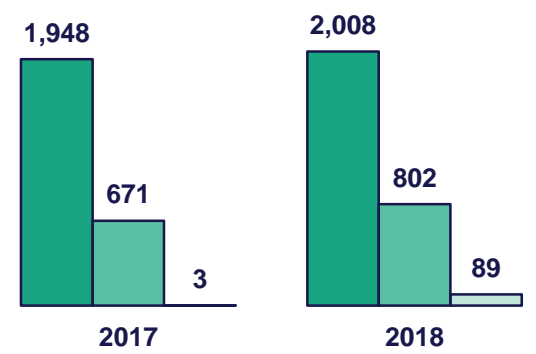
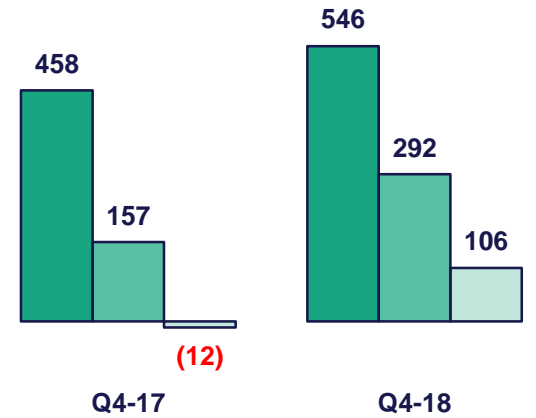
4G
Technology

9,315
Number of sites

97%
Coverage

- Best-ever FY results since inception, showing record growth levels
- Regulatory changes to reduce annual royalty fee for commercial service from 15% to 10% of net revenues, improved Zain KSA's financial position
- Major focus on the enterprise B2B segment resulted in healthy growth
- Data revenues (excluding SMS & VAS) formed 51% of total revenues

FINANCIALS (USDm)

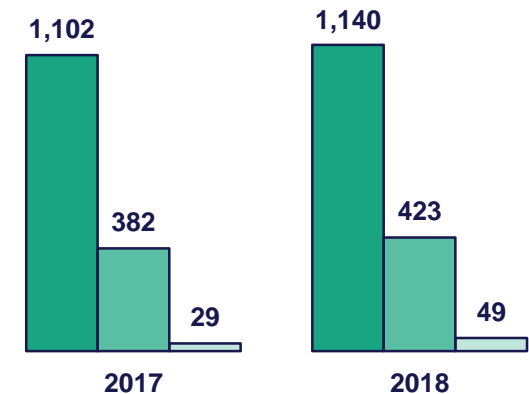
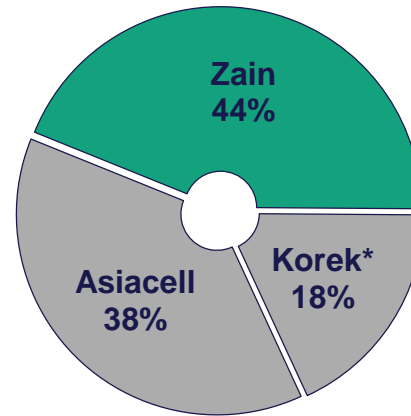
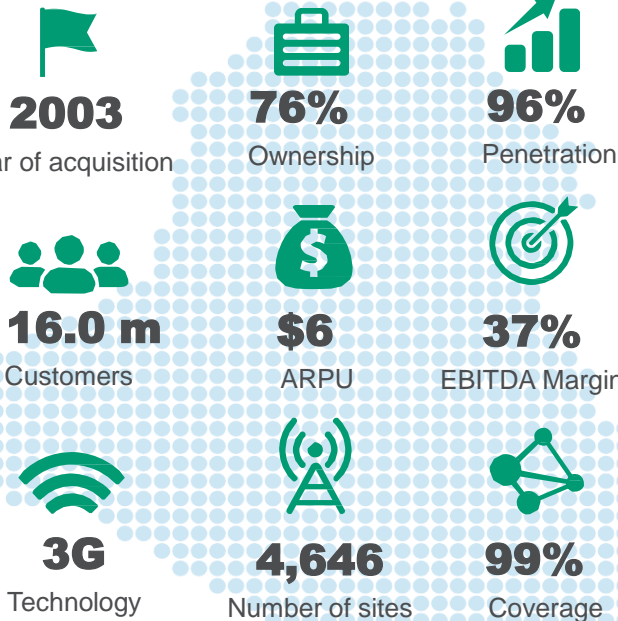


