



Zain Group Financial Results

Q2 2016






Disclaimer

- Mobile Telecommunications Company KSCP “Zain Group” has prepared this presentation to the best of its abilities, however, no warranty or representation, express or implied is made as to the adequacy, correctness, completeness or accuracy of any numbers, statements, opinions, estimates, or other information contained in this presentation.
- Certain portions of this document contain “forward-looking statements”, which are based on current expectations and reasonable assumptions, we can however give no assurance they will be achieved.
- The information contained in this presentation is subject to change and we disclaim any obligation to update you of any such changes, particularly those pertaining to the forward-looking statements.
- Furthermore, it should be noted that there are a myriad potential risks, uncertainties and unforeseen factors that could cause the actual results to differ materially from the forward-looking statements made herein.
- Accordingly, this presentation does not constitute an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for, or otherwise acquire or dispose of, securities in any company within Zain Group.

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 30 JUNE, 2016

45.2
Million active
customers



11.2
Million customers
In Iraq



4G
Long term
evolution (LTE)
network in Kuwait,
Saudi Arabia,
Jordan, Bahrain,
Lebanon & Sudan



Over
6,700
Employees



\$846
Million in EBITDA



138
Million people
under license



12.5
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

\$272
Million in
net income



42.5
Million + daily
total sms



5.2
Million km²
under license

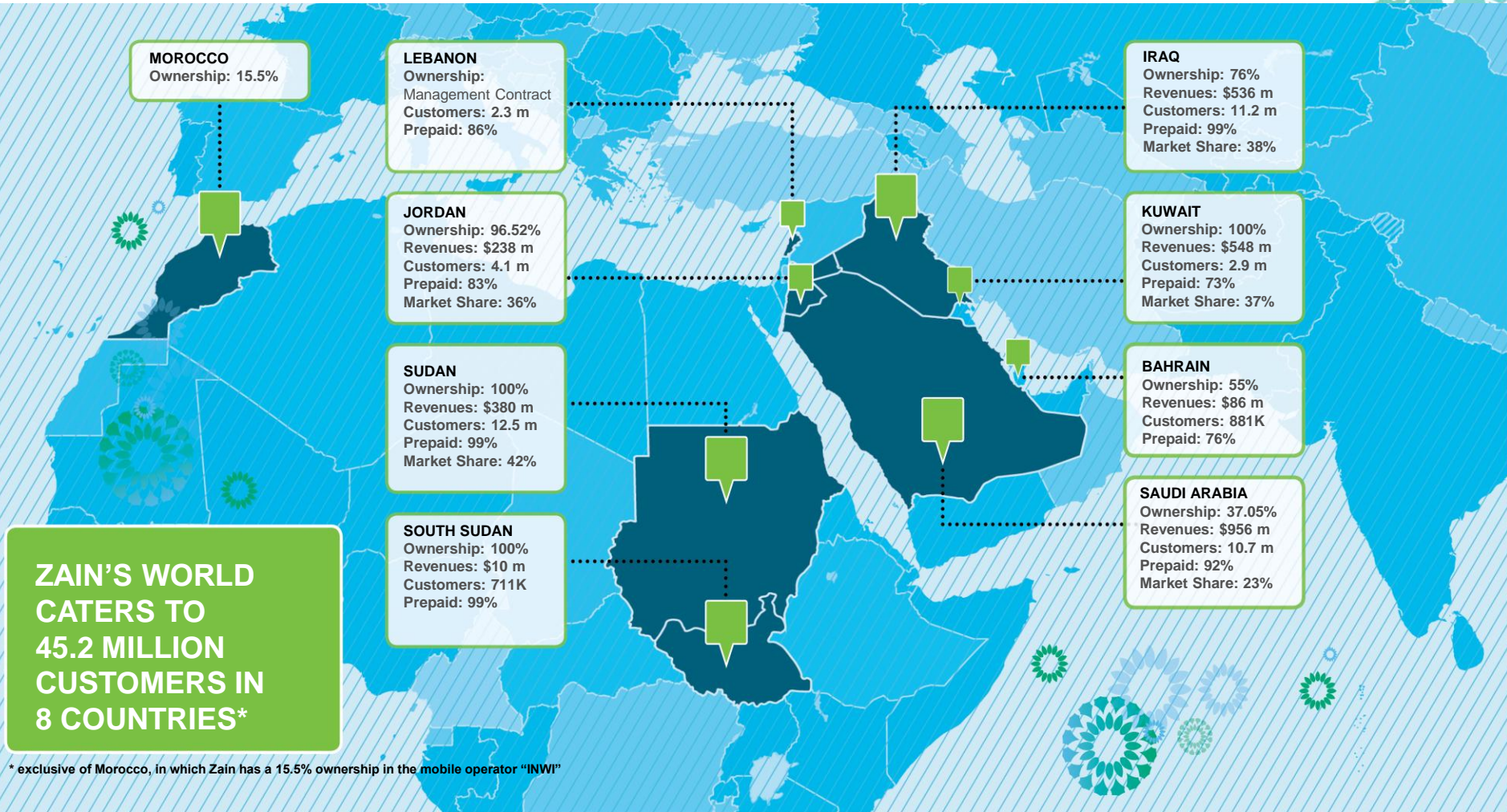


\$1.8
Billion in revenues



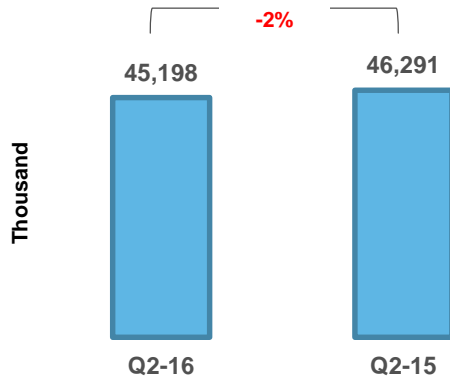
THE WORLD OF ZAIN

As Of 30 JUNE, 2016

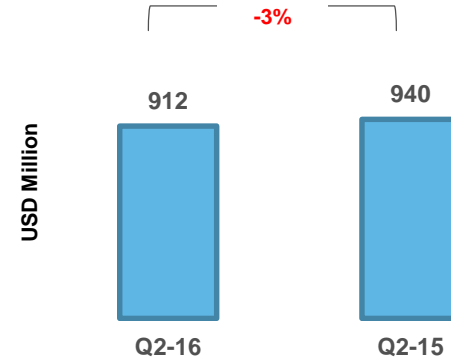


Group Results

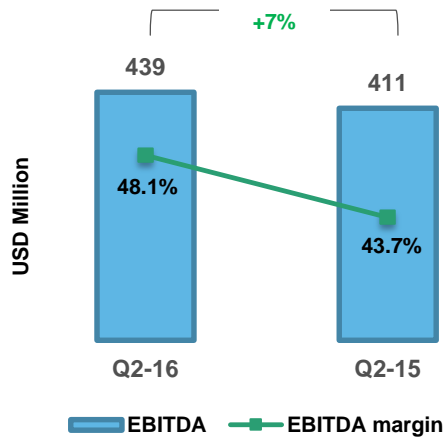
CUSTOMERS



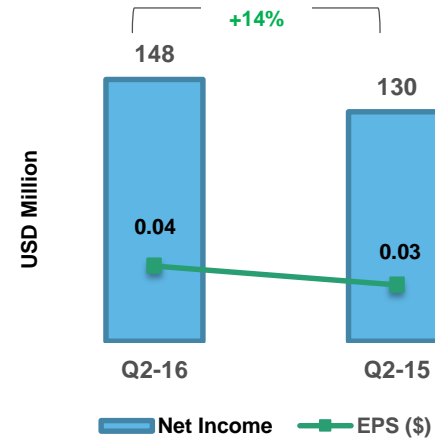
REVENUES



EBITDA / MARGIN

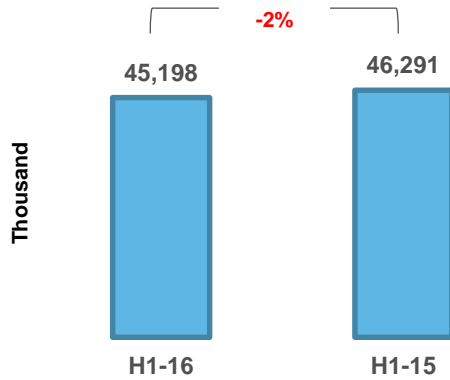


