



Zain Group Financial Results

Q1 2016






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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

Contents



-  Zain Group Overview
-  Zain Operations Overview
-  Financial Statements

Zain AT A GLANCE

As Of 31ST March, 2016

45.5

Million active
customers



11.5

Million customers
In KSA



4G

Long term
evolution (LTE)
network in Kuwait,
Saudi Arabia,
Jordan, Bahrain,
Lebanon & Sudan



Over

6,700

Employees



\$407

Million in EBITDA



138

Million people
under license



12.2

Million customers in
Republic of Sudan



141

Million + total
daily calls



3,172

TB of daily
data usage



**Market
Leader**

In Kuwait, Iraq,
Republic of Sudan,
Jordan and
Lebanon



\$124

Million in
net income



42.5

Million + daily
total sms



5.2

Million km²
under license



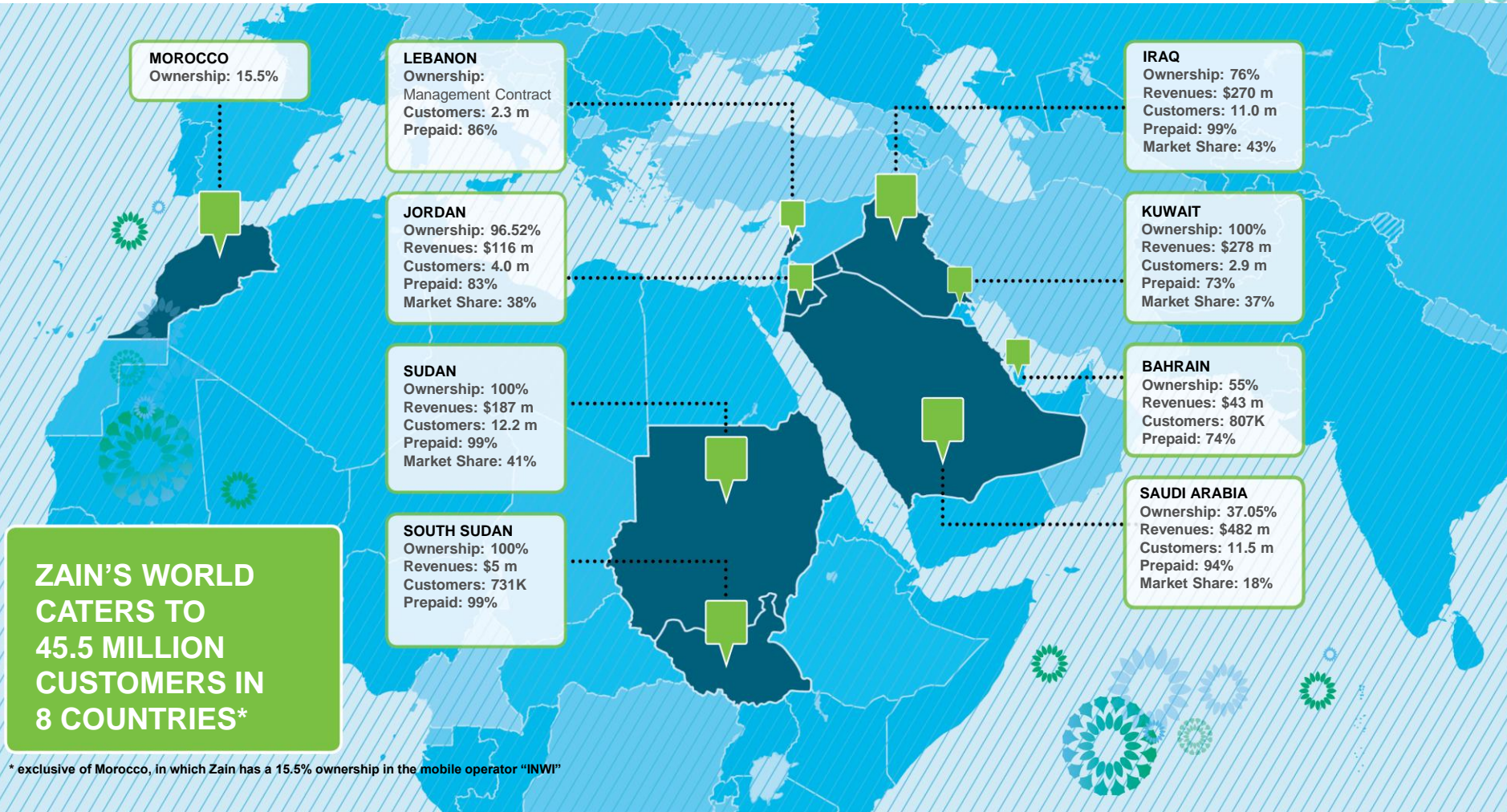
\$919

Million in revenues



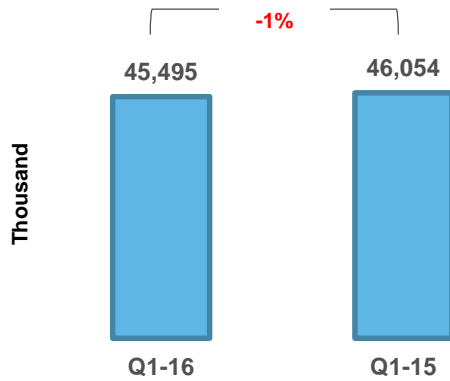
THE WORLD OF ZAIN

As Of 31ST March, 2016

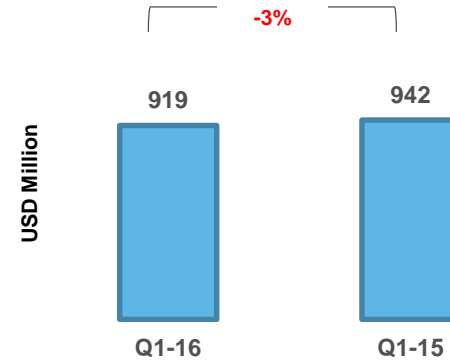


Group Results

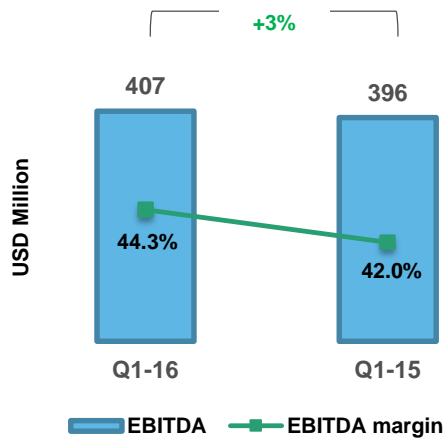
CUSTOMERS



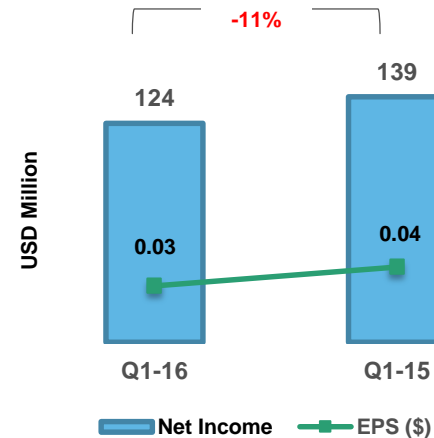
REVENUES



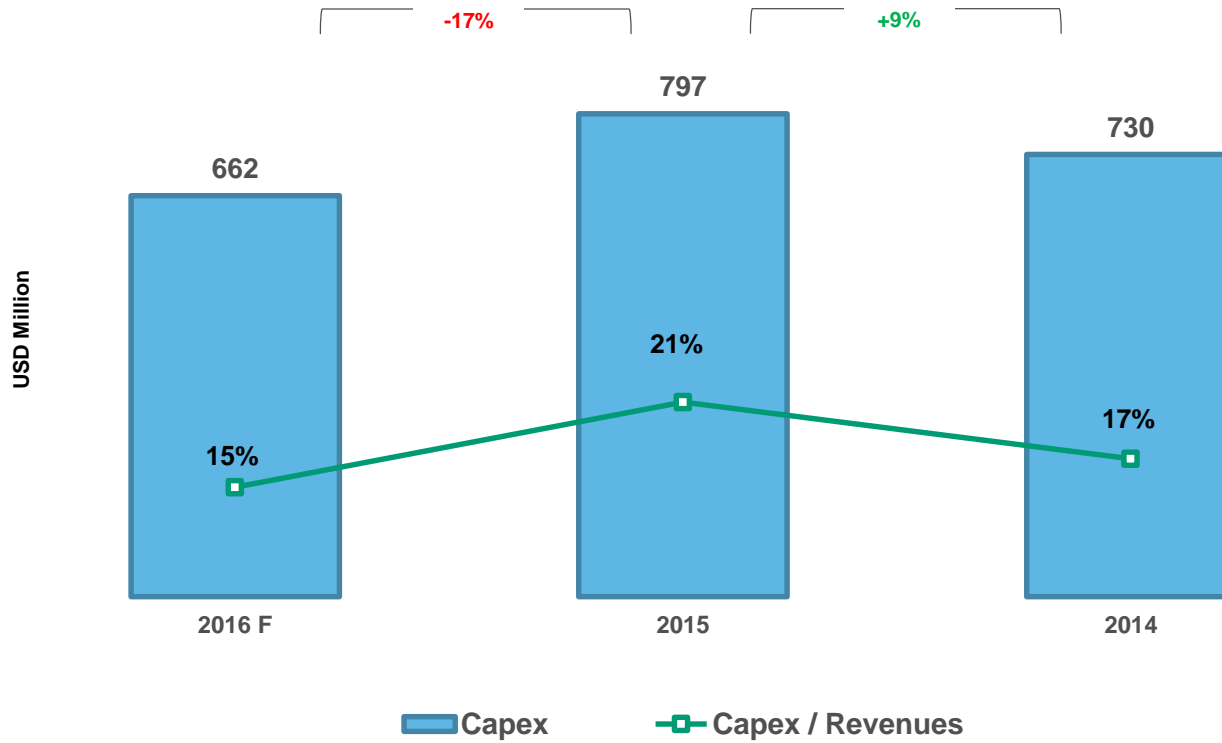
EBITDA / MARGIN



NET INCOME / EPS



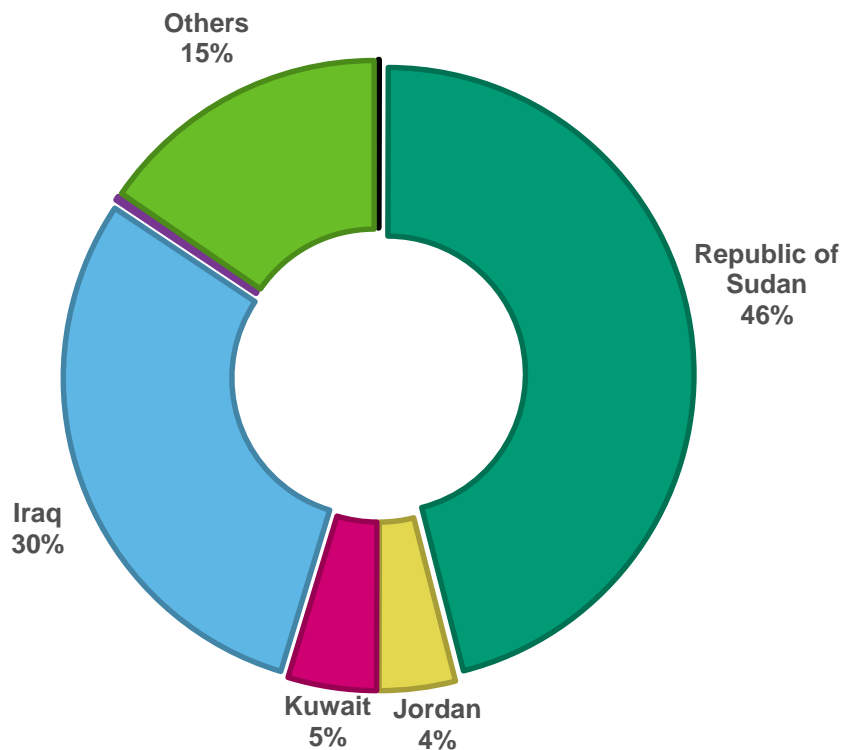
CAPEX & CAPEX / Revenues



F = Forecasted

Total CAPEX

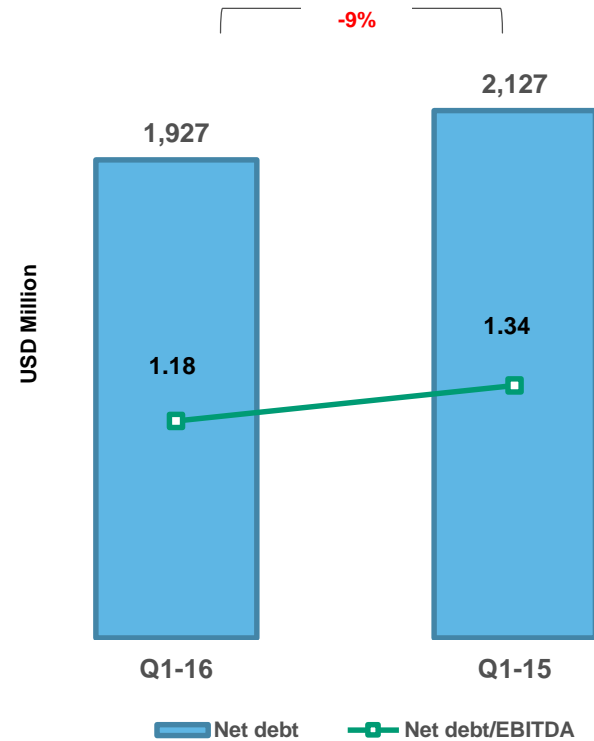
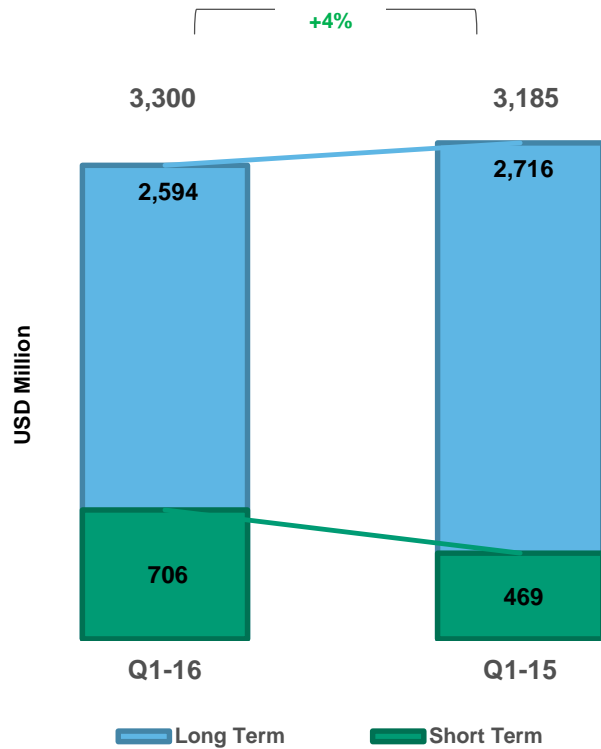
Group Total Capex (excluding KSA) = USD 89 million