■ Revenues ■ EBITDA □ Net Income

ZAIN IRAQ

MARKET SHARE*

FINANCIALS (USDm)

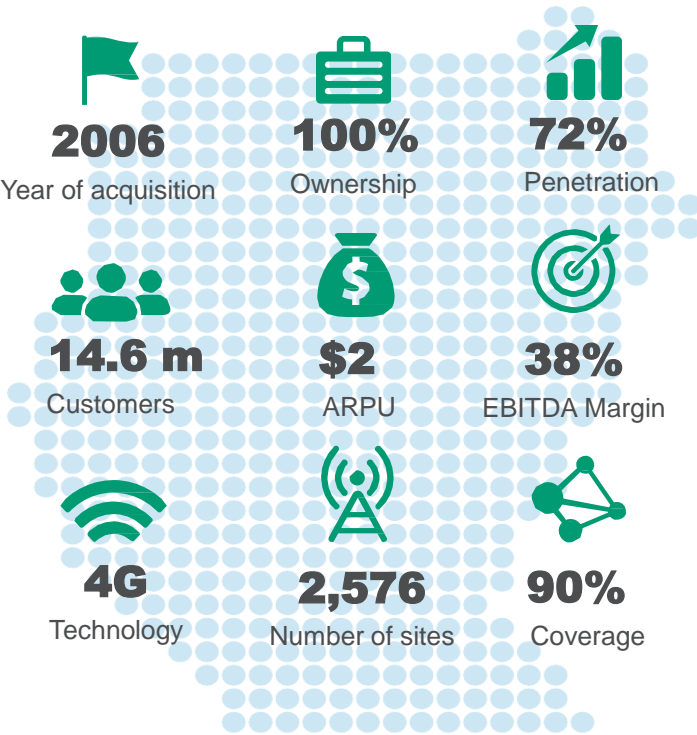


■ Revenues ■ EBITDA □ Net Income

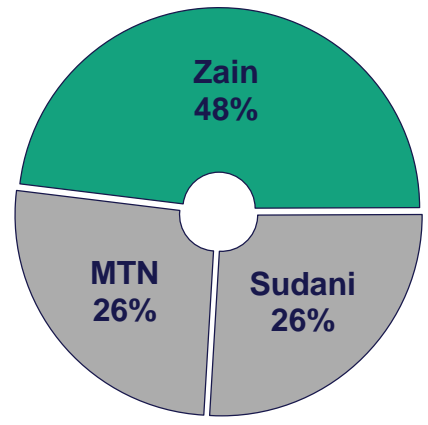
*Korek market share estimated based on Q1 2018

- Solid full year performance, supported by cost optimization initiatives and significant growth of data revenues.
- Robust growth in enterprise (B2B) segment
- Customer base grew by 9%, to reach 16 million
- Improved customer service due to the call center revamp
- Personalized BTL offers under the “Know Your offer” program to increase usage