NET INCOME / EPS

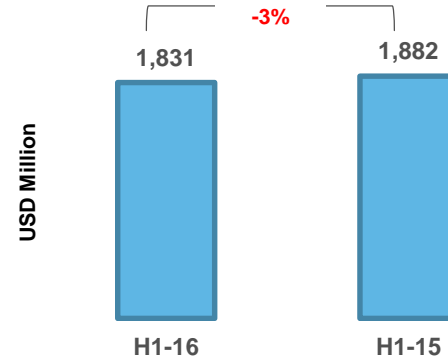


Group Results

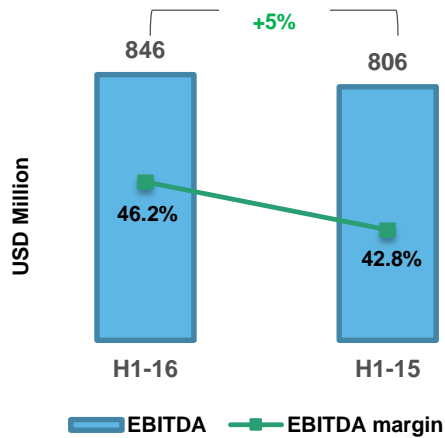
CUSTOMERS



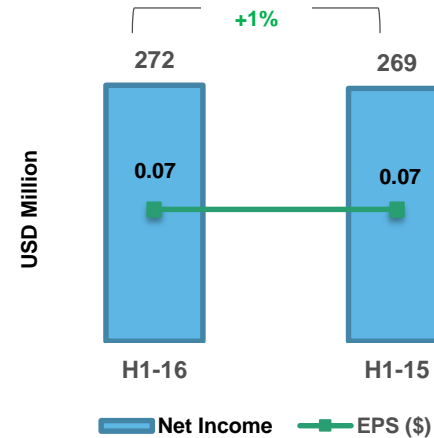
REVENUES



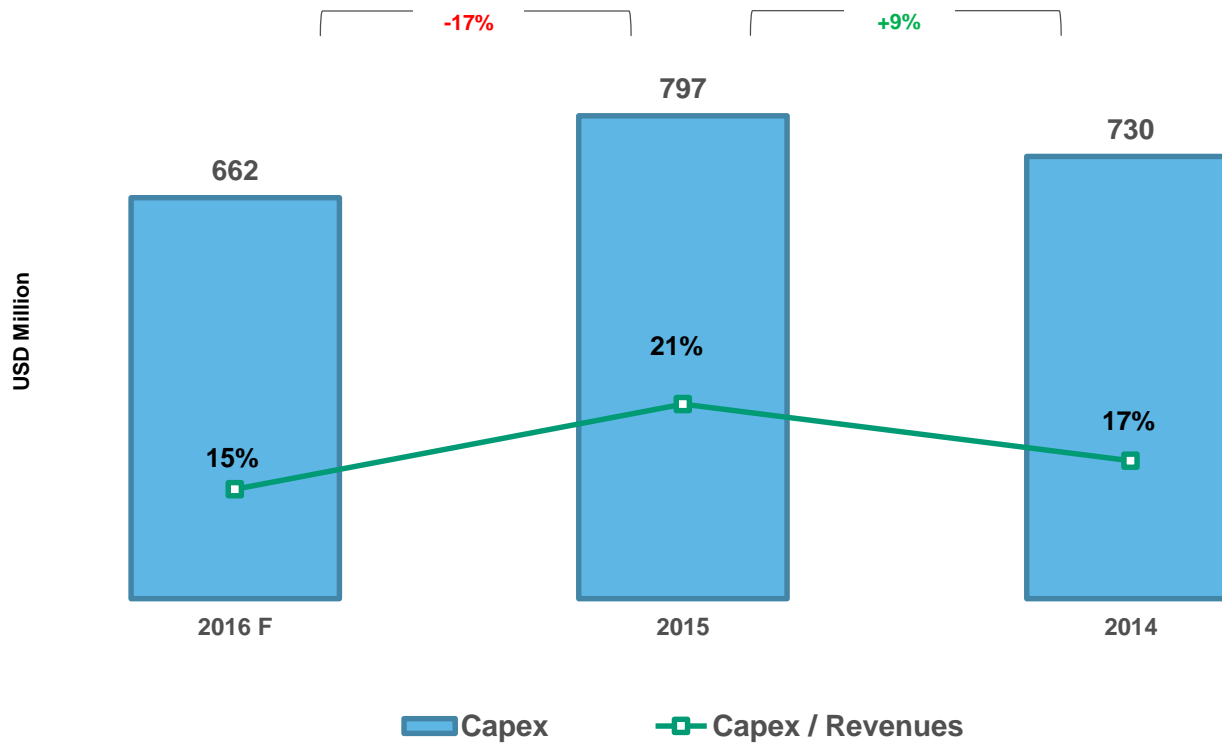
EBITDA / MARGIN



NET INCOME / EPS



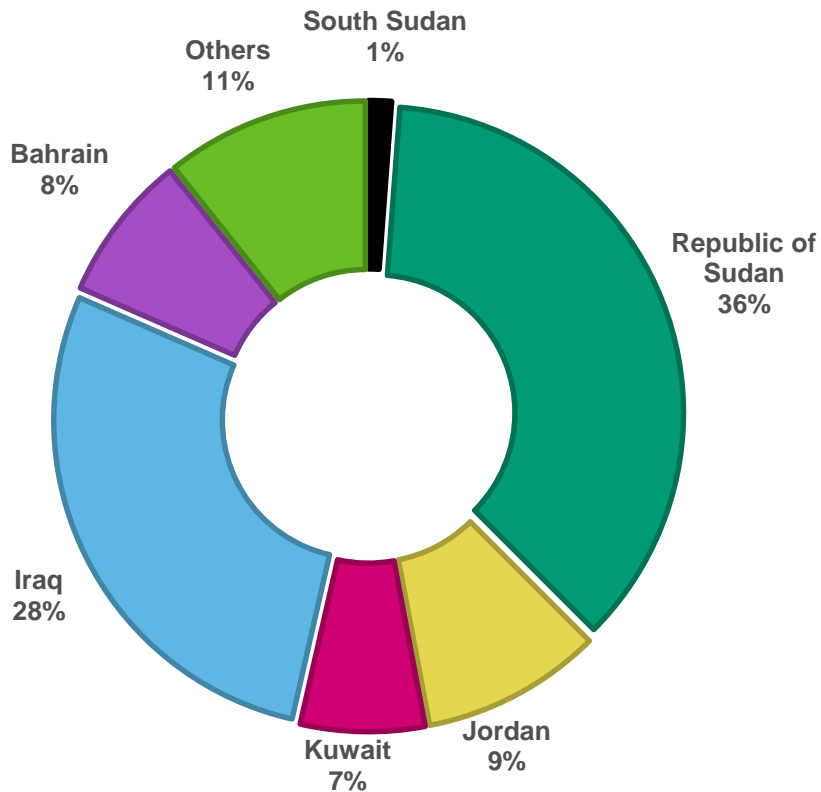
CAPEX & CAPEX / Revenues



F = Forecasted

Total CAPEX

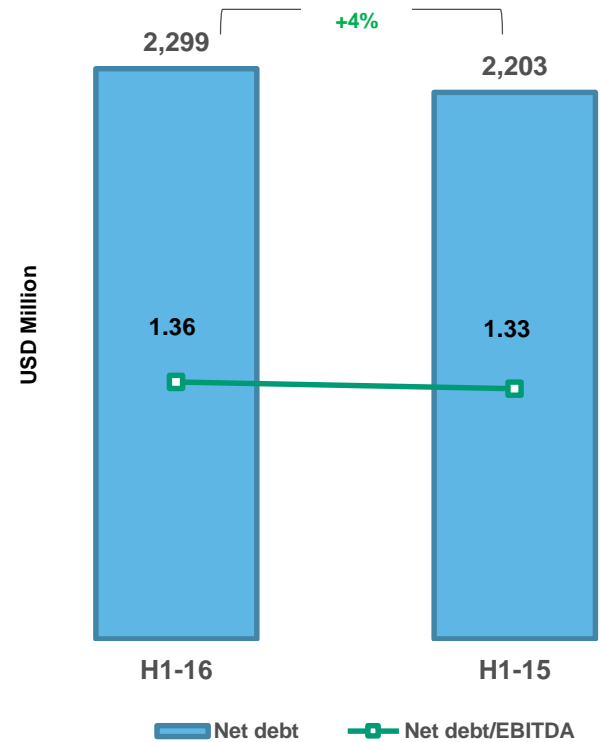
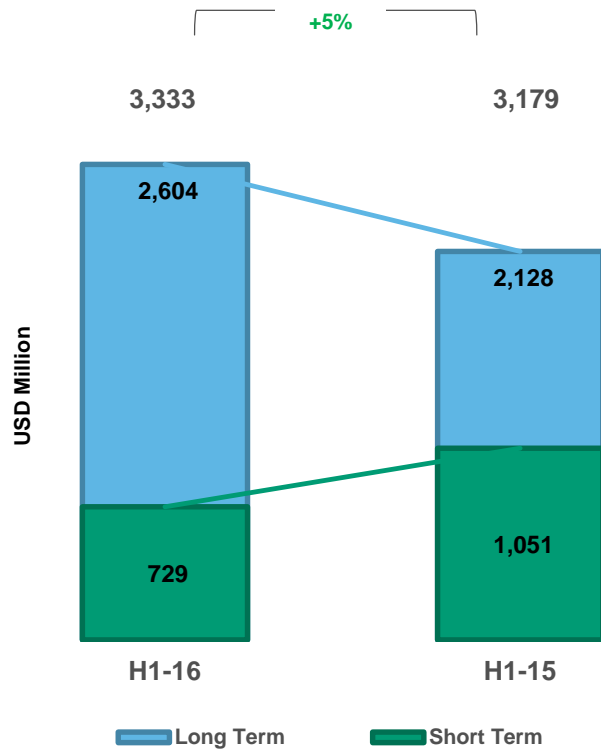
Group Total Capex (excluding KSA) = USD 167 million



OpcO	H1-2016 USD Million	% of Revenues
Kuwait	11	2%
Iraq	47	9%
Sudan	61	16%
KSA	407	43%
Jordan	16	7%
Bahrain	13	14%
S. Sudan	2	21%
Others	17	N/A

Total Debt

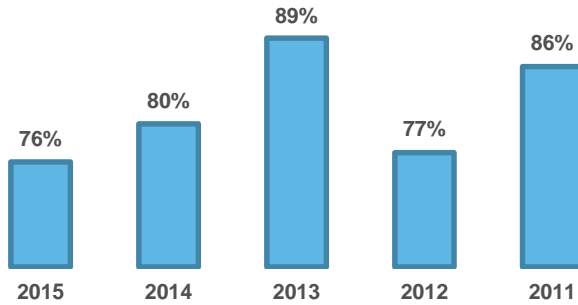
Net Debt & Net Debt / EBITDA



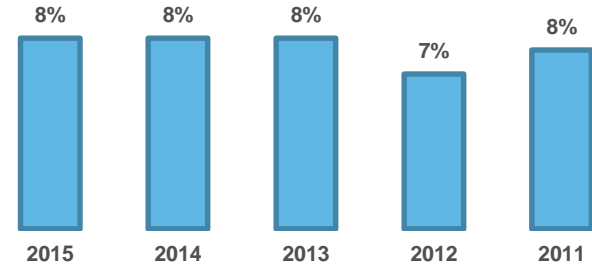
- Net Debt = Total interest bearing debt (excluding letters of guarantee) after deducting cash and cash equivalents

Zain Dividends

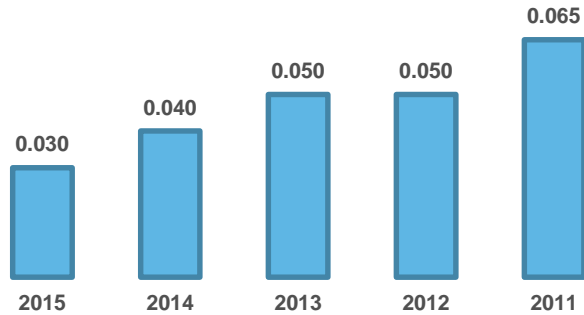
DIVIDEND PAYOUT RATIO



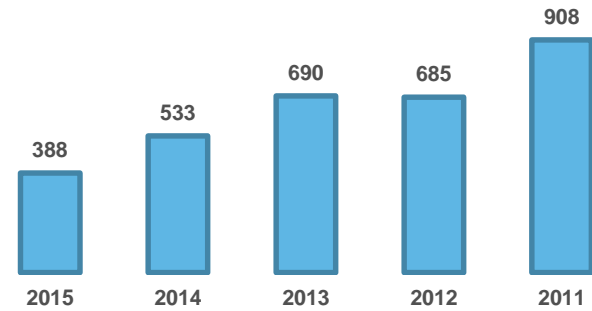
DIVIDEND YIELD (%)