OpcO	Q1-2016 USD Million	% of Revenues
Kuwait	4	2%
Iraq	26	10%
Sudan	41	22%
KSA	102	21%
Jordan	4	3%
S. Sudan	0.03	1%
Others	14	N/A

Total Debt

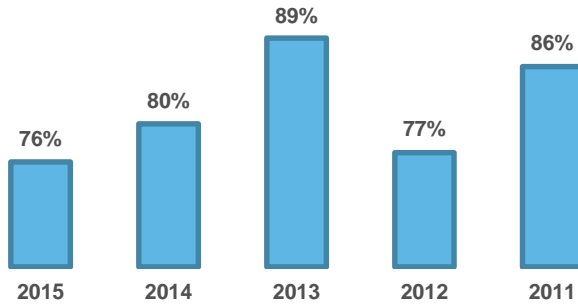
Net Debt & Net Debt / EBITDA



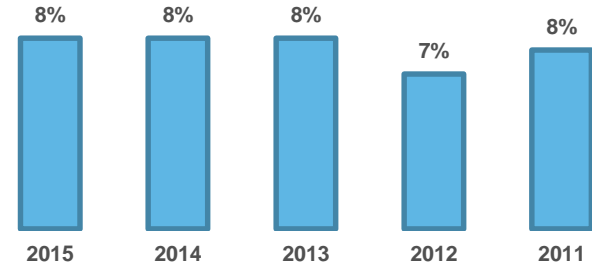
- Net Debt = Total interest bearing debt (excluding letters of guarantee) after deducting cash and cash equivalents

Zain Dividends

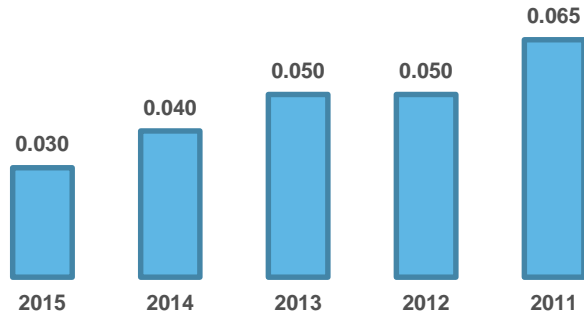
DIVIDEND PAYOUT RATIO



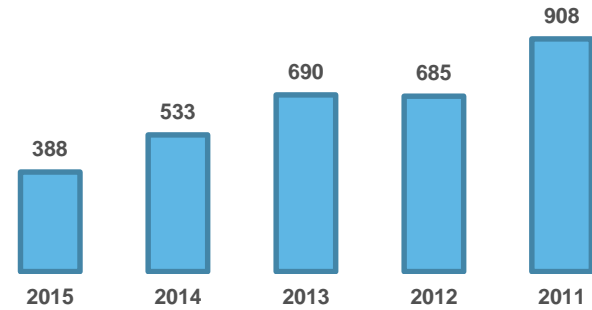
DIVIDEND YIELD (%)



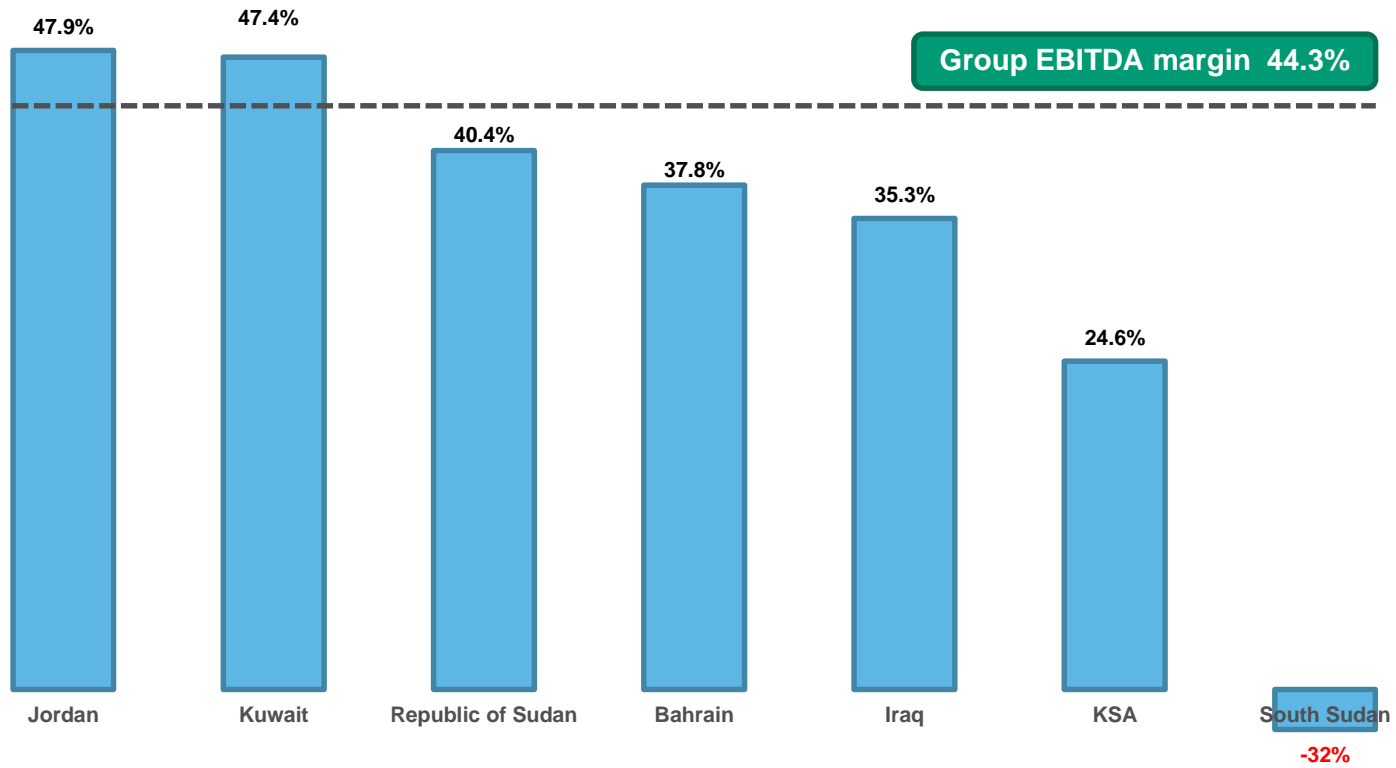
DIVIDEND PER SHARE (KD)



