



# ZAIN GROUP

## Financial Results Presentation

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Q1-2014

# Disclaimer



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# FINANCIAL RESULTS PRESENTATION

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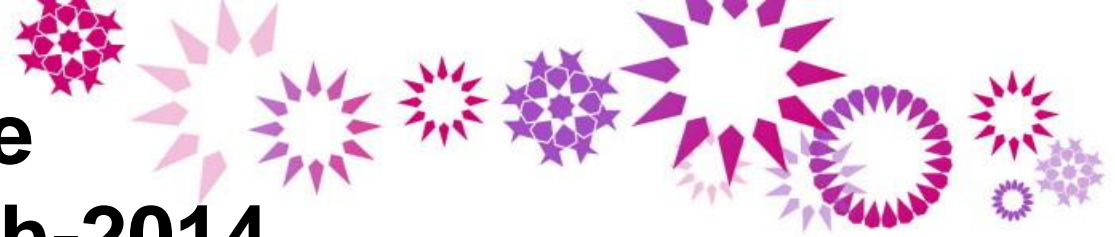
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- **Zain Group Overview**
  - Zain Operations Overview
  - Financial Statements
- 

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# Zain at a glance

## As of 31<sup>st</sup> March-2014



**46.2**

MILLION ACTIVE CUSTOMERS

**108**

MILLION PEOPLE UNDER LICENSE

**\$ 198**

MILLION IN NET INCOME

**16.0**

MILLION CUSTOMERS IN IRAQ

**11.9**

MILLION CUSTOMERS IN REPUBLIC OF SUDAN

**42.5**

MILLION + DAILY TOTAL SMS

**4G**

LONG TERM EVOLUTION (LTE) NETWORK IN KUWAIT, SAUDI ARABIA,BAHRAIN AND LEBANON

**141**

MILLION + TOTAL DAILY CALLS

**5.2**

MILLION KM2 UNDER LICENSE

OVER

**6,700**

EMPLOYEES

**329**

TB OF DAILY DATA USAGE

**\$ 1.1**

BILLION IN REVENUES

**\$ 469**

MILLION IN EBITDA

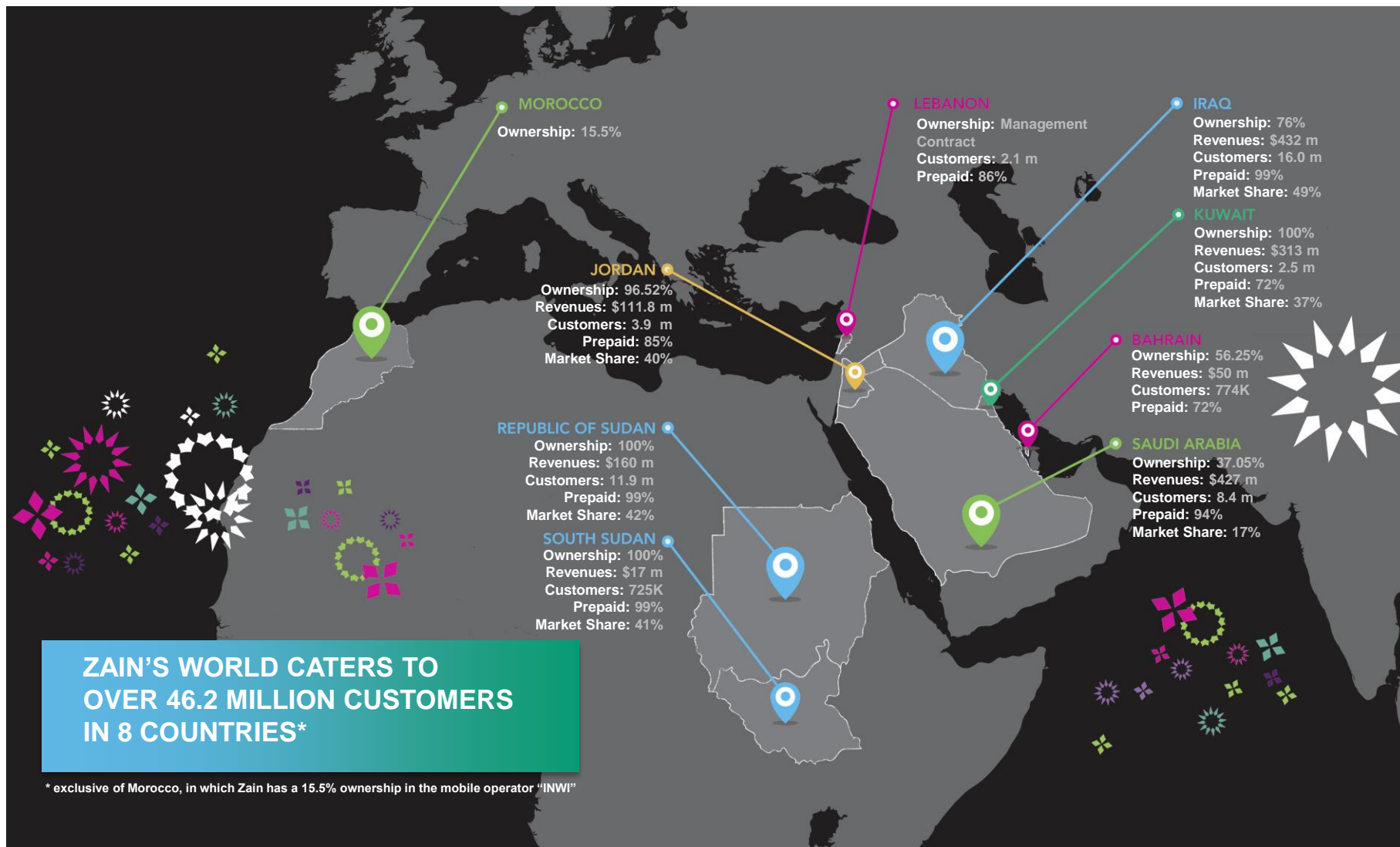
**MARKET LEADER**

IN KUWAIT, IRAQ, REPUBLIC OF SUDAN, S. SUDAN, JORDAN & LEBANON



# The World of Zain

## As of 31<sup>st</sup> March-2014

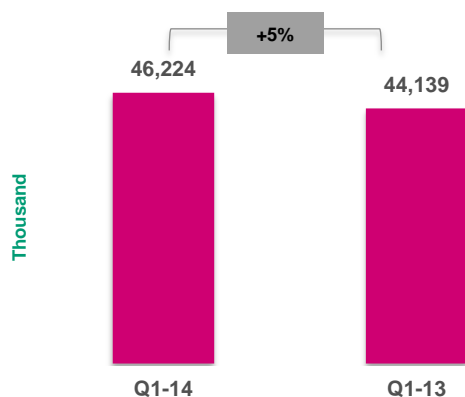


**ZAIN'S WORLD CATERS TO  
OVER 46.2 MILLION CUSTOMERS  
IN 8 COUNTRIES\***

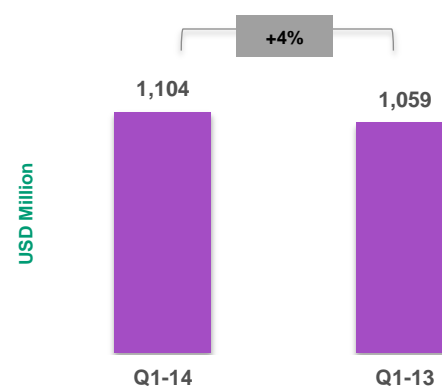
\* exclusive of Morocco, in which Zain has a 15.5% ownership in the mobile operator "INWI"