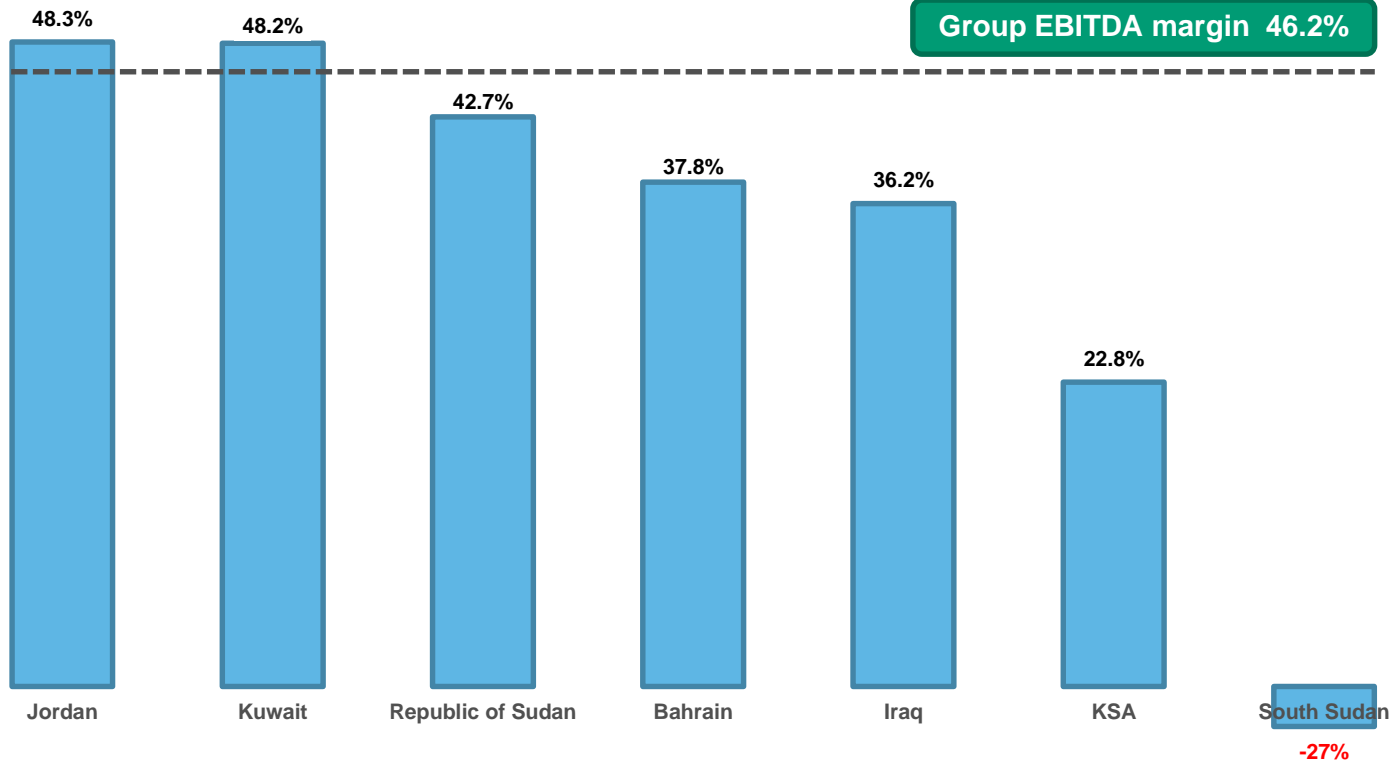
DIVIDEND PER SHARE (KD)



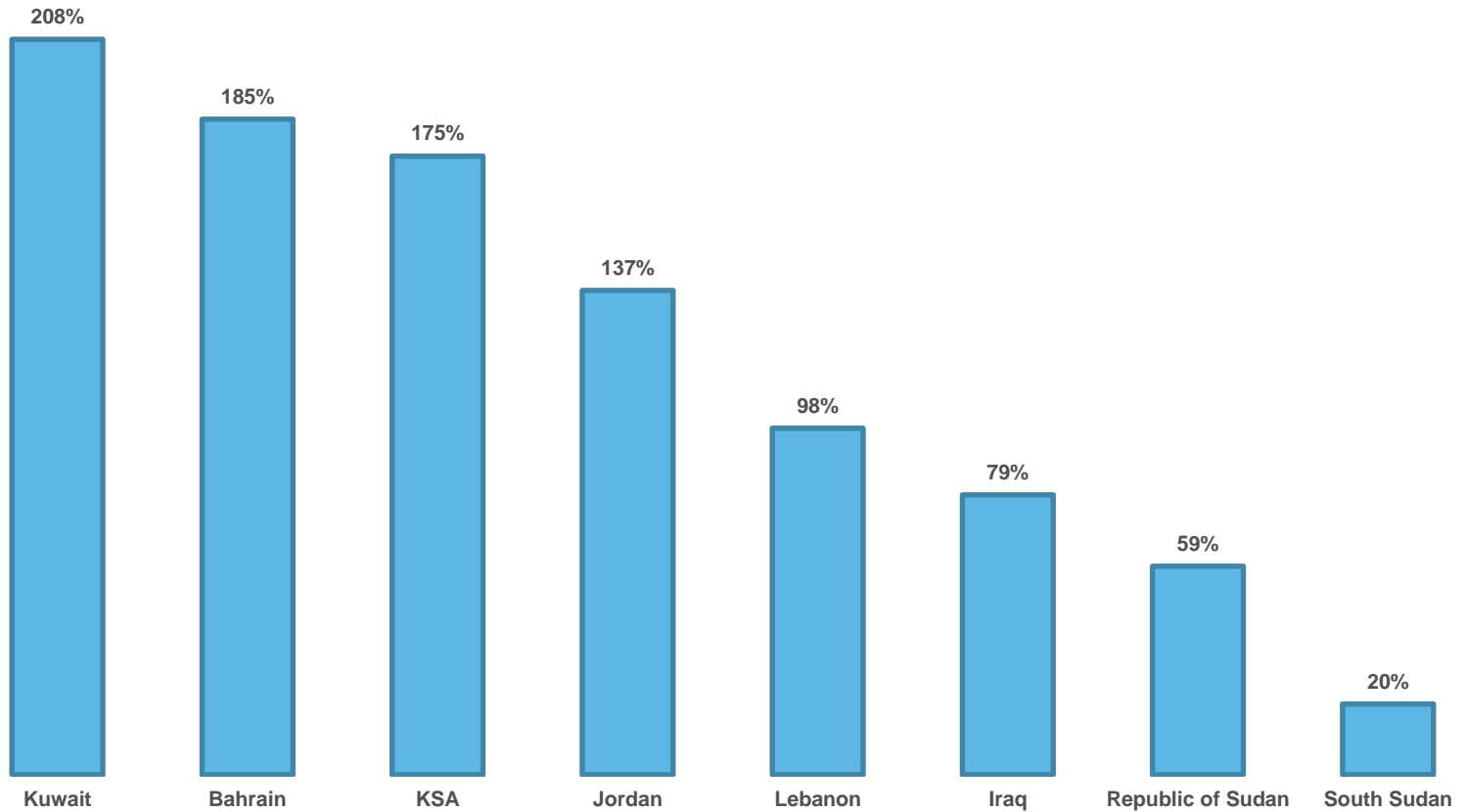
CASH DIVIDEND (USD M)