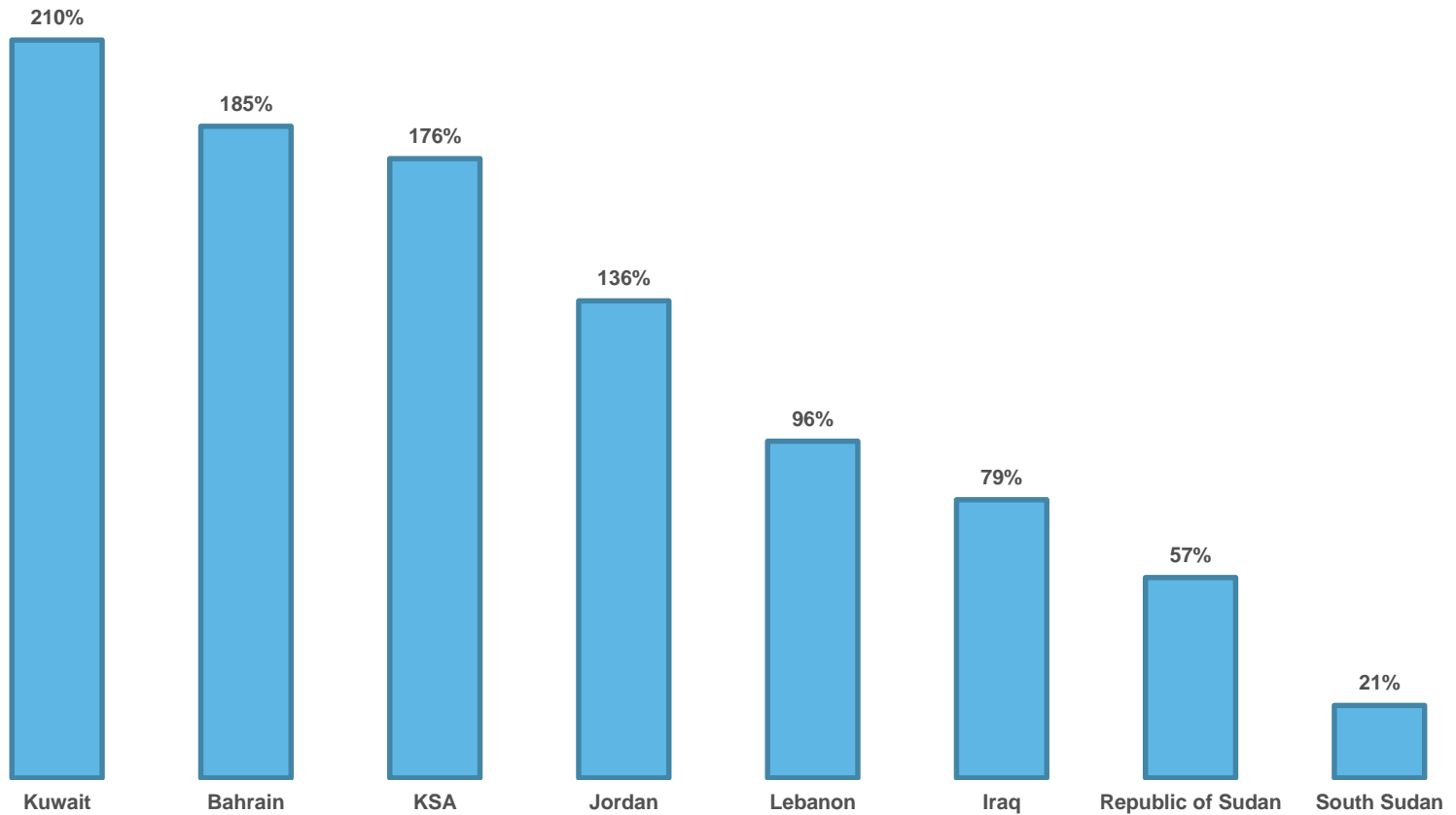
CASH DIVIDEND (USD M)



EBITDA Margins

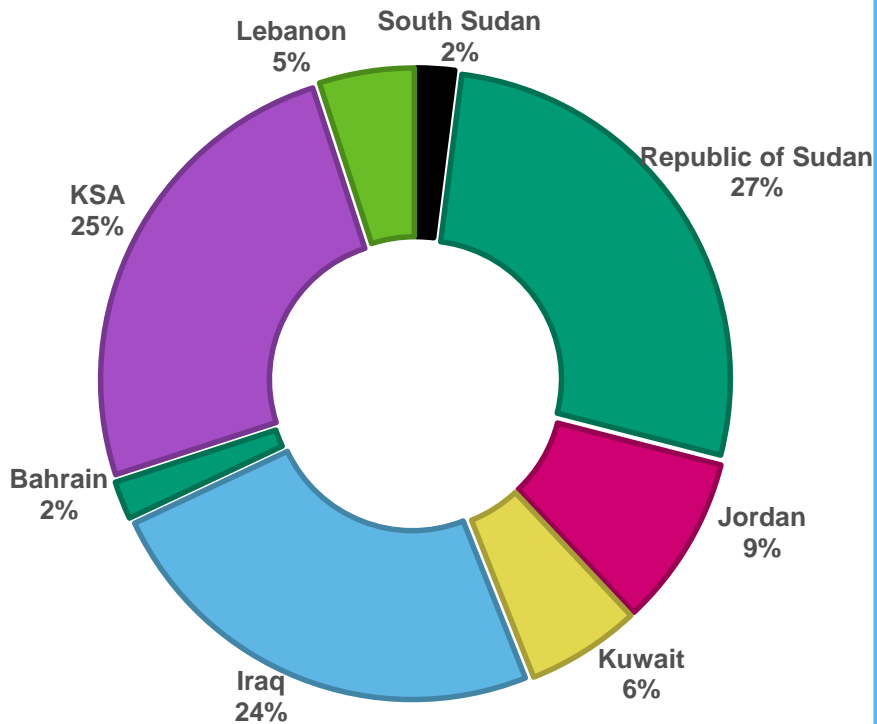


Market Penetration Rates

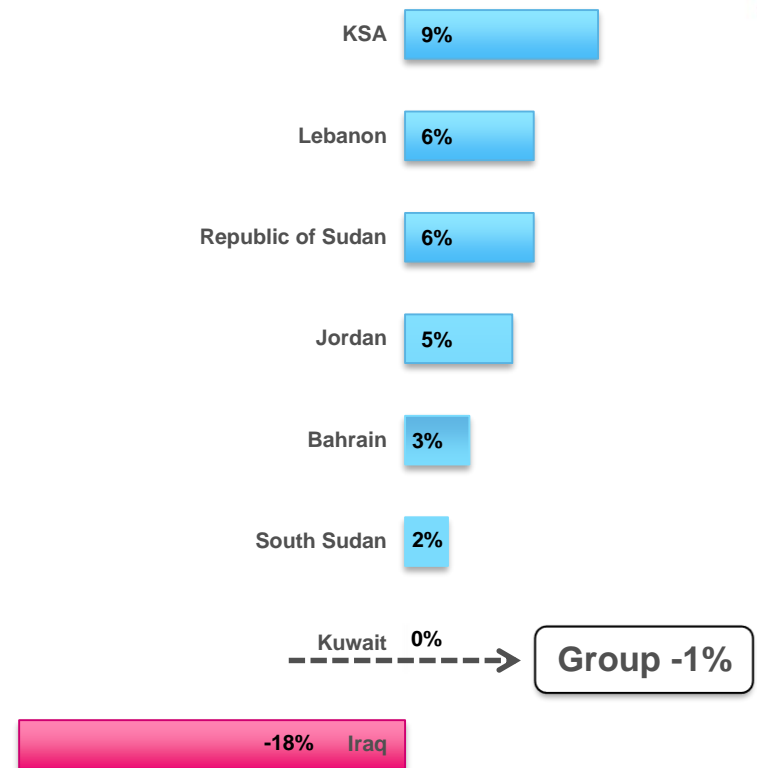


Source: World Cellular Information Services (WCIS).