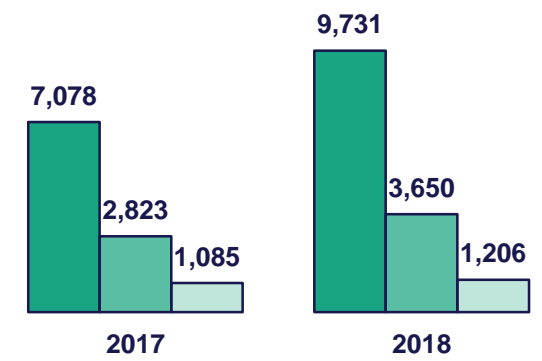
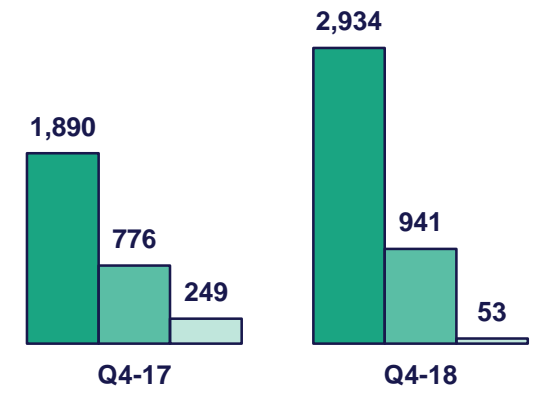
ZAIN SUDAN



MARKET SHARE



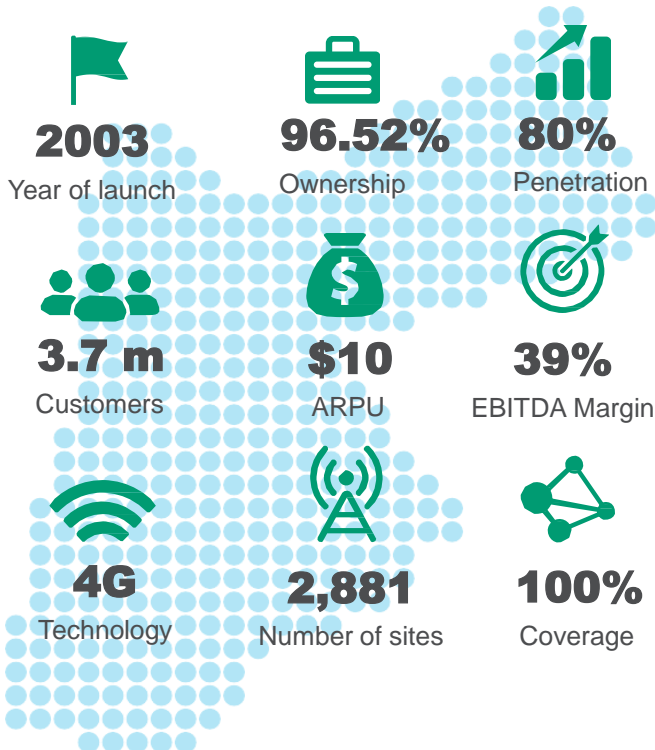
FINANCIALS (SDGm)



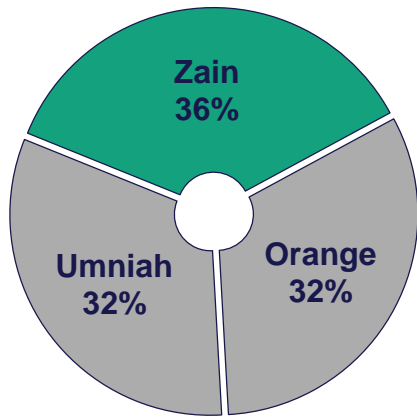
■ Revenues ■ EBITDA □ Net Income

- Impressive YoY growth in local currency SDG terms
- Customer base grew by 8%, to reach 14.6 million
- ~47% currency devaluation affected the financial results in USD terms (from an average of 16.9 in 2017 to 31.9 SDG/USD in 2018)
- Significant cost optimization savings
- Data revenues (excluding SMS & VAS) grew 56% YoY, and formed 18% of total revenues