EBITDA Margins

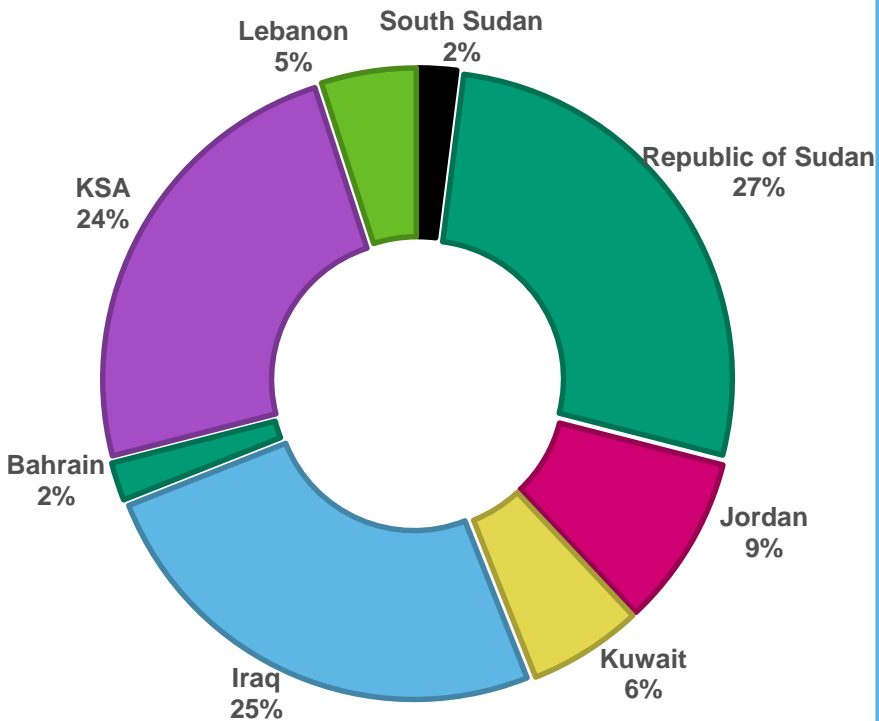


Market Penetration Rates

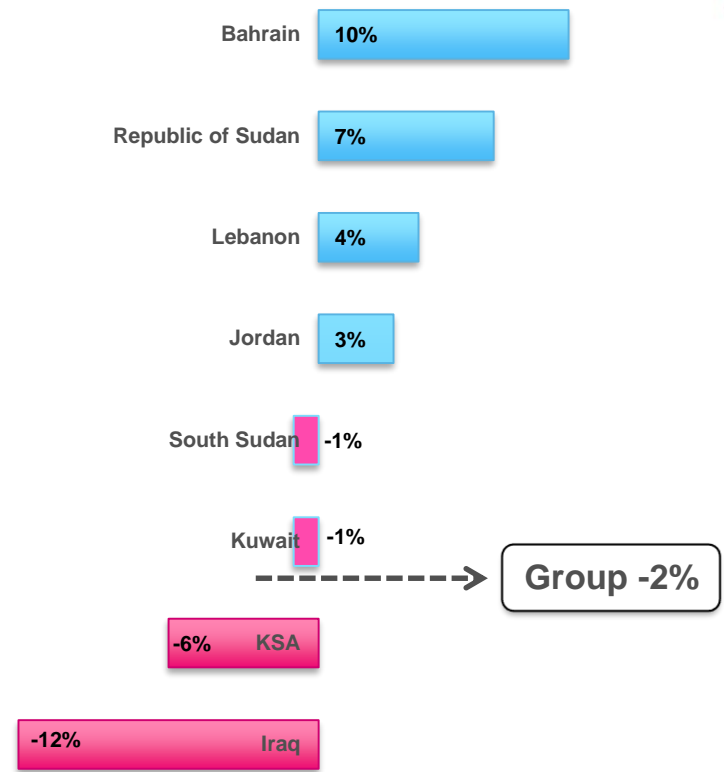


Source: World Cellular Information Services (WCIS).

Customer Contribution

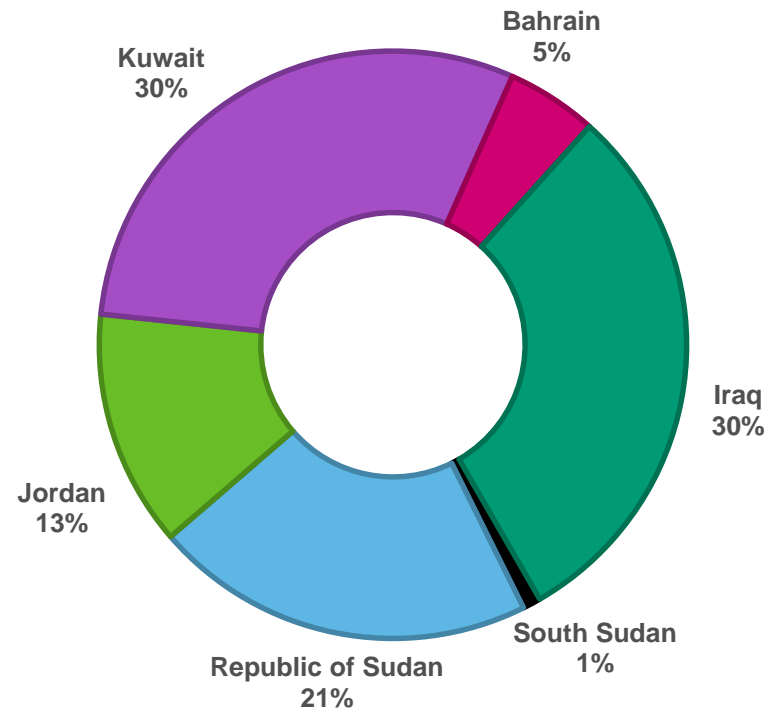
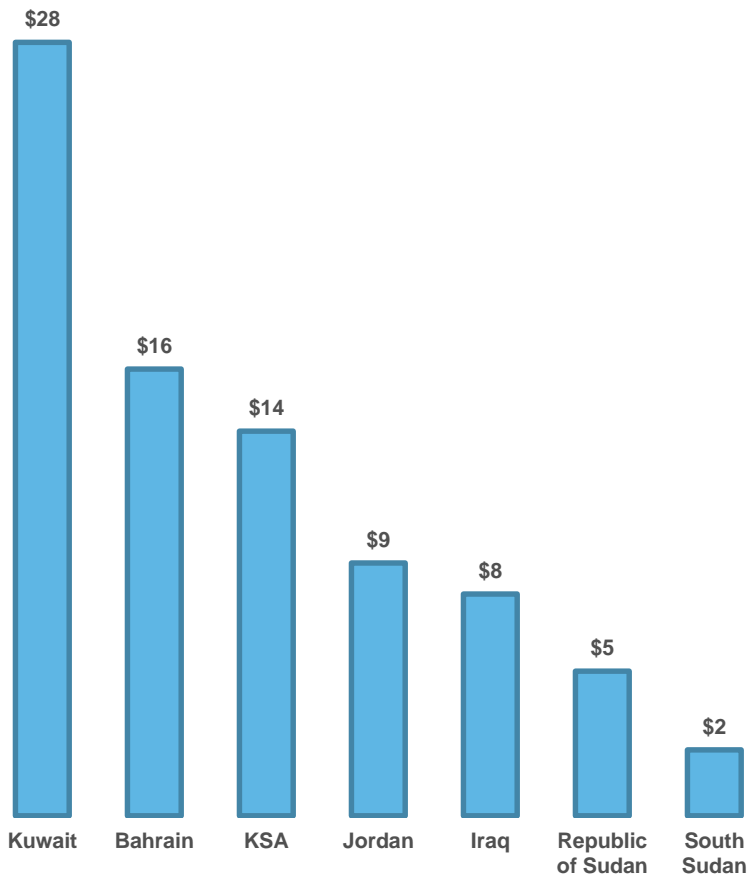


Customer Growth



Blended ARPU

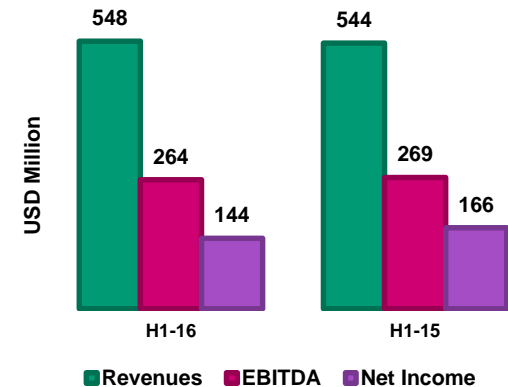
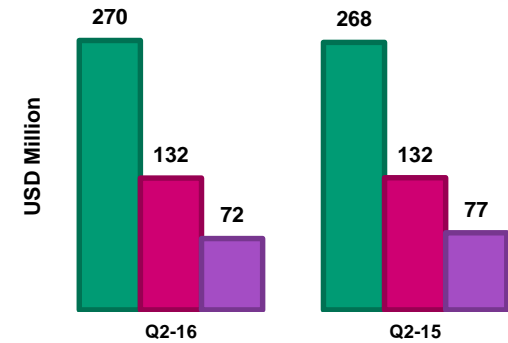
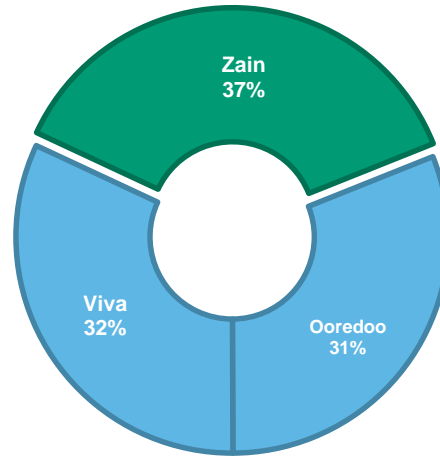
Revenue Contribution