# Key Performance Indicators as of 31<sup>st</sup> March-2014

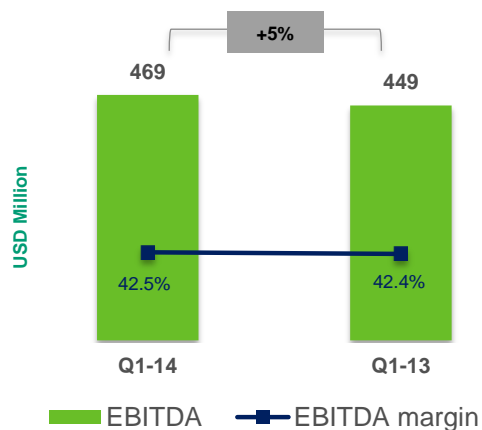
## Customers



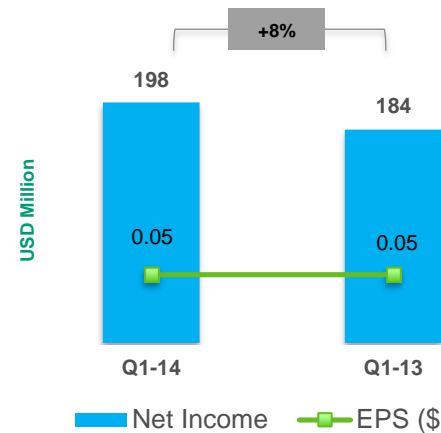
## Revenues



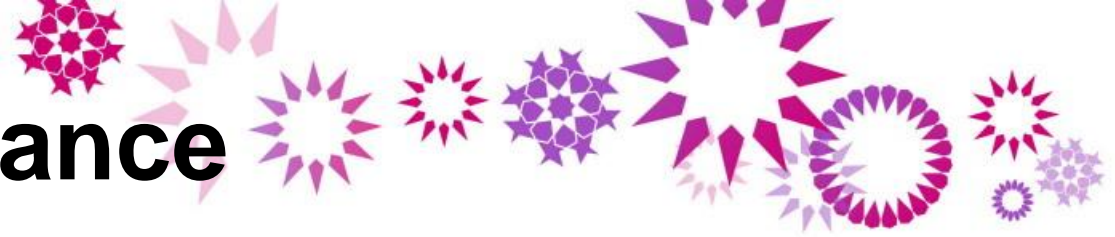
## EBITDA / Margin



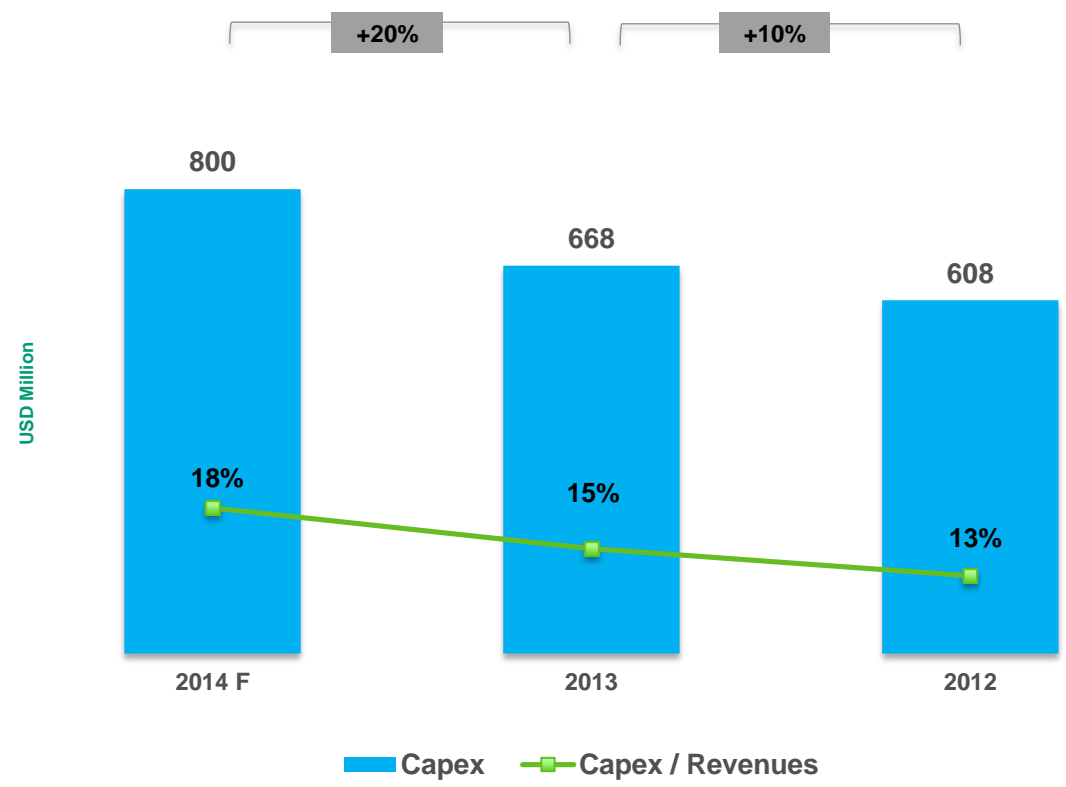
## Net Income / EPS



# Key Performance Indicators



## Capex & Capex / Revenues

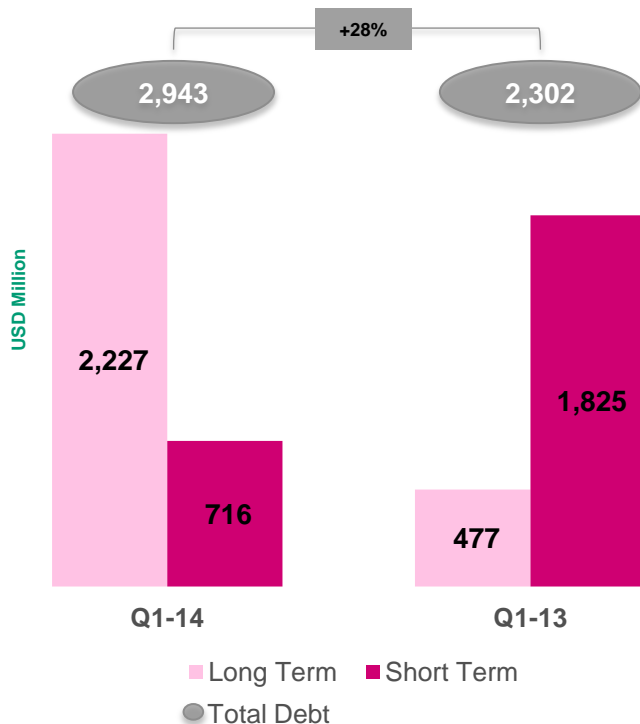


F = Forecasted

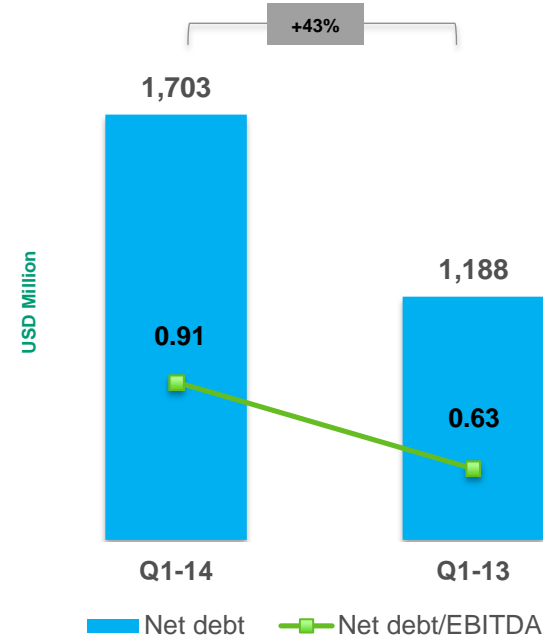


# 7 Key Performance Indicators as of 31<sup>st</sup> March 2014

## Total Debt

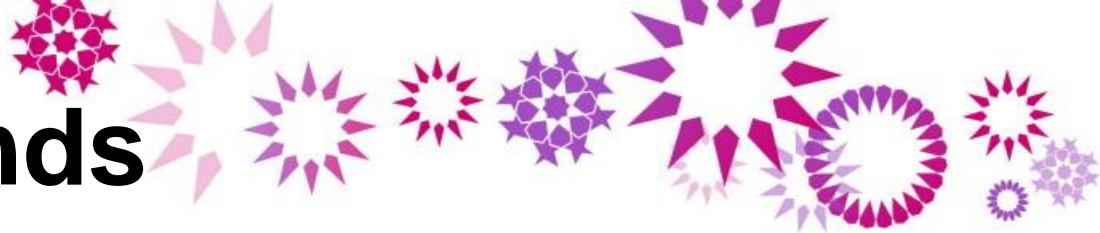