Customer Contribution

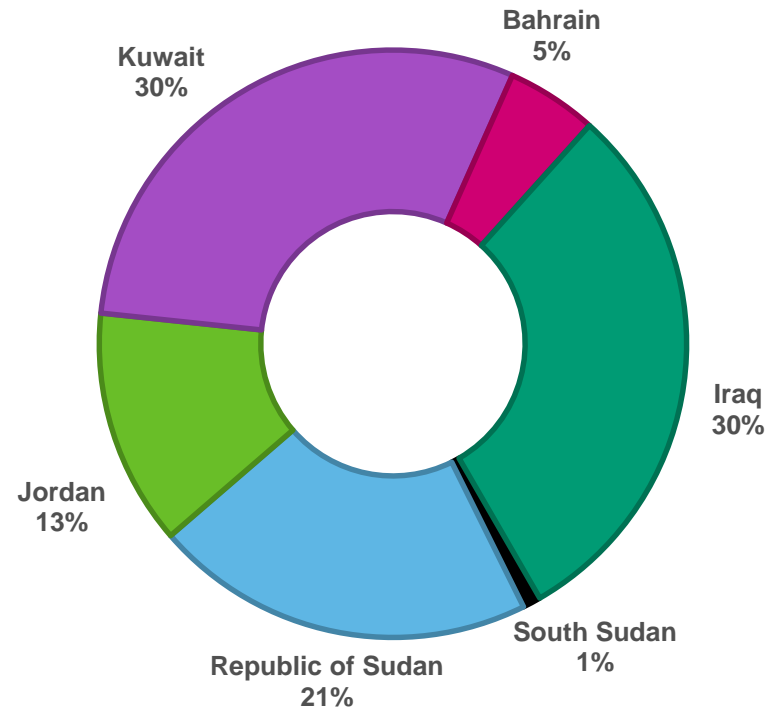
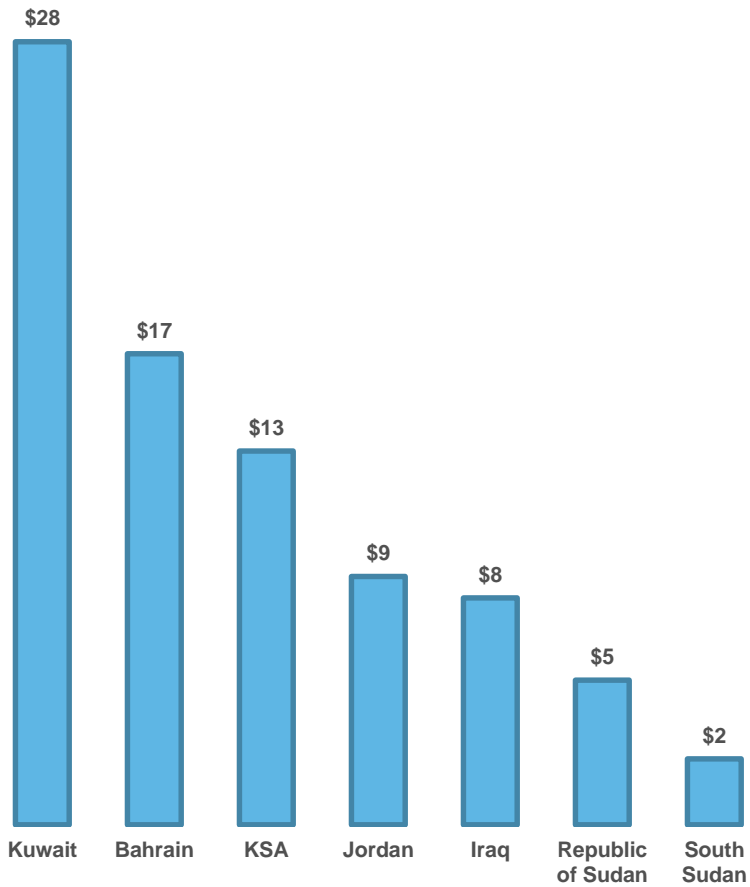


Customer Growth



Blended ARPU

Revenue Contribution



ZAIN KUWAIT

MARKET SHARE

FINANCIALS



3.6 m
Population



\$71,000
GDP/Capita



210%
Penetration



1983
Year of launch



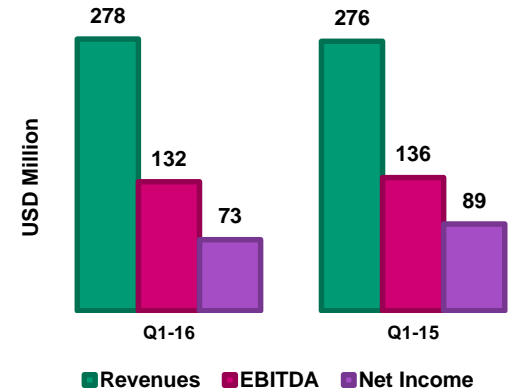
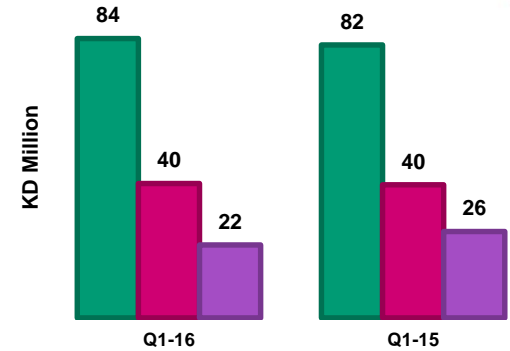
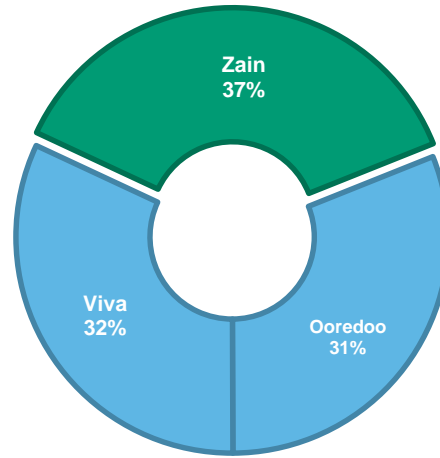
2.9 m
Customers



100%
Ownership



\$28
ARPU



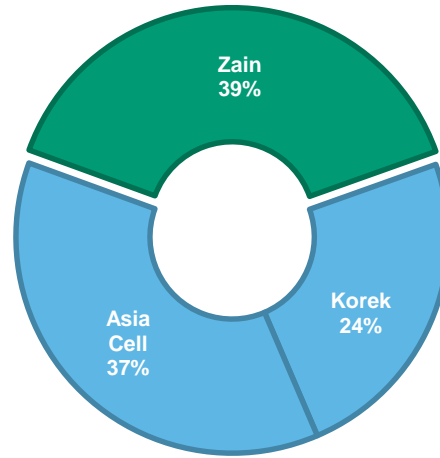
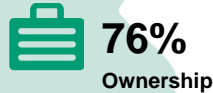
Technology : **2G, 3G, 4G** - Number of Sites : **1,988** - Coverage : **100%**

- The Group's flagship operation was established in 1983 and made history in 1994 by becoming the first telecom operator to launch commercial GSM service in the region. Zain has been listed on the Kuwait Stock Exchange since 1985 with a market capitalization circa USD 5 billion closing at Fils 355 as of 31st March, 2016.
- Zain Kuwait managed to increase its market share to a leading 37% from 36% last year, serving 2.9 million customers. For the first three months, Zain Kuwait revenues increased by 3% to KD 84 million (USD 278 million) due to higher mobile internet. EBITDA for the period was stable at KD 40 million (USD 132 million) while net income decreased by 16% mainly due to higher amortization. The operator reported a healthy EBITDA margin of 47% for the first quarter 2016.
- Notably, data revenues (excluding SMS & VAS) formed 35% of total revenues, reflecting an annual growth of 3%. Zain's nationwide 4G LTE network covered the entire population of Kuwait through a total of 1,988 network sites.