ZAIN KUWAIT

MARKET SHARE

FINANCIALS



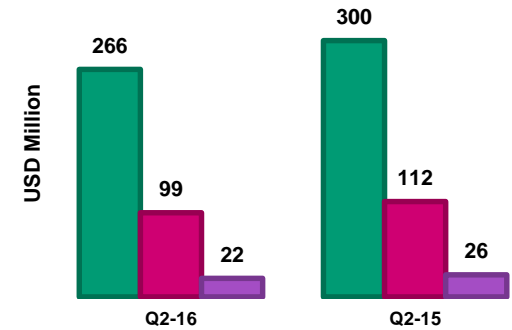
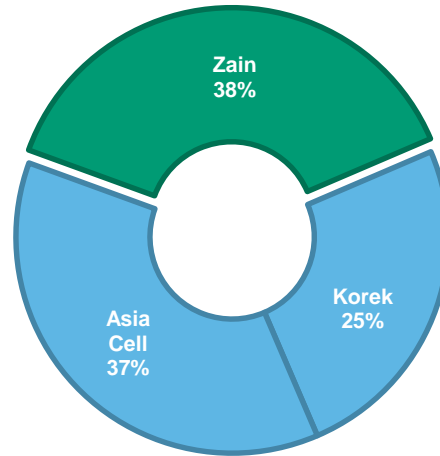
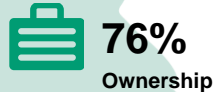
Technology : **2G, 3G, 4G** - Number of Sites : **2,071** - Coverage : **100%**

- 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 335 Fils as of 30th June, 2016.
- Zain Kuwait maintained its market with 37% market share, serving 2.9 million customers. For the first half of 2016, Zain Kuwait revenues increased by 2% to KD 165 million (USD 548 million). EBITDA for the period was stable at KD 80 million (USD 264 million) while net income decreased by 12% mainly due to higher depreciation and amortization. The operator reported a healthy EBITDA margin of 48%.
- Notably, data revenues (excluding SMS & VAS) formed 35% of total revenues. Zain's nationwide 4G LTE network covered the entire population of Kuwait through a total of 2,071 network sites.

ZAIN IRAQ

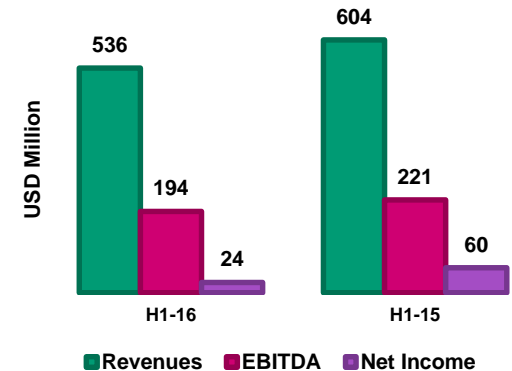
MARKET SHARE

FINANCIALS



Technology : **2G, 3G** - Number of sites : **4,228** - 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 June, 2016 Zain Iraq share price closed at IQD 2.7, with a market capitalization circa USD 4 billion.
- The performance of Zain Iraq over the last six months 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. These exceptional circumstances coupled with intense competition, adversely affected the operation's financial performance, as its revenues for the first six months reached USD 536 million, with EBITDA reaching USD 194 million, and net income amounting to USD 24 million.
- Data revenues (excluding SMS & VAS) represented 8% of total revenues, which grew by 5% as compared with the same period last year.



ZAIN SUDAN



40.6 m
Population



\$4,500
GDP/Capita



59%
Penetration



2006
Year of full acquisition



12.5 m
Customers

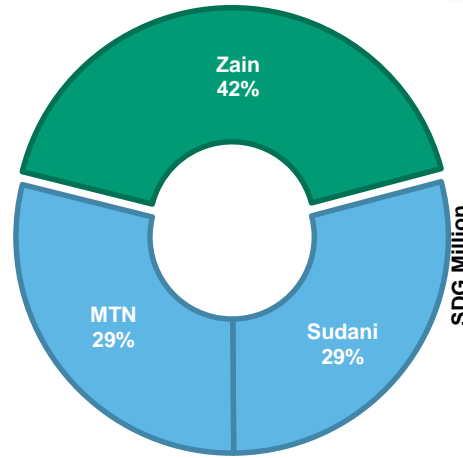


100%
Ownership



\$5
ARPU

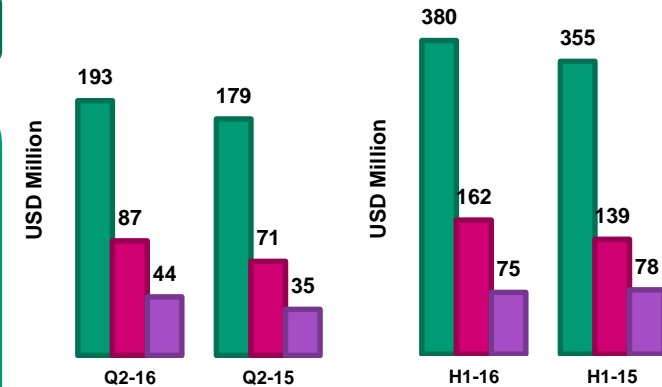
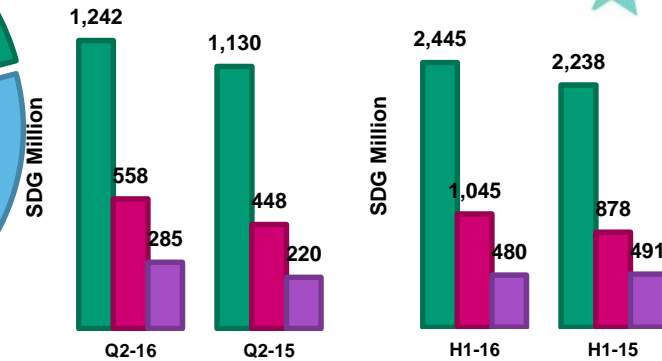
MARKET SHARE



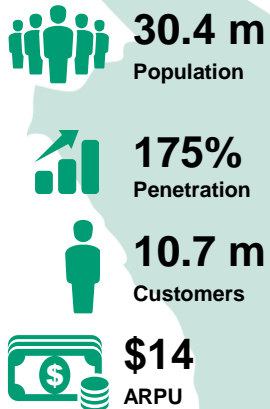
FINANCIALS

Technology : **2G, 3G, 4G** - Number of sites : **2,432** - Coverage : **90%** - License : **expires in 2029**