## Net Debt & Net Debt / EBITDA

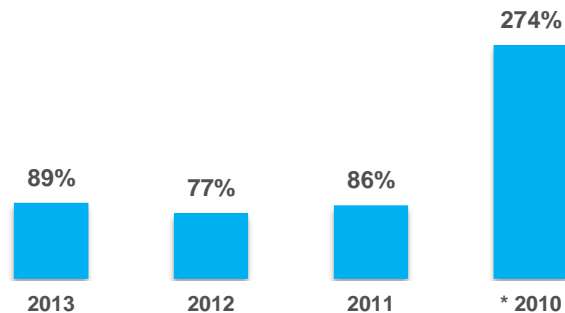


- Net Debt = Total interest bearing debts (excluding letter of guarantees) after deducting Cash and cash equivalent

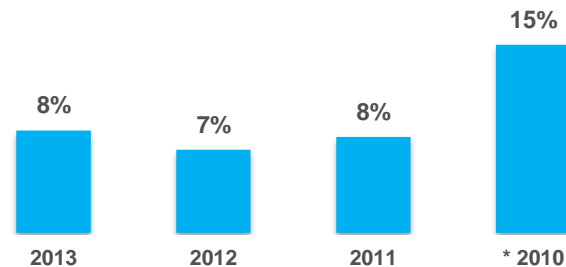
# Zain Dividends



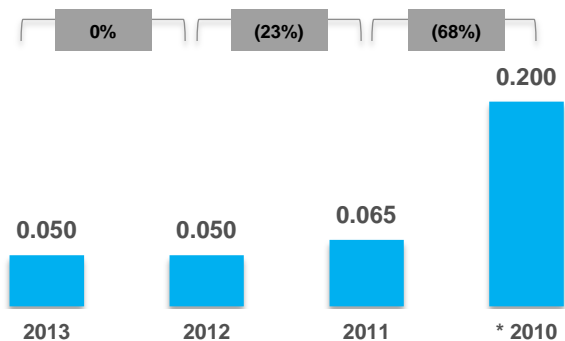
## Dividend Payout Ratio



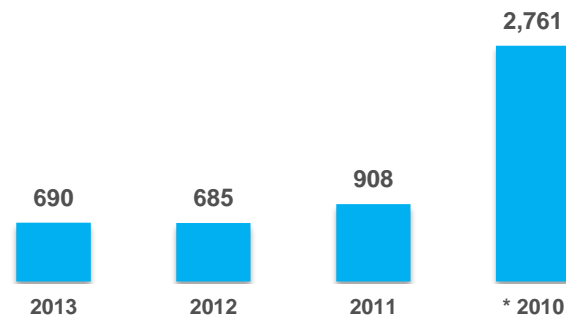
## Dividend Yield (%)



## Dividend Per Share (KWD)



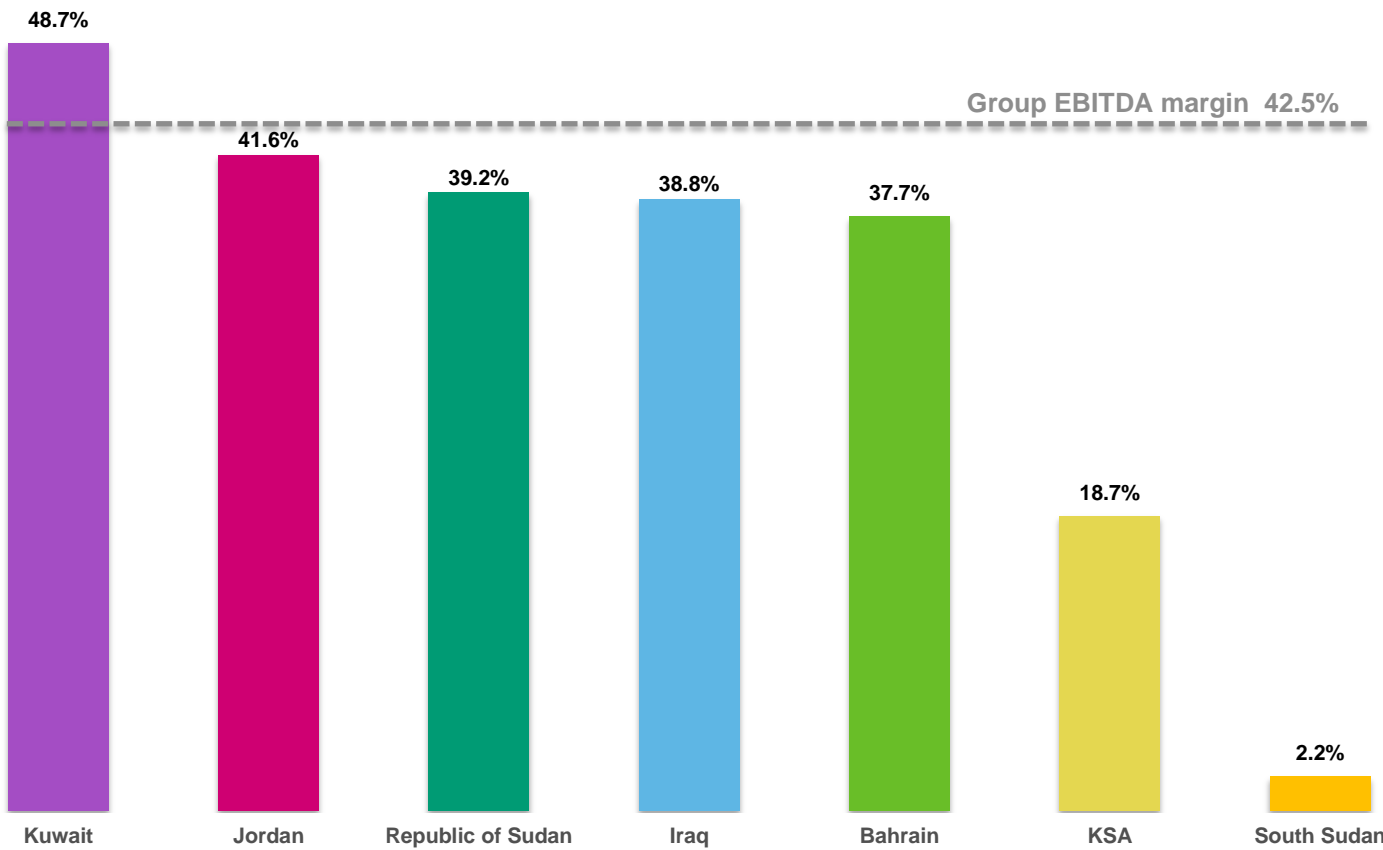
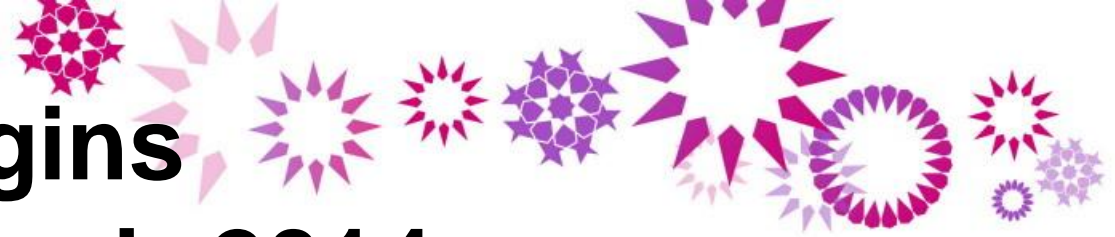
## Cash Dividend (USD m)