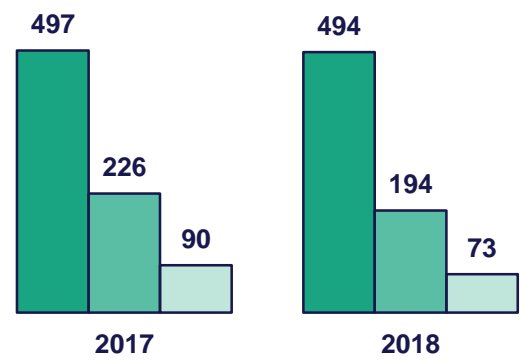
ZAIN JORDAN



MARKET SHARE



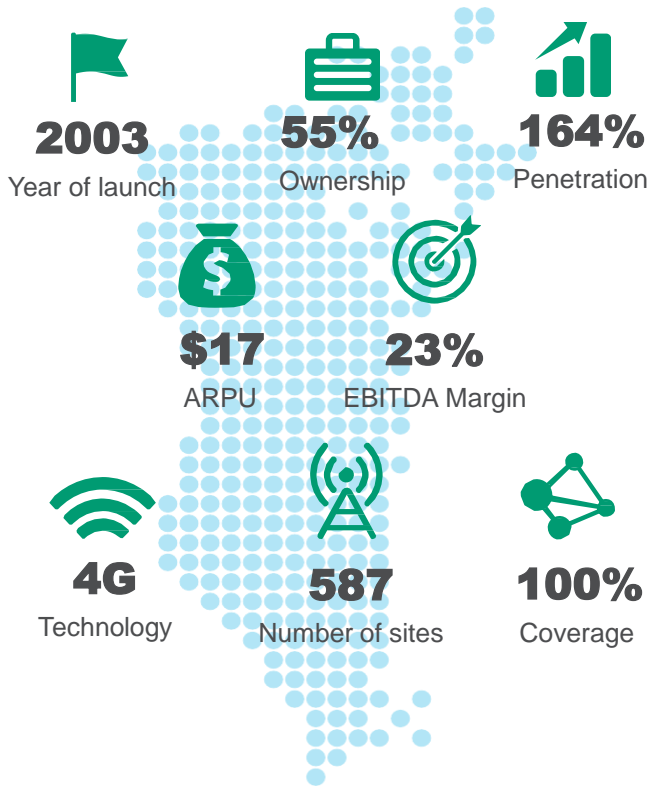
FINANCIALS (USDm)



■ Revenues ■ EBITDA □ Net Income

- Stable full year revenue supported by interconnect and data revenues
- EBITDA decreased by 14%, due to lower gross margin (IFRS 15 impact) and higher Opex due to higher electricity and regulatory charges
- Data revenues (excluding SMS & VAS) grew by 1% YoY, and formed 38% of total revenues

ZAIN BAHRAIN



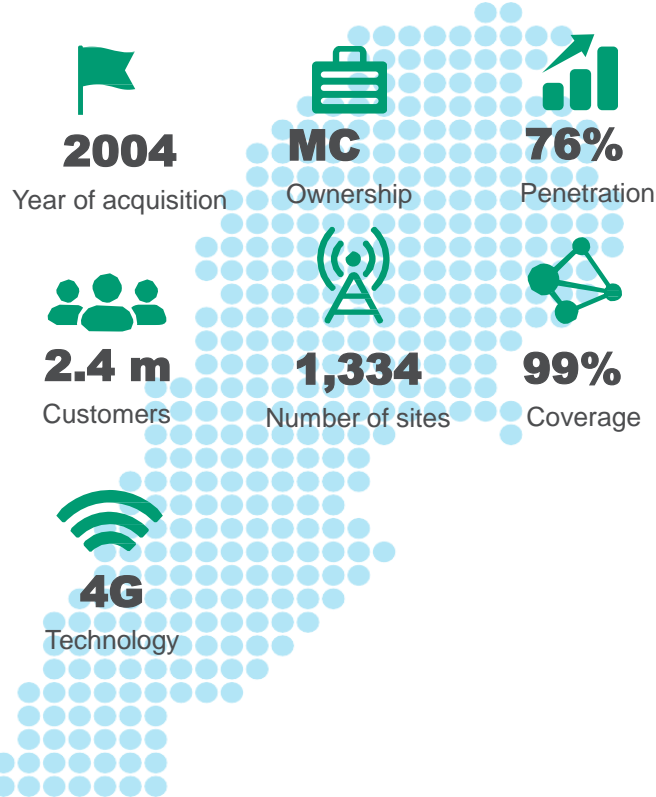
- Net Income jumped by 20% YoY due to better monetization and operational efficiencies.
- Data revenues (excluding SMS & VAS) formed 45% of total revenues