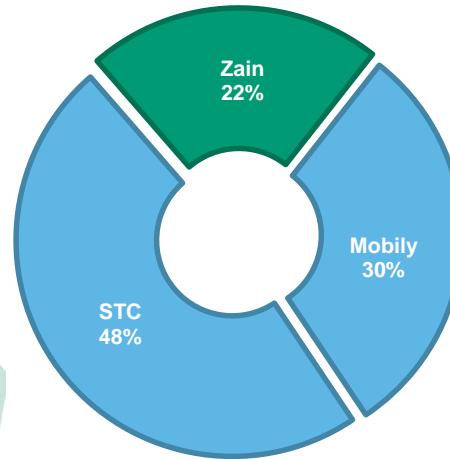
- In February 2006, Zain acquired the remaining 61% stake of Mobitel, Republic of Sudan's first mobile operator, in a deal valued at USD 1.3 billion, resulting in 100% ownership. The company rebranded to Zain in September 2007 and subsequently renewed its license for a period of 20 years.
- For the first six months of 2016, in local currency (SDG) terms, the operator's revenues grew by 9% Y-o-Y to reach SDG 2.4 billion (USD 380 million, up 7% in USD terms), due to higher data revenues. EBITDA increased by 19% to reach SDG 1.04 billion (USD 162 million, up 17% in USD terms), while net income decreased by 2% to SDG 480 million mainly coming from increase in depreciation, FX loss and change in tax rates from 2.5% to 5%, effective from 1st January 2016.
- Zain Sudan has attracted additional 838K new customers, up 7% Y-o-Y, to now serve around 12.5 million customers, through a total number of 2,432 network sites, with 90% population coverage.
- Data revenues (excluding SMS and VAS) formed only 12% of total revenues, with a remarkable growth of 47% Y-o-Y (44% in USD terms).



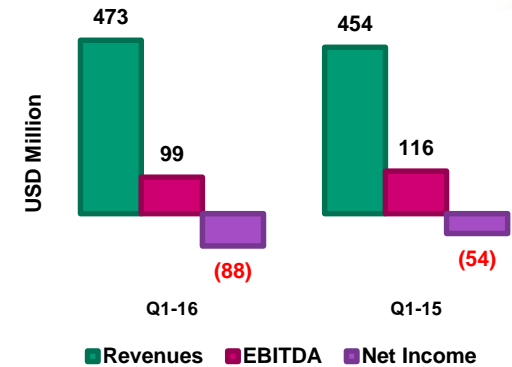
ZAIN KSA



MARKET SHARE

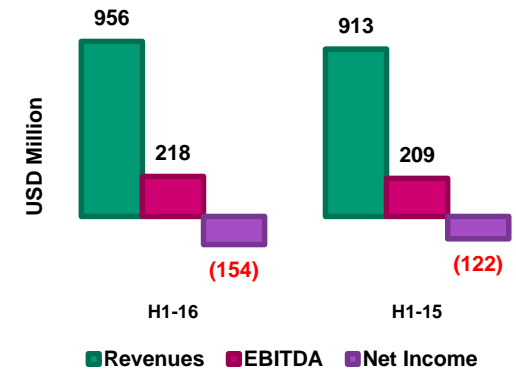


FINANCIALS



Technology : **2G, 3G, 4G** - Number of sites : **7,776** - Coverage : **94%** - License : **expires in 2033**

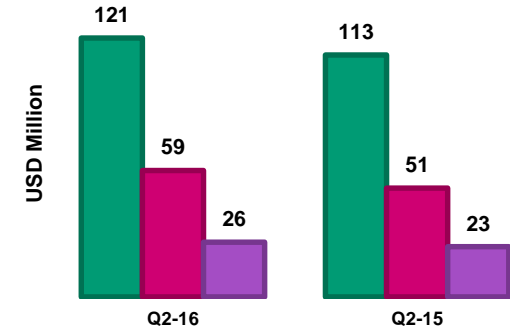
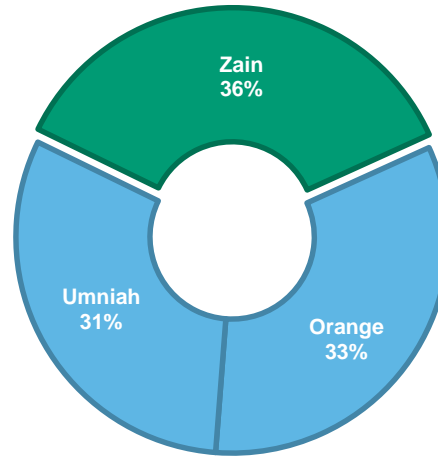
- Zain launched commercial operations in the Kingdom in August 2008. Zain Group holds a 37% equity stake, a Saudi consortium owns 21%, and the remaining 42% are free float. Zain KSA is listed on the Saudi Stock Exchange (MTC KSA, 7030) with a market capitalization circa USD 1.2 billion (share price of SAR 7.9) on June 30th, 2016.
- The operation served 10.7 million customers as of June 2016. Revenues grew 5% Y-o-Y to reach USD 956 million while EBITDA grew 4% to reach USD 218 million and net losses amounted to USD 154 million for the period. Zain Saudi Arabia's EBITDA margin reached 23%..
- The operator witnessed a noticeable 57% 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

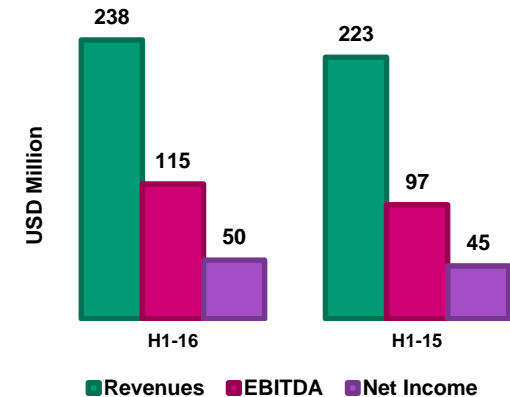
MARKET SHARE

FINANCIALS



Technology : **2G, 3G, 4G** - Number of sites : **2,239** - 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 six months of 2016, where revenues increased by 7% to reach USD 238 million, due to higher data revenues. EBITDA jumped by an impressive 18% to reach USD 115 million with an impressive EBITDA margin of 48.3%. Net income increased by 10% to reach USD 50 million, due to the positive top line performance.
- Data revenues (excluding SMS & VAS) represented 32% of total revenues, which grew by 25% as compared with the same period last year. The operator covers the entire population through its 2,239 network sites.



■ Revenues ■ EBITDA ■ Net Income

ZAIN BAHRAIN

 **1.4 m**
Population

 **\$51,400**
GDP/Capita

 **185%**
Penetration

 **2003**
Year of launch

 **881**
Thousand Customers

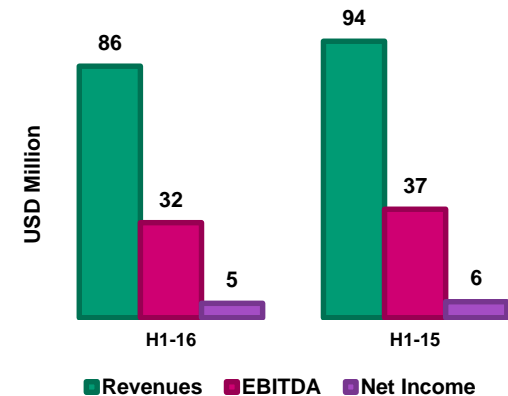
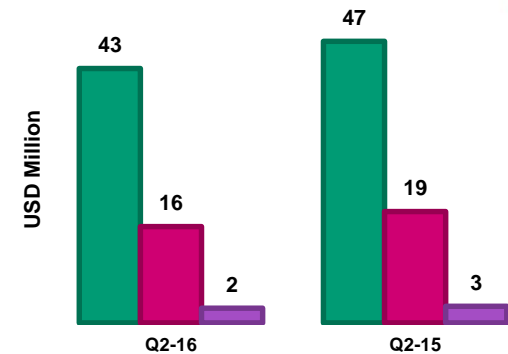
 **55%**
Ownership