\* Zain Group distributed normal and exceptional dividends of fils 200 reflecting the distribution of proceeds of the sale of Zain Africa assets to Bharti Airtel. However the EPS is made up of Normal EPS = Fils 80, Exceptional EPS = Fils 195

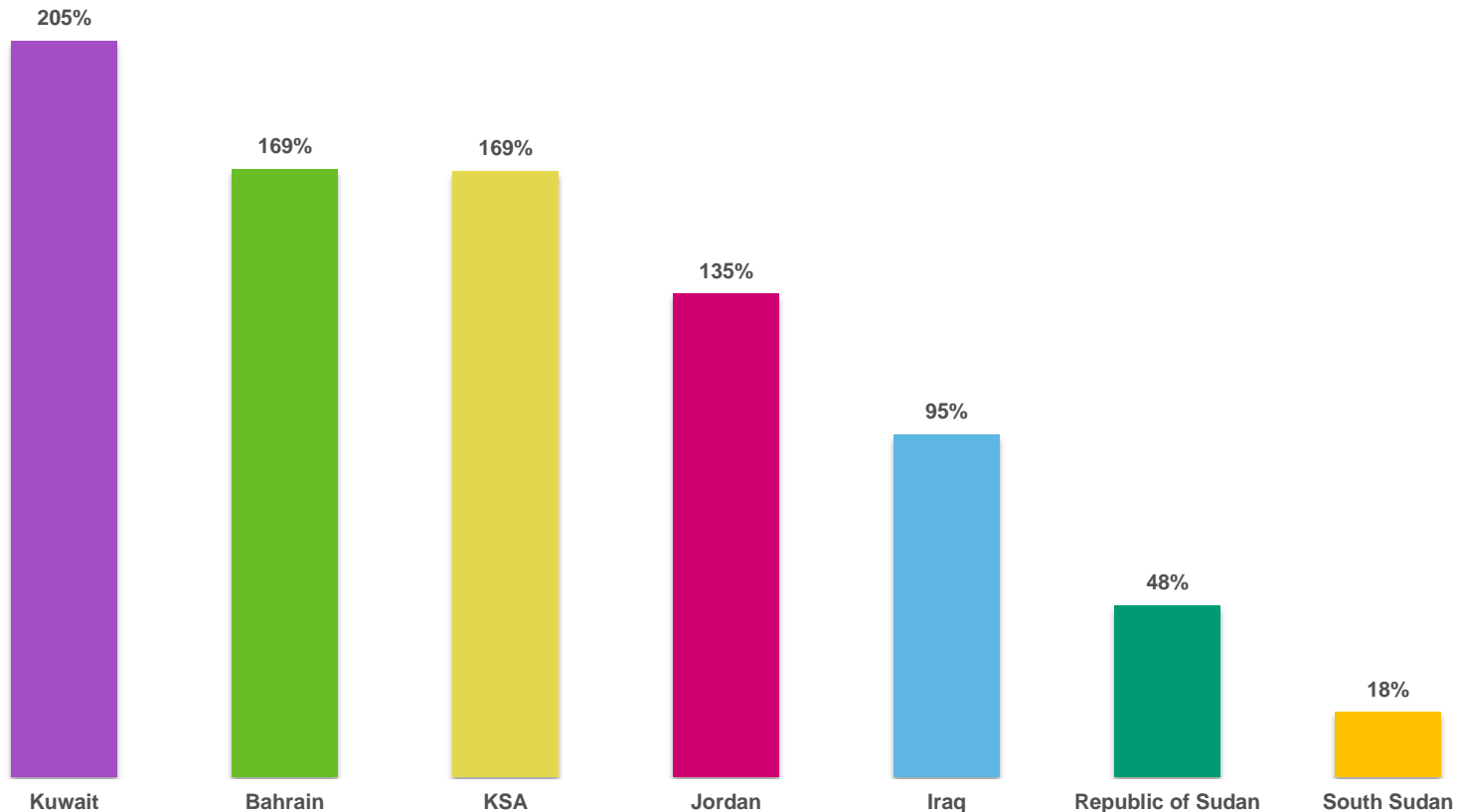
# EBITDA Margins

## As of 31<sup>st</sup> March-2014



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# Penetration Rates As of 31<sup>st</sup> March-2014



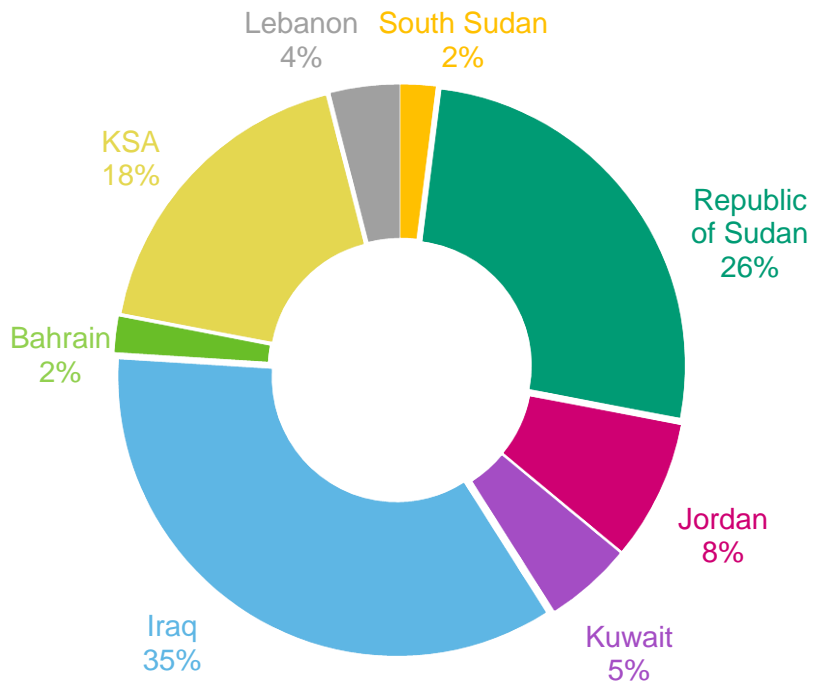
Source: World Cellular Information Services (WCIS).