FINANCIALS (USDm)

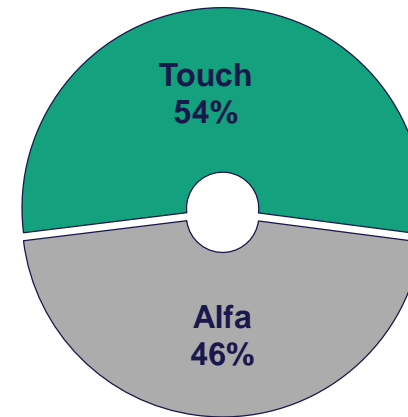


TOUCH - LEBANON

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

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BALANCE SHEET

| | 2018 | 2017 | | 2018 | 2017 |
|--|------------------|------------------|---|------------------|------------------|
| | KD '000 | | | KD '000 | |
| ASSETS | | | LIABILITIES AND EQUITY | | |
| Current assets | | | Current liabilities | | |
| Cash and bank balances | 311,916 | 244,398 | Trade and other payables | 956,272 | 467,616 |
| Trade and other receivables | 572,783 | 455,801 | Deferred revenue | 105,308 | 47,768 |
| Contract assets | 66,062 | - | Due to banks | 412,971 | 199,564 |
| Inventories | 45,957 | 34,402 | | 1,474,551 | 714,948 |
| Investment securities at fair value through profit or loss | 15,519 | 778 | Non-current liabilities | | |
| Non-current assets held for sale | 7,656 | 7,656 | Due to banks | 1,033,565 | 670,637 |
| | 1,019,893 | 743,035 | Other non-current liabilities | 336,325 | 38,482 |
| | | | | 1,369,890 | 709,119 |
| Non-current assets | | | Equity | | |
| Contract assets | 16,940 | - | Attributable to the Company's shareholders | | |
| Investment securities at FVOCI | 7,040 | - | Share capital | 432,706 | 432,706 |
| Investment securities available for sale | - | 16,118 | Share premium | 1,707,164 | 1,707,164 |
| Investments in associates and joint venture | 69,851 | 188,412 | Legal reserve | 216,353 | 216,353 |
| Dues from associates | - | 415,759 | Foreign currency translation reserve | (1,367,018) | (1,189,469) |
| Other assets | 11,953 | 15,131 | Investment fair valuation reserve | 864 | 3,251 |
| Property and equipment | 1,198,775 | 743,586 | Other reserves | (4) | (326) |
| Intangible assets and goodwill | 2,163,267 | 911,630 | Retained earnings | 287,143 | 281,919 |
| | 3,467,826 | 2,290,636 | | 1,277,208 | 1,451,598 |
| Total Assets | 4,487,719 | 3,033,671 | Non-controlling interests | 366,070 | 158,006 |
| | | | | 1,643,278 | 1,609,604 |
| | | | Total equity | 1,643,278 | 1,609,604 |
| | | | Total Liabilities and Equity | 4,487,719 | 3,033,671 |

INCOME STATEMENT

| | 2018 | 2017 |
|---|----------------|----------------|
| | KD '000 | |
| Revenue | 1,317,613 | 1,029,547 |
| Cost of sales | (375,517) | (290,891) |
| Operating and administrative expenses | (409,996) | (313,964) |
| Depreciation and amortization | (229,532) | (185,050) |
| Provision for impairment – trade and other receivables | - | (10,256) |
| Expected credit loss on financial assets (ECL) | (13,188) | - |
| Interest income | 18,320 | 27,850 |
| Investment income | 3,930 | 781 |
| Share of results of associates and joint venture | (2,444) | 127 |
| Other expenses | (41,696) | (12,207) |
| Gain on business combination | 30,931 | - |
| Finance costs | (69,173) | (40,100) |
| Provision for impairment loss on property and equipment | (9,648) | (37,826) |
| Loss from currency revaluation | (14,764) | (32,120) |
| Net monetary gain | 46,935 | 45,789 |
| Profit before contribution to KFAS, NLST, Zakat, income taxes and Board of Directors' remuneration | 251,771 | 181,680 |
| Contribution to Kuwait Foundation for Advancement of Sciences | (1,667) | (1,100) |
| National Labour Support Tax and Zakat | (4,476) | (5,753) |
| Income tax expenses | (19,752) | (10,400) |
| Board of Directors' remuneration | (420) | (275) |
| Profit for the year | 225,456 | 164,152 |
| Attributable to: | | |
| Shareholders of the Company | 196,500 | 159,817 |
| Non-controlling interests | 28,956 | 4,335 |
| | 225,456 | 164,152 |