ZAIN IRAQ

MARKET SHARE

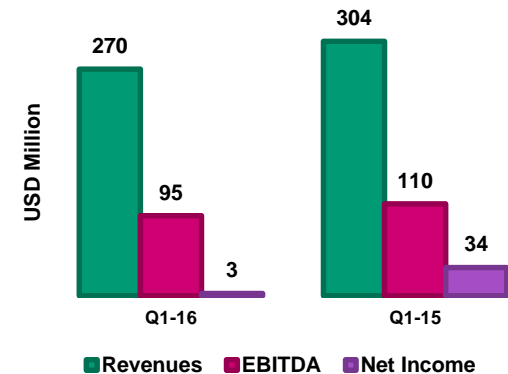
FINANCIALS



Technology : **2G, 3G** - Number of sites : **4,152** - Coverage : **98%** - License : **expires in 2022**

Zain has been providing mobile services in Iraq since December 2003 and is the largest mobile operator in the country today. After securing a 15-year license in August 2007, Zain Group owns 76% of the mobile entity. At the end of March, 2016 Zain Iraq share price closed at IQD 3.05, with a market capitalization circa USD 5 billion.

- The performance of Zain Iraq over the quarter was severely hampered by the escalation of political and social instability specially in North and Anbar regions, the 20% VAT which affected the customer spending as well as the devaluation of the local currency. These exceptional circumstances coupled with intense competition, adversely affected the operation's financial performance, as its revenues for the first three months reached USD 270 million, with EBITDA reaching USD 95 million, and net income amounting to USD 3 million.
- Data revenues (excluding SMS & VAS) was stable for the period, representing 8% of total revenues.



ZAIN SUDAN

MARKET SHARE

FINANCIALS



40.3 m
Population



\$4,500
GDP/Capita



57%
Penetration



2006
Year of full acquisition



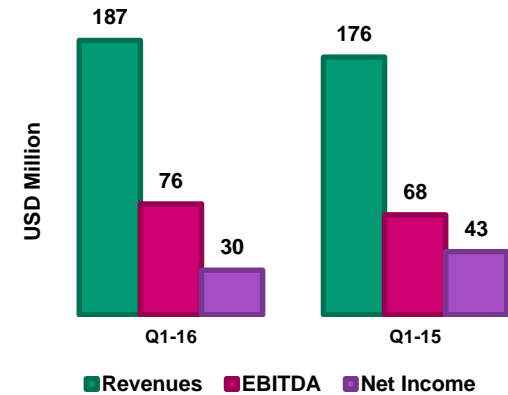
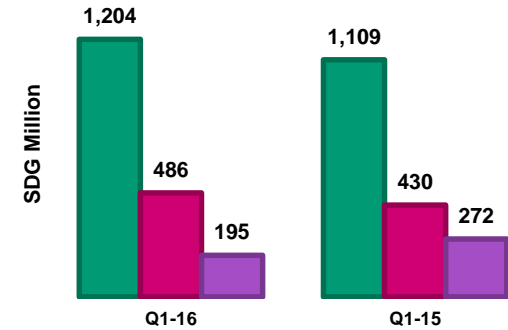
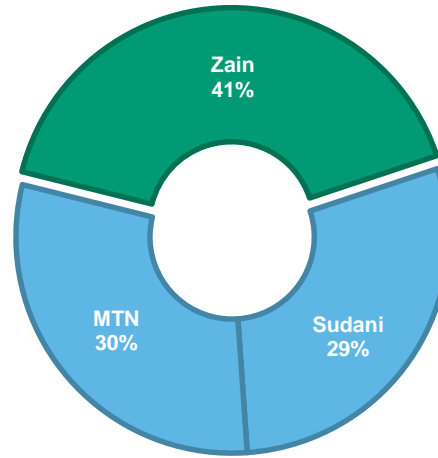
12.2 m
Customers



100%
Ownership



\$5
ARPU



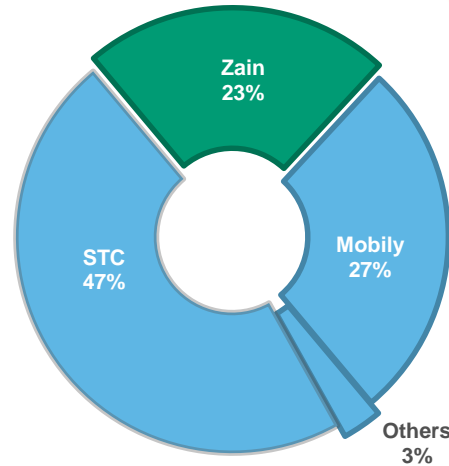
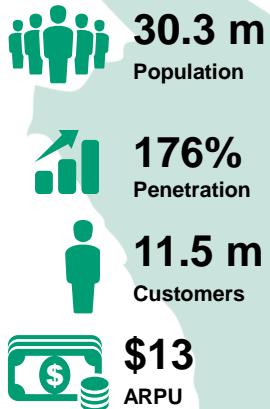
Technology : **2G, 3G, 4G** - Number of sites : **2,429** - Coverage : **90%** - License : **expires in 2029**

- In February 2006, Zain acquired the remaining 61% stake of Mobitel, Republic of Sudan's first mobile operator, in a deal valued at USD 1.3 billion, resulting in 100% ownership. The company rebranded to Zain in September 2007 and subsequently renewed its license for a period of 20 years.
- For the first quarter 2016 revenues improved by 6% Y-o-Y to reach USD 187 million (up 9% Y-o-Y in SDG terms), mainly due to the increase in voice, data revenues EBITDA increased by 11% to reach USD 76 million (up 13% Y-o-Y in SDG terms) mainly due to healthy top line performance and improved gross margins. Net income for the period decreased by 30% Y-o-Y to reach USD 30 million (down 28% in SDG terms) due to the new income tax which increased from 2.5% to 5% (effective 1st January 2016) and FX loss. Excluding the income tax and the FX loss impact, net income growth would be 10%.
- Zain Sudan has attracted additional 644K new customers, up 6% Y-o-Y, to now serve more than 12.2 million customers, through a total number of 2,429 network sites, with 90% population coverage. Data revenues (excluding SMS and VAS) formed only 12% of total revenues, with a remarkable growth of 49% Y-o-Y (52% in SDG terms).