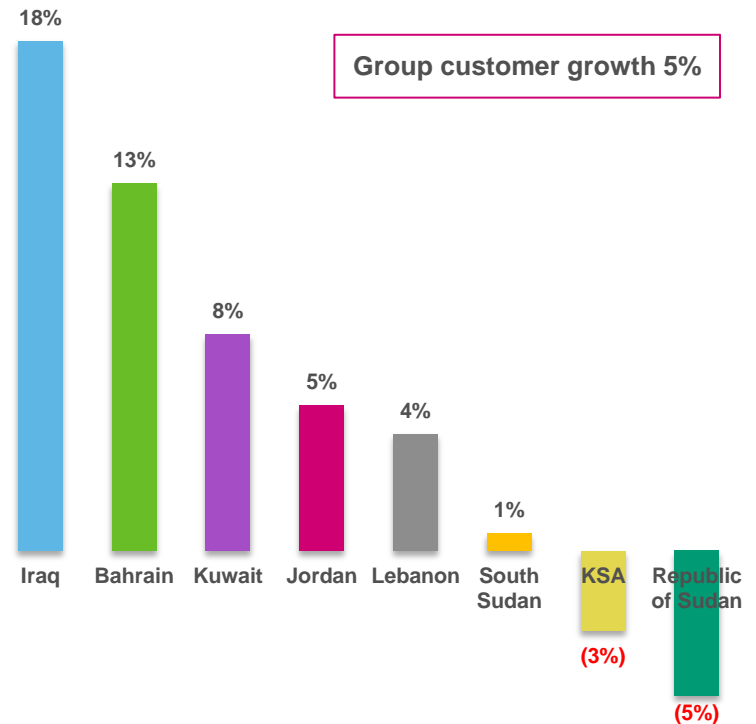
# Our Customers

## As of 31<sup>st</sup> March-2014

### Customers Contribution



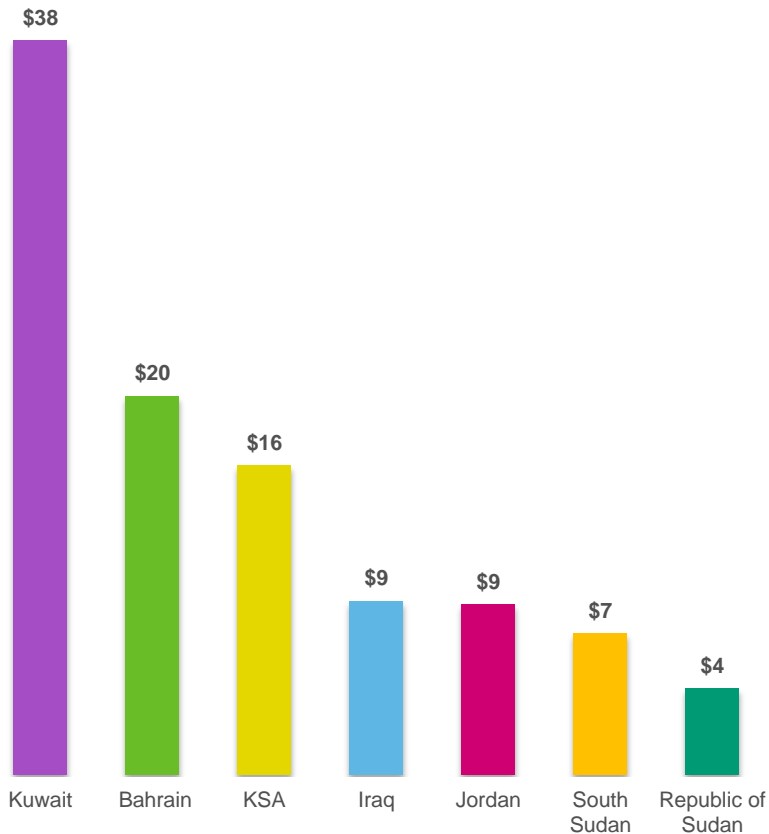
### Customers Growth Q1-14 vs. Q1-13



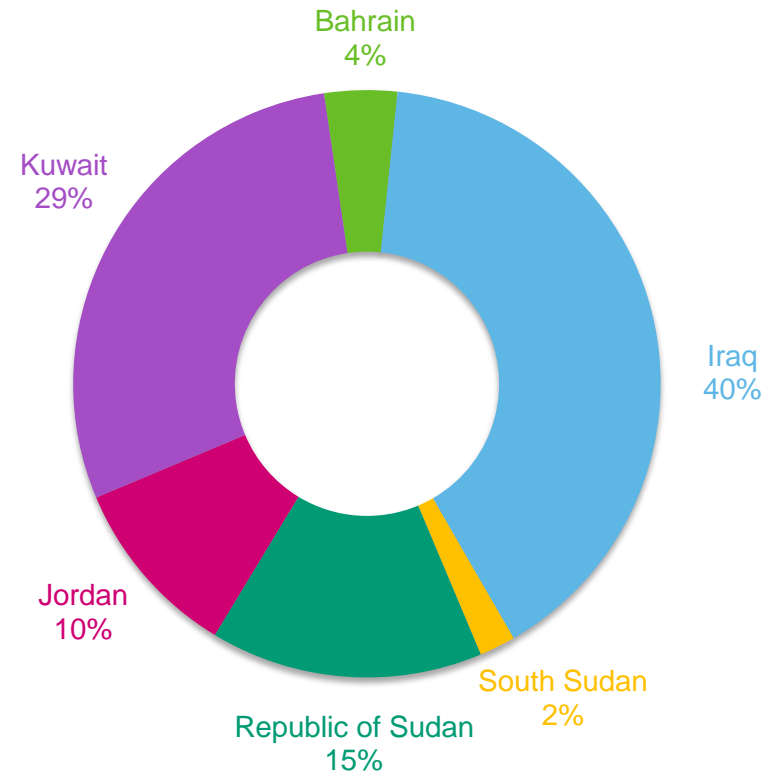
\* Customer base drop in Republic of Sudan and KSA is due to routine cleanup process and eliminating zero ARPU customers.

# Blended ARPU & Revenue Contribution as of 31<sup>st</sup> March-2014

## Blended ARPU




## Revenue Contribution



# FINANCIAL RESULTS PRESENTATION

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## Key Statistics – March 2014

**3.4 m**  
Population

**\$42,100**  
GDP/Capita

**205%**  
Penetration

**1983**  
Year of launch

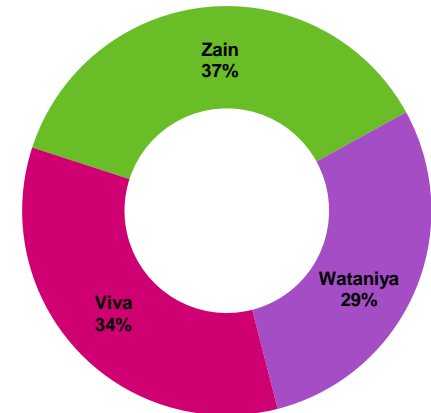
**2.5 m**  
Customers

**100%**  
Ownership

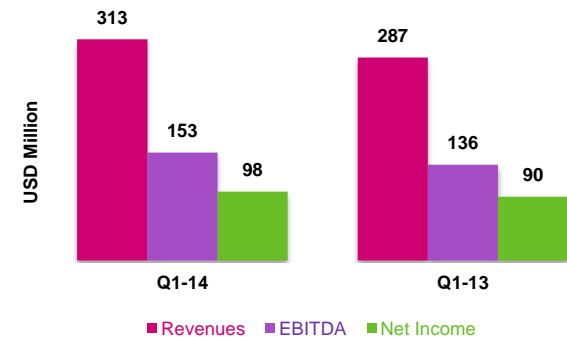
**\$38**  
ARPU

**Technology : 4G LTE Nationwide**  
**Number of sites : 1,841**  
**Coverage : 100%**

## Market Share by Customers



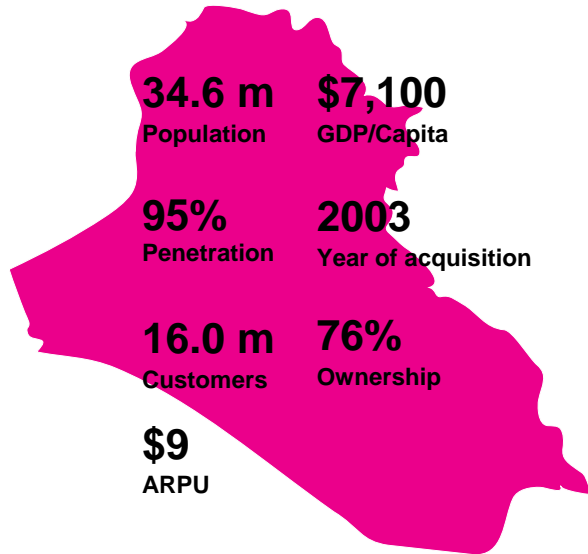
## Financials – Q1-14



- 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 11 billion closing at Fils 690 as of April 21<sup>st</sup>, 2014.
- Zain Kuwait has the highest ARPU of \$38 in the Group.
- In Q1-2014, National Assembly approved the Telecommunications Regulatory Authority and Information Technology establishment.
- Despite the fierce competition and a high penetration rate of 205%, Zain Kuwait still commands 37% of the total market share serving 2.5 million customers, representing 8% Y-o-Y increase.
- For the first quarter 2014, the operation reported impressive financial performance where revenues soared by 9% to reach USD 313 million as compared with USD 287 million in Q1-13, while EBITDA and net income increased in tandem with top line by 12% and 8% respectively. The operator reported a healthy EBITDA margin of 49% as of Q1-2014.
- Notably, data revenues (excluding SMS & VAS) formed 31% of total revenues, reflecting an annual growth of 23%. Zain's nationwide 4G LTE network covered the entire population of Kuwait through a total of 1,841 network sites.