Earnings per share (EPS)

| | 2018 | 2017 |
|----------------|------|------|
| Basic – Fils | 45 | 39 |
| Diluted – Fils | 45 | 39 |

CASH FLOW STATEMENT

| | 2018 | 2017 | | 2018 | 2017 |
|--|----------------|----------------|--|------------------|------------------|
| | KD '000 | | | KD '000 | |
| Cash flows from operating activities | | | Cash flows from investing activities | | |
| Profit for the year before income tax | 245,208 | 174,552 | Deposits maturing after three months and cash at bank under lien | 30,286 | (6,364) |
| Adjustments for: | | | Proceeds from sale of investment securities | 1,919 | 9,829 |
| Depreciation and amortization | 229,532 | 185,050 | Investments in securities | (4,132) | (4,184) |
| ECL/provision for impairment – trade and other receivables | 13,188 | 10,256 | Increase in dues from associates | (7,039) | (11,750) |
| Interest income | (18,320) | (27,850) | Acquisition of property and equipment (net) | (173,837) | (133,657) |
| Investment income | (3,930) | (781) | Acquisition of intangible assets (net) | (43,977) | (11,863) |
| Share of results of associates and joint venture | 2,444 | (127) | Net cash on acquisition of subsidiaries | 101,993 | (516) |
| Gain on business combination | (30,931) | - | Interest received | 6,028 | 28,089 |
| Finance costs | 69,173 | 40,100 | Dividends received | 253 | 249 |
| Provision for impairment loss on property and equipment | 9,648 | 37,826 | Net cash used in investing activities | (88,506) | (130,167) |
| Loss from currency revaluation | 14,764 | 32,120 | Cash flows from financing activities | | |
| Net monetary gain | (46,935) | (45,789) | Proceeds from bank borrowings | 203,019 | 323,387 |
| Loss/(gain) on sale of property and equipment | 202 | (163) | Repayment of bank borrowings | (288,901) | (491,111) |
| Operating profit before working capital changes | 484,043 | 405,194 | Proceeds from sale of treasury shares | - | 255,172 |
| Increase in trade and other receivables | (84,716) | (63,158) | Dividends paid | (151,017) | (136,834) |
| Increase in inventories | (3,730) | (18,483) | Dividends paid to non-controlling interests | (1,569) | (1,741) |
| Increase/(decrease) in trade and other payables and deferred revenue | 118,545 | (50,610) | Finance costs paid | (52,966) | (35,340) |
| Cash generated from operations | 514,142 | 272,943 | Net cash used in financing activities | (291,434) | (86,467) |
| Payments: | | | Net increase in cash and cash equivalents | 117,762 | 34,833 |
| Income tax | (10,629) | (13,735) | Effects of exchange rate changes on cash and cash equivalents | (13,461) | (5,551) |
| Kuwait Foundation for Advancement of Sciences (KFAS) | (319) | (250) | Transition adjustment on adoption of IFRS 9 | (6,497) | - |
| National Labour Support Tax and Zakat | (5,492) | (7,491) | Cash and cash equivalents at beginning of year | 206,432 | 177,150 |
| Net cash from operating activities | 497,702 | 251,467 | Cash and cash equivalents at end of year | 304,236 | 206,432 |



THANK YOU

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