ZAIN KSA

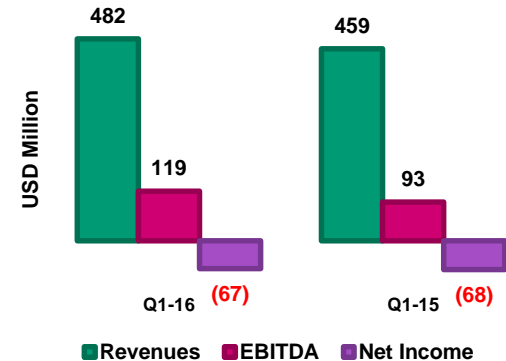
MARKET SHARE

FINANCIALS



Technology : **2G, 3G, 4G** - Number of sites : **7,583** - Coverage : **94%** - License : **expires in 2033**

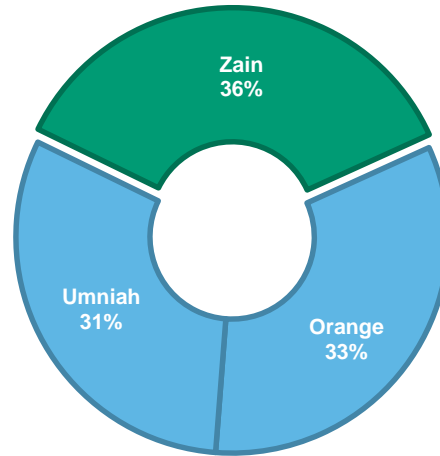
- Zain launched commercial operations in the Kingdom in August 2008. Zain Group holds a 37% equity stake, a Saudi consortium owns 21%, and the remaining 42% are free float. Zain KSA is listed on the Saudi Stock Exchange (MTC KSA, 7030) with a market capitalization circa USD 1.4 billion (share price of SAR 8.73) on March 31st, 2016.
- The operator witnessed the highest customer growth among the group with a remarkable 9% increase Y-o-Y to now serve more than 11.5 million customers representing 25% of the total group customer base. For the first three months 2016, the operator once again posted improved results, where revenues increased by 5% to reach USD 482 million up from USD 459 million in Q1-15, due to the increase in data revenues. EBITDA increased by 28% to reach USD 119 million with an EBITDA margin of 25% up from 20% last year. Net losses narrowed by 3% Y-o-Y to USD 67 million, supported by healthy EBITDA performance.
- The operator witnessed a noticeable 69% rise in data revenues (excluding SMS & VAS) Y-o-Y which represents 31% of total revenues as the company expands its state-of-the-art 4G LTE network that currently covers 94% of the population.



ZAIN JORDAN

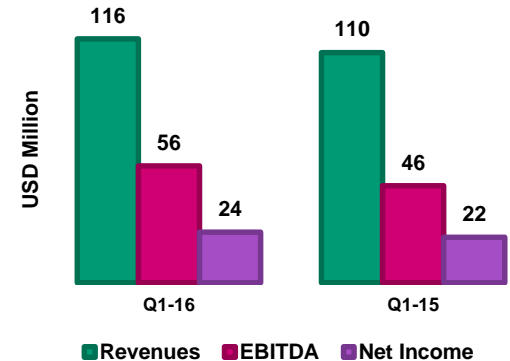
MARKET SHARE

FINANCIALS



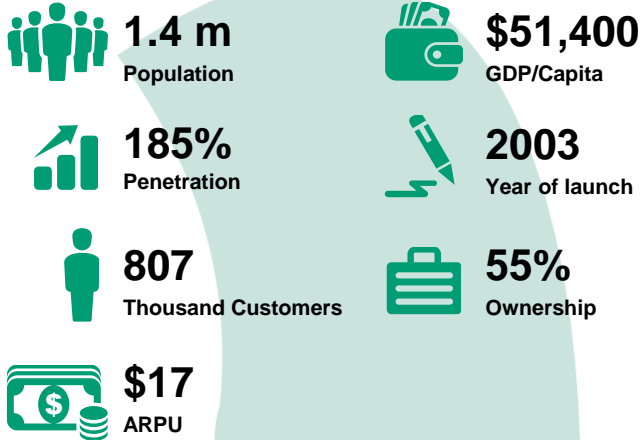
Technology : **2G, 3G, 4G** - Number of sites : **2,128** - Coverage : **100%** - License : **expires in 2031**

- In 1994, Zain Jordan, formerly Fastlink, revolutionized the telecom sector in the Kingdom by being the first to introduce mobile services in the country. In 2003, it was the first to join what is now Zain Group's Middle East portfolio, it was acquired for USD 419 million and today remains the market leader.
- Zain Jordan delivered a solid performance for the first quarter of 2016, where revenues increased by 6% to reach USD 116 million, EBITDA jumped by an impressive 20% to reach USD 56 million and net income increased by 12% to reach USD 24 million. EBITDA margin for the quarter reached 48%.
- Data revenues (excluding SMS & VAS) represented 32% of total revenues, which grew by 26% as compared with the same period last year. The operator covers the entire population through its 2,128 network sites.



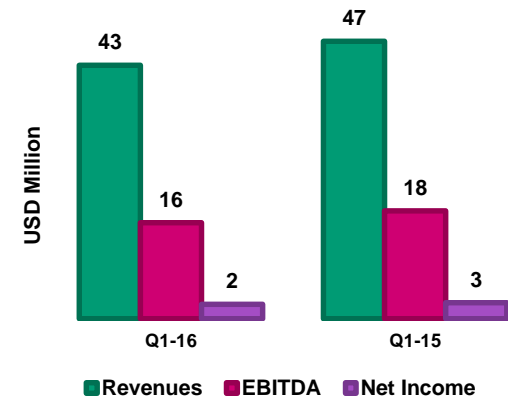
ZAIN BAHRAIN

FINANCIALS



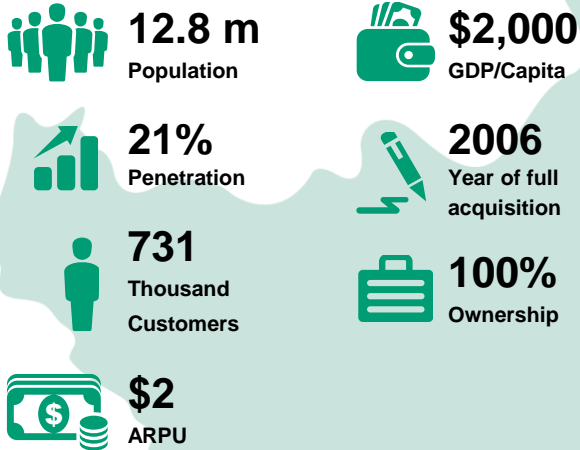
Technology : **2G, 3G, 4G** - Number of sites : **476** - Coverage : **100%** - License : **expires in 2028**

- Zain began operations in the Kingdom of Bahrain in December 2003. Since its historic introduction of nationwide 3.5G, WiMAX and most recently 4G LTE, placing it and Bahrain firmly on the global telecom map. Zain Bahrain is listed on the Bahrain Bourse (ZAINBH) with a market capitalization circa USD 151 million (share price BD 0.154) on 31st March, 2016.
- With an ARPU of USD 17, Zain Bahrain has the second highest ARPU in the Group.
- For the first quarter 2016, Zain Bahrain generated revenues of USD 43 million, a decrease of 9% as compared with USD 47 million last year. EBITDA for the period reached USD 16 million, reflecting a healthy EBITDA margin of 38% and net income amounting to USD 2.4 million.
- Data revenues (excluding SMS & VAS) represented 37% of overall revenues, which grew by 6% as compared to last year.



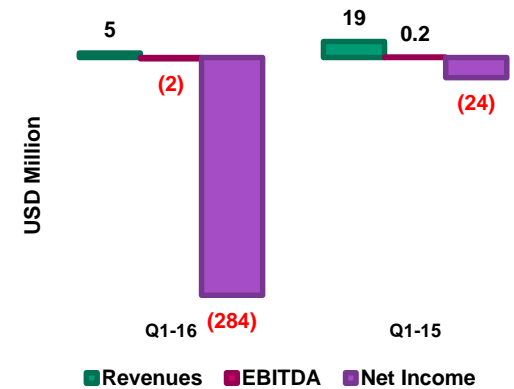
ZAIN SOUTH SUDAN

FINANCIALS



Technology : 2G, 3G - Number of sites : 288 - Coverage : 50% - License : MOU

- Political unrest in South Sudan affected the results as the country also witnessed significant displacement of its people, with access to and repair of many network sites in parts of the country proving to be difficult, causing frequent interruptions and higher maintenance costs.
- The operation witnessed a 2% increase in its customer base to now serve 731 thousand customer through a total of 275 network sites.
- Data revenues (excluding SMS & VAS) continue to grow significantly by 133% Y-o-Y representing 16% of the total revenues for the quarter.