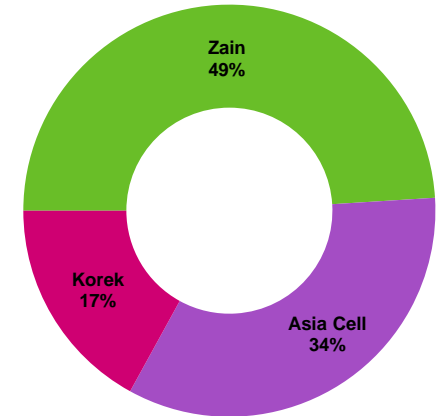
# Republic of Iraq

## Key Statistics – March 2014

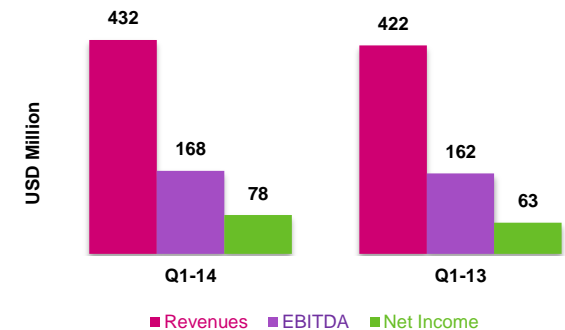


**Technology : 2G**  
**Number of sites : 3,936**  
**Coverage : 98%**  
**License : expires in 2022**

## Market Share by Customers



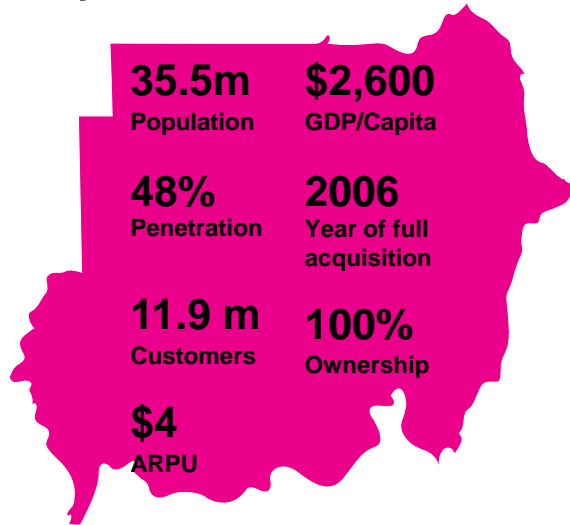
## Financials – Q1-14



- 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.
- Zain Iraq performed remarkably well in the first quarter of 2014 with revenues of USD 432 million, EBITDA of USD 168 million and net income of USD 78 million reflecting Y-o-Y growth of 3%, 3% and 24% respectively compared to Q1-2013. The operator witnessed the highest customer growth among the group growing 18% Y-o-Y to reach 16 million customers at the end of Q1-2014. Zain Iraq's customer base contributed 35% of total Group customer base and 40% of total Group consolidated revenues.
- Zain Iraq is currently preparing to launch an initial public offering (IPO) to list the company shares on the Iraq Stock Exchange (ISX) as per the license requirements, which should take place during 2014 subject to regulatory conditions being met.
- Data revenues (excluding SMS & VAS) represent only 4% of total revenues, reflecting an annual growth of 69%, leaving further room for growth given the imminent granting of 3G spectrum this year. As of Q1-2014, the operator had a total of 3,936 network sites, covering 98% of the population.

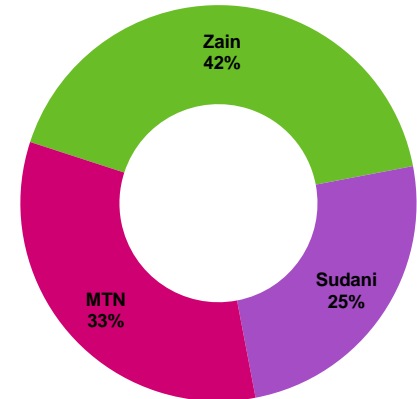
# Republic of Sudan

## Key Statistics – March 2014

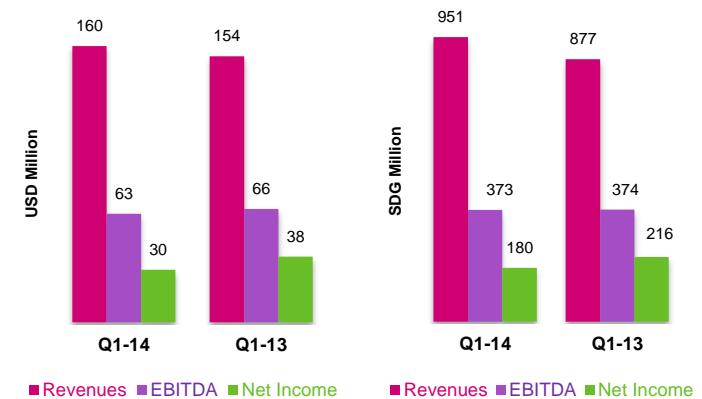


Technology : 3G  
Number of sites : 2,301  
Coverage : 86%  
License : expires in 2029

## Market Share by Customers



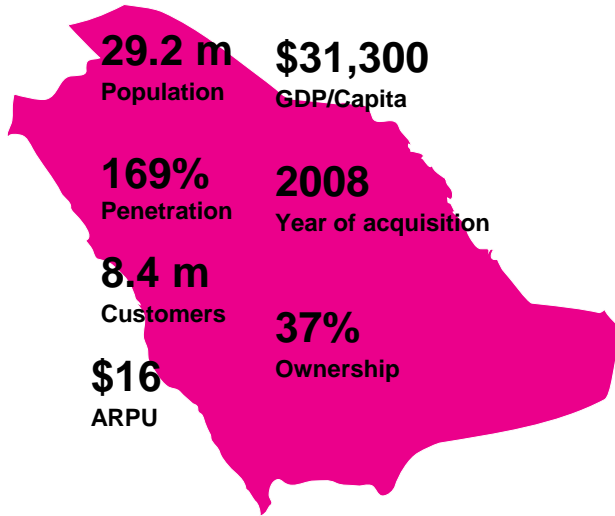
## Financials – Q1-14



- 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.
- In local currency (SDG) terms, revenues jumped by 8% Y-o-Y to reach SDG 951 million in Q1-2014, mainly coming from increase in voice, data and interconnect revenues, while EBITDA was slightly down. Net income for the same period decreased by 17% coming from the negative currency variance. In USD terms, revenues for the first quarter increased 4% to reach USD 160 million while EBITDA and net income decreased by 4% and 20% Y-o-Y to reach USD 63 million and USD 30 million respectively in Q1-2014.
- The operation served 11.9 million customers as of March 2014 through a total number of 2,301 network sites, with 86% population coverage. Data revenues in SDG terms (excluding SMS and VAS) formed 5% of total revenues, with a remarkable growth of 90% Y-o-Y.

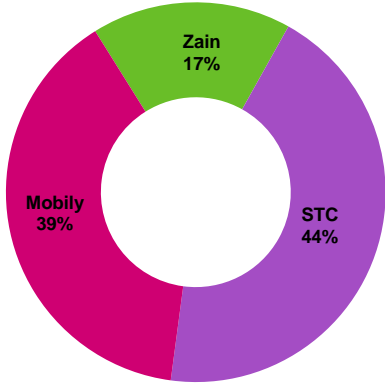
# 17 Kingdom of Saudi Arabia

## Key Statistics – March 2014



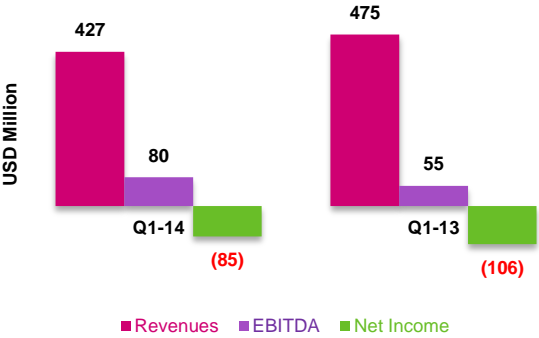
Technology : 4G LTE  
 Number of sites : 5,918  
 Coverage : 93%  
 License : expires in 2033

## Market Share by Customers



- Zain launched commercial operations in the Kingdom on August 2008. The 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 3 billion (share price SAR 10.35) on April 22<sup>nd</sup>, 2014.
- In March 2014 Zain KSA board of directors appointed Eng. Farhan Bin Naif Al Faisal Al Jarbaa as Chairman of the company, replacing Mr. Fahad Ibrahim Al Dughaiter who remains a member of the Board.
- The improvements in Zain KSA reflects the transformation efforts by the new management, highlighted by the 45% Y-o-Y increase in EBITDA to attain 19% margin, the highest since inception, mainly due to cost optimization process with net losses narrowing by 20% Y-o-Y.
- The efficiency drive coupled with new commercial and distribution strategies are proving successful to date noting an additional 2,400 points of sale established during the quarter.
- The operator saw a phenomenal 52% rise in data revenues (excluding SMS & VAS) Y-o-Y which represents 17% of total revenues as the company expands its state-of-the-art 4G LTE network.
- Zain KSA's network covers 93% of the population through a total of 5,918 network sites.

## Financials – Q1-14



# Kingdom of Jordan

## Key Statistics – March 2014

**7.4 m**

Population

**\$6,100**

GDP/Capita

**135%**

Penetration

**2003**

Year of acquisition

**3.9 m**

Customers

**96.52%**

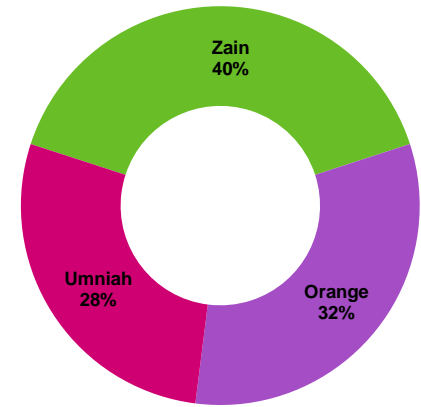
Ownership

**\$9**

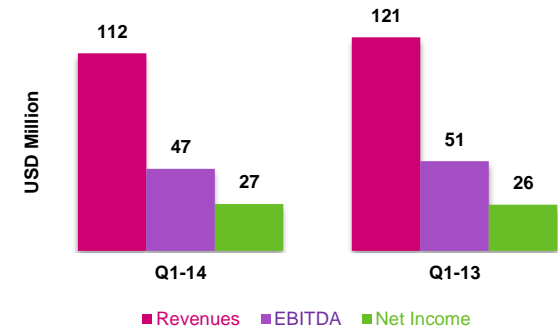
ARPU

Technology : 3G  
Number of sites : 1,712  
Coverage : 100%  
License : expires in 2026

## Market Share by Customers



## Financials – Q1-14



- 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 has been acquired for USD 419 million and today remains the market leader.
- Despite the heightening of price competition and the economic pressure, Zain managed to maintain its lead in the market increasing to 40% market share as compared with 39% last quarter. Zain Jordan customer base jumped by 5% to serve circa 3.9 million customers as of Q1-2014. Net income grew by 2% Y-o-Y reaching USD 27 million (USD 26 million last year), in contrast revenues and EBITDA both decreased by 8% mainly due to the increase in special sales tax from 12% to 24% which effected the KPIs since last July.
- Zain Jordan recently attained frequencies to enhance and expand its third generation network and also to roll-out 4G LTE in the Kingdom, boding well for the operator to provide superior mobile and data services to its customer base going forward.
- Data revenues (excluding SMS & VAS) represented 24% of total revenues, which grew by 19% as compared with the same period last year. The operator covers the entire population through its 1,712 network sites.

# Kingdom of Bahrain

## Key Statistics – March 2014

**1.3 m**

Population

**\$29,800**

GDP/Capita

**169%**

Penetration

**2003**

Year of launch

**774**

Thousand  
Customers

**56.25%**

Ownership

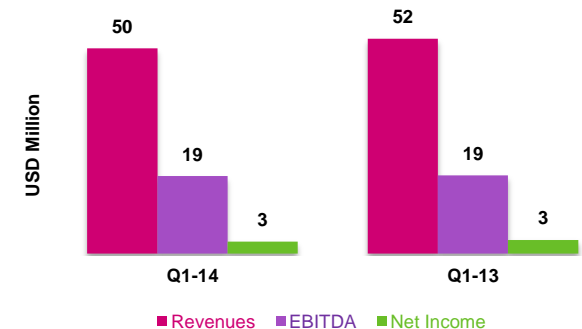
**\$20**

ARPU

Technology : 4G LTE  
Number of sites : 345  
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, Zain has tapped into a rich seam of telecommunication records, placing it and Bahrain firmly on the global telecom map.
- With an ARPU of USD 20, Zain Bahrain has the second highest ARPU in the Group.
- The operation's customer base grew by 13% Y-o-Y to now serve more than 774 thousand customers, recording the second highest customer growth among the Group.
- Data revenues (excluding SMS & VAS) represented 29% of overall revenues, which grew by 6% as compared with last year.
- In January 2014, Zain Bahrain signed a four-year partnership with world-leading technology and services provider Ericsson to manage, plan and optimize its new network that will add tangible value to the overall customer experience.
- The mobile operator is currently preparing to launch an Initial Public Offering to list 15% of the company shares on the Bahrain Stock Exchange as per licence and TRA requirements, expected before end of Q2-2014.

## Financials – Q1-14



# 20 Republic of South Sudan

## Key Statistics – March 2014

**11.6 m**  
Population

**\$1,400**  
GDP/Capita

**18%**  
Penetration

**2006**  
Year of full acquisition

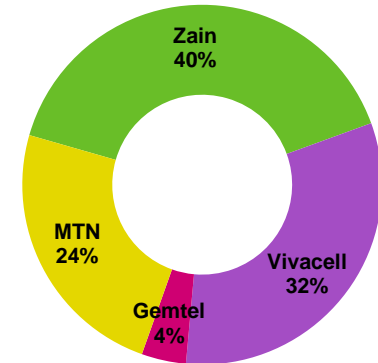
**725**  
Thousand Customers

**100%**  
Ownership

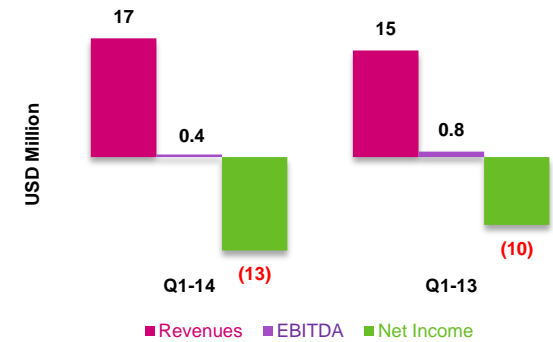
**\$7**  
ARPU

Technology : 3G  
Number of sites : 303  
Coverage : 45%  
License : MOU

## Market Share by Customers



## Financials – Q1-14



- In June 2011, The Republic of Sudan and South Sudan successfully completed the separation process. Accordingly, Zain Group commenced separating the two entities by having different financial statements and organizational structures.
- In late January, 2014 Mr. Basel Manasrah was appointed as CEO of Zain South Sudan with very strong credentials in commercial, technical and operational aspects, after holding several key senior positions within Zain Group since joining the company in 2000.
- Despite the fierce competition in the market, and challenging economic conditions, Zain South Sudan managed to increase its market share to 41% supported with the increase in its customer base. The dramatic increase in data revenues which grew by 248% Y-o-Y led the revenues to jump by 12% in Q1-2014.
- As of Q1-2014 the operator had a total of 303 network sites, covering 45% of the population, the largest in the new born country.