TOUCH MANAGED BY ZAIN

MARKET SHARE

 **5.0 m**
Population

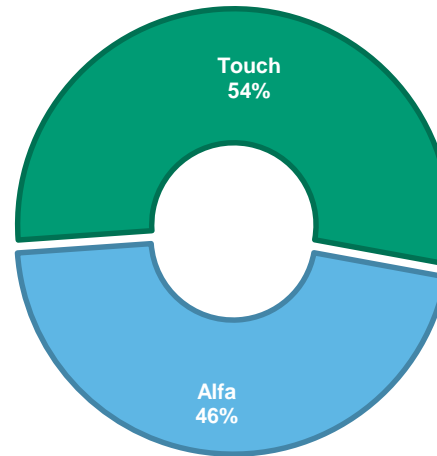
 **\$17,900**
GDP/Capita

 **96%**
Mobile
Penetration

 **2004**
Year of acquisition

 **2.3 m**
Customers

 **MC**
Ownership



Technology : **2G, 3G, 4G** - Number of sites : **1,292** - Coverage : **99%** - License : **Management Contract (MC)**

- Zain operates in Lebanon under a management contract since June 2004, when it was rebranded to mtc-touch, and subsequently to "touch".
- The number of existing sites continues to increase as it reached 1,292 network sites as of March 2016, covering 99% of the population.
- The operation currently serves around 2.3 million customers.

BALANCE SHEET

	Unaudited 31-Mar-16	Audited 31-Dec-15	Unaudited 31-Mar-15		Unaudited 31-Mar-16	Audited 31-Dec-15	Unaudited 31-Mar-15
	KD '000				KD '000		
Assets				Liabilities and Equity			
Current assets				Current liabilities			
Cash and bank balances	414,091	359,799	317,947	Trade and other payables	838,523	761,758	724,966
Trade and other receivables	402,740	406,581	392,044	Due to banks	212,940	213,310	140,950
Inventories	22,850	27,593	26,564		1,051,463	975,068	865,916
Investment securities at fair value through profit or loss	1,062	1,164	1,609	Non-current liabilities			
	840,743	795,137	738,164	Due to banks	782,033	751,569	816,086
Non-current assets				Other non-current liabilities	37,985	40,454	63,442
Investment securities available for sale	25,693	26,598	34,189		820,018	792,023	879,528
Investments in associates and joint ventures	210,216	219,902	236,758	Equity			
Dues from associates	358,721	350,673	334,241	Attributable to the Company's shareholders			
Other assets	15,514	15,880	23,246	Share capital	432,706	432,706	432,706
Property and equipment	884,371	901,679	887,258	Share premium	1,707,164	1,707,164	1,707,164
Intangible assets and goodwill	1,163,395	1,185,312	1,191,999	Treasury shares	(567,834)	(567,834)	(567,834)
	2,657,910	2,700,044	2,707,691	Legal reserve	216,353	216,353	216,353
	3,498,653	3,495,181	3,445,855	Foreign currency translation reserve	(775,715)	(756,643)	(658,739)
				Treasury shares reserve	1,967	1,967	1,967
				Investment fair valuation reserve	(666)	(1,446)	(1,680)
				Hedge reserve	(617)	(216)	(2,805)
				Retained earnings	430,851	510,641	397,970
					1,444,209	1,542,692	1,525,102
				Non-controlling interests	182,963	185,398	175,309
					1,627,172	1,728,090	1,700,411
				Total equity	3,498,653	3,495,181	3,445,855
				Total Liabilities and Equity			

INCOME STATEMENT

	Three months ended	
	31-Mar	
	2016	2015
	KD'000	
Revenue	276,920	278,941
Cost of sales	(65,964)	(67,486)
Gross profit	210,956	211,455
Operating and administrative expenses	(86,972)	(93,458)
Depreciation and amortization	(54,690)	(52,027)
Provision for impairment – trade and other receivables	(1,376)	(875)
Operating profit	67,918	65,095
Interest income	2,305	2,567
Investment income	(116)	(305)
Share of results of associates and joint ventures	(8,486)	(7,677)
Other income/(expense)	1,574	(1,286)
Finance costs	(7,564)	(6,231)
Loss on currency revaluation	(10,546)	(2,042)
Board of Directors' remuneration	(69)	(86)
Contribution to Kuwait Foundation for Advancement of Sciences	(218)	(226)
National Labour Support Tax and Zakat	(1,723)	(1,590)
Profit for the period before income tax	43,075	48,219
Income tax expenses	(5,137)	(4,123)
Profit for the period	37,938	44,096
Attributable to:		
Shareholders of the Company	37,251	41,114
Non-controlling interests	687	2,982
	37,938	44,096

	Three months ended	
	31-Mar	
	2016	2015
Earnings per share		
Basic – Fils	10	11

CASH FLOW STATEMENT

	Three months ended 31-Mar		Three months ended 31-Mar	
	2016	2015	2016	2015
	KD'000		KD'000	
Cash flows from operating activities				
Profit for the period before income tax	43,075	48,219		
Adjustments for:				
Depreciation and amortization	54,690	52,027		
Interest income	(2,305)	(2,567)		
Investment income	116	305		
Share of results of associates and joint ventures	8,486	7,677		
Finance costs	7,564	6,231		
Loss on currency revaluation	10,546	2,042		
Operating profit before working capital changes	122,172	113,934		
Decrease/(increase) in trade and other receivables	9,050	(46,309)		
Decrease/(increase) in inventories	4,727	(9,258)		
(Decrease)/increase in trade and other payables	(58,501)	69,487		
Cash generated from operations	77,448	127,854		
Paid to Kuwait Foundation for Advancement of Sciences	(500)	(700)		
Income tax paid	(4,093)	(4,195)		
Net cash from operating activities	72,855	122,959		
Cash flows from investing activities				
Deposits maturing after three months and bank balances blocked			2,753	(2,854)
Purchase of investments			-	(105)
Net cash outflow on purchase of non-controlling interest/ a subsidiary			(26)	(1,798)
Proceeds from sale of investments			1,667	40
Acquisition of property and equipment (net)			(26,635)	(42,571)
Acquisition of intangible assets (net)			(7,029)	(90,962)
Interest received			2,834	3,024
Net cash used in investing activities			(26,436)	(135,226)
Cash flows from financing activities				
Proceeds from bank borrowings			63,442	209,063
Repayment of bank borrowings			(28,262)	(64,302)
Loan to an associate			(10,051)	(9,645)
Dividends paid to Company's shareholders			(621)	(148,802)
Dividends paid to minority shareholders of subsidiaries			(1,267)	(1,641)
Finance costs paid			(6,031)	(7,956)
Net cash from/(used in) financing activities			17,210	(23,283)
Net increase/(decrease) in cash and cash equivalents			63,629	(35,550)
Effect of foreign currency translation			(6,584)	7,073
Cash and cash equivalents at beginning of period			228,266	221,021
Cash and cash equivalents at end of period			285,311	192,544



Q&A

For More Information Please Contact Zain Group Investor Relations Team : IR@zain.com

Note: All population, GDP per Capita and Mobile Penetration figures are sourced from EIU, WCIS & CIA Fact Book as the end of 2015.

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