## Key Statistics – March 2014

**4.9 m**

Population

**\$15,800**

GDP/Capita

**79%**

Mobile  
Penetration

**2004**

Year of acquisition

**2.1 m**

Customers

**MC**

Ownership

**Technology : 4G LTE**

**Number of sites : 1,047**

**Coverage : 99%**

**License : Management Contract (MC) until June-2014**

- 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 1,047 network sites as of March 2014, covering 99% of the population.
- The operation currently serves more than 2.1 million customers.
- The Network Management Agreement (NMA), has been extended for a period of three months commencing on 1<sup>st</sup> of April 2014 and ending on 30<sup>th</sup> June 2014.



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# Balance Sheet



	Unaudited 31-Mar-14	Audited 31-Dec-13	Unaudited 31-Mar-13
	KD '000		
<b>Assets</b>			
<b>Current assets</b>			
Cash and bank balances	349,050	399,242	317,298
Trade and other receivables	353,027	350,300	345,725
Inventories	25,873	14,922	21,205
Investment securities- at fair value through profit or loss	1,835	1,930	2,529
	<b>729,785</b>	<b>766,394</b>	<b>686,757</b>
<b>Non-current assets</b>			
Investment securities available for sale	42,947	46,363	48,711
Investments in associates and joint ventures	255,625	265,197	295,347
Dues from associates	284,953	271,952	243,581
Other assets	19,442	18,726	17,113
Property and equipment	733,882	734,641	715,176
Intangible assets	988,926	993,667	1,023,271
	<b>2,325,775</b>	<b>2,330,546</b>	<b>2,343,199</b>
	<b>3,055,560</b>	<b>3,096,940</b>	<b>3,029,956</b>

	Unaudited 31-Mar-14	Audited 31-Dec-13	Unaudited 31-Mar-13
	KD '000		
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Trade and other payables	569,571	542,566	525,005
Due to banks	201,429	198,402	519,813
	<b>771,000</b>	<b>740,968</b>	<b>1,044,818</b>
<b>Non-current liabilities</b>			
Due to banks	626,792	557,319	135,724
Other non-current liabilities	36,644	35,451	33,578
	<b>663,436</b>	<b>592,770</b>	<b>169,302</b>
<b>Equity</b>			
<b>Attributable to the Parent Company's shareholders</b>			
Share capital	432,637	432,268	432,149
Share premium	1,707,104	1,706,779	1,706,674
Treasury shares	-567,834	-567,834	-567,834
Legal reserve	216,134	216,134	215,764
Foreign currency translation reserve	-688,526	-684,716	-649,181
Treasury shares reserve	1,967	1,967	1,967
Investment fair valuation reserve	354	2,445	392
Share based compensation reserve	-	5,482	3,855
Hedge reserve	-1,471	-1,164	-
Retained earnings	375,659	509,296	352,597
Proposed dividend	-	-	194,789
	<b>1,476,024</b>	<b>1,620,657</b>	<b>1,691,172</b>
Non-controlling interests	145,100	142,545	124,664
	<b>1,621,124</b>	<b>1,763,202</b>	<b>1,815,836</b>
<b>Total equity</b>	<b>3,055,560</b>	<b>3,096,940</b>	<b>3,029,956</b>
<b>Total Liabilities and Equity</b>	<b>3,055,560</b>	<b>3,096,940</b>	<b>3,029,956</b>

# Income Statement

	Three months ended		Three months ended	
	31-Mar		31-Mar	
	2014	2013	2014	2013
	KD'000		KD'000	
Revenue	311,131	299,007		
Cost of sales	(84,216)	(84,722)		
<b>Gross profit</b>	<b>226,915</b>	<b>214,285</b>		
Operating and administrative expenses	(90,935)	(86,110)		
Depreciation and amortization	(45,867)	(47,698)		
Provision for impairment – trade and other receivables	(3,804)	(1,527)		
<b>Operating profit</b>	<b>86,309</b>	<b>78,950</b>		
Interest income	4,722	4,574		
Investment income	2,471	98		
Share of results of associates and joint ventures	(8,491)	(9,453)		
Other (expense)/income	(743)	2,046		
Finance costs	(6,535)	(4,975)		
Loss on currency revaluation	(7,450)	(4,704)		
Board of Directors' remuneration	(108)	(108)		
Contribution to Kuwait Foundation for Advancement of Sciences	(375)	(538)		
National Labour Support Tax and Zakat	(1,695)	(1,825)		
Profit for the period before income tax	68,105	64,065		
Income tax expenses	(6,284)	(7,128)		
<b>Profit for the period</b>	<b>61,821</b>	<b>56,937</b>		
			<b>Attributable to:</b>	
			Shareholders of the Parent Company	55,914      52,001
			Non-controlling interests	5,907      4,936
				<b>61,821      56,937</b>
			<b>Earnings per share</b>	
			Basic – Fils	14      13
			Diluted – Fils	-      13

# Cash flow statement

	Three months ended		Three months ended	
	31-Mar		31-Mar	
	2014	2013	2014	2013
	KD'000		KD'000	
<b>Cash flows from operating activities</b>				
Profit for the period before income tax	68,105	64,065		
Adjustments for:				
Depreciation and amortization	45,867	47,698		
Interest income	(4,722)	(4,574)		
Investment income	(2,471)	(98)		
Share of results of associates and joint ventures	8,491	9,453		
Finance costs	6,535	4,975		
Loss on currency revaluation	7,450	4,704		
Operating profit before working capital changes	129,255	126,223		
Increase in trade and other receivables	(10,047)	(18,761)		
Increase in inventories	(11,334)	(8,954)		
Increase/(decrease) in trade and other payables	5,777	(19,808)		
Cash generated from operations	113,651	78,700		
Paid to Kuwait Foundation for Advancement of Sciences	(3,949)	(5,058)		
Income tax paid	(3,902)	(2,550)		
<i>Net cash from operating activities</i>	105,800	71,092		
<b>Cash flows from investing activities</b>				
Deposits maturing after three months and bank balances blocked			(3,466)	(2,946)
Purchase of investments			-	(2)
Proceeds from sale of investments			3,823	986
Acquisition of property and equipment (net)			(26,361)	(32,114)
Acquisition of intangible assets			(10,712)	(14,168)
Interest received			2,714	4,572
<i>Net cash used in investing activities</i>			(34,002)	(43,672)
<b>Cash flows from financing activities</b>				
Proceeds from bank borrowings			237,107	53,070
Repayment of bank borrowings			(162,518)	(58,353)
Loan to an associate			(9,610)	(5,752)
Capital contribution including share premium – employees stock option			694	1,801
Dividends paid to Parent Company's shareholders			(185,446)	(362)
Dividends paid to minority shareholders of subsidiaries			(1,163)	-
Finance costs paid			(3,829)	(12,338)
<i>Net cash used in financing activities</i>			(124,765)	(21,934)
Net (decrease)/increase in cash and cash equivalents			(52,967)	5,486
Effect of foreign currency translation			(691)	6,257
Cash and cash equivalents at beginning of period			282,687	188,921
<b>Cash and cash equivalents at end of period</b>			229,029	200,664



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# Q&A

*For More Information Please Contact ZAIN Group Investor Relations Team ([IR@zain.com](mailto:IR@zain.com))*

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**Note:** All population, GDP per Capita and Mobile Penetration figures are sourced from EIU, WCIS and CIA Fact Book.

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