 **\$16**
ARPU

Technology : **2G, 3G, 4G** - Number of sites : **480** - Coverage : **100%** - License : **expires in 2028**

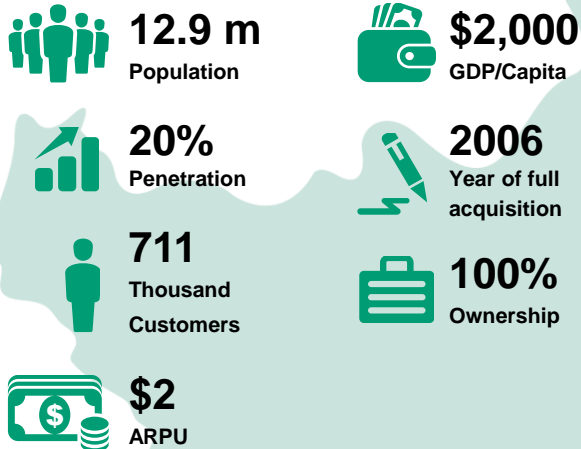
- Zain began operations in the Kingdom of Bahrain in December 2003. Since its historic introduction of nationwide 3.5G, WiMAX and most recently 4G LTE, placing it and Bahrain firmly on the global telecom map. Zain Bahrain is listed on the Bahrain Bourse (ZAINBH) with a market capitalization circa USD 115 million (share price BD 0.118) on 30th June, 2016.
- With an ARPU of USD 16, Zain Bahrain has the second highest ARPU in the Group.
- For the first six months 2016, Zain Bahrain generated revenues of USD 86 million, a drop of 9% as compared with USD 94 million last year. EBITDA for the period reached USD 32 million, reflecting a healthy EBITDA margin of 38%. Net income for the period reached USD 5 million.
- Data revenues (excluding SMS & VAS) represented 37% of overall revenues, which grew by 5% as compared to last year.

FINANCIALS



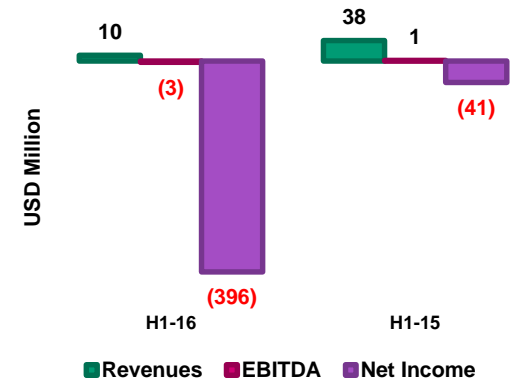
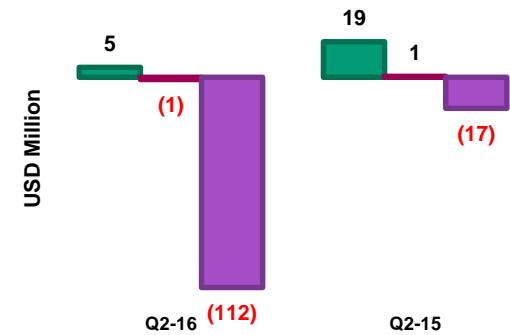
ZAIN SOUTH SUDAN

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 serves 711 thousand customer through a total of 288 network sites.
- Data revenues (excluding SMS & VAS) continue to grow significantly by 129% in local currency terms, representing 14% of the total revenues for the period.




TOUCH MANAGED BY ZAIN

MARKET SHARE

 **5.0 m**
Population

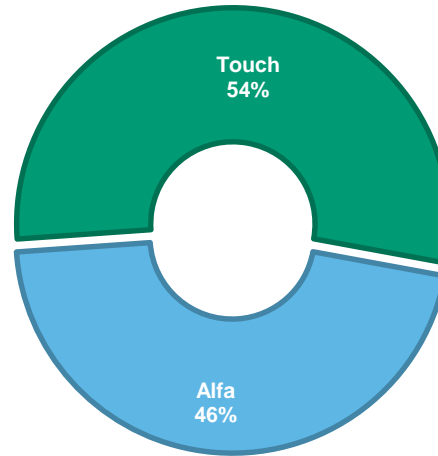
 **\$17,900**
GDP/Capita

 **98%**
Mobile
Penetration

 **2004**
Year of acquisition

 **2.3 m**
Customers

 **MC**
Ownership



Technology : **2G, 3G, 4G** - Number of sites : **1,303** - 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 1,303 network sites as of June 2016, covering 99% of the population.
- The operation currently serves around 2.3 million customers.

INCOME STATEMENT

	Six months ended	
	30-Jun	
	2016	2015
	KD'000	
Revenue	551,884	562,351
Cost of sales	(133,644)	(133,336)
Gross profit	418,240	429,015
Operating and administrative expenses	(162,048)	(185,725)
Depreciation and amortization	(109,990)	(104,941)
Provision for impairment – trade and other receivables	(1,376)	(2,316)
Operating profit	144,826	136,033
Interest income	3,633	3,837
Investment income	(1,636)	(1,190)
Share of results of associates and joint ventures	(18,455)	(13,271)
Other income/(expense)	3,900	(1,730)
Finance costs	(15,625)	(13,355)
Loss from currency revaluation	(17,265)	(12,678)
Board of Directors' remuneration	(138)	(172)
Contribution to Kuwait Foundation for Advancement of Sciences	(469)	(442)
National Labour Support Tax and Zakat	(3,723)	(3,081)
Profit for the period before income tax	95,048	93,951
Income tax expenses	(10,298)	(8,130)
Profit for the period	84,750	85,821
Attributable to:		
Shareholders of the Company	81,964	80,354
Non-controlling interests	2,786	5,467
	84,750	85,821

Earnings per share

Basic – Fils

Six months ended
30-Jun**2016** **2015**

21 21

CASH FLOW STATEMENT

	Six months ended		Six months ended	
	30-Jun		30-Jun	
	2016	2015	2016	2015
	KD'000		KD'000	
Cash flows from operating activities				
Profit for the period before income tax	95,048	93,951		
Adjustments for:				
Depreciation and amortization	109,990	104,941		
Interest income	(3,633)	(3,837)		
Investment income	1,636	1,190		
Share of loss of associates and joint ventures	18,455	13,271		
Finance costs	15,625	13,355		
Loss on currency revaluation	17,265	12,678		
Operating profit before working capital changes	254,386	235,549		
Increase in trade and other receivables	(31,516)	(37,280)		
Decrease/(Increase) in inventories	12,511	(13,156)		
(Decrease)/increase in trade and other payables	(87,062)	6,946		
Cash generated from operations	148,319	192,059		
Paid to Kuwait Foundation for Advancement of Sciences	(500)	(700)		
National Labour Support Tax and Zakat paid	(2,599)	(3,403)		
Income tax paid	(14,698)	(5,617)		
<i>Net cash from operating activities</i>	130,522	182,339		
Cash flows from investing activities				
Deposits maturing after three months and bank balances blocked			61	(5,578)
Net cash outflow on acquisition of non-controlling interest/a subsidiary			(26)	(4,307)
Purchase of investments			(668)	(967)
Proceeds from sale of investments			3,009	2,794
Acquisition of property and equipment (net)			(56,973)	(89,262)
Acquisition of intangible assets (net)			(26,416)	(115,246)
Interest received			3,573	4,102
Dividend received			701	798
<i>Net cash used in investing activities</i>			(76,739)	(207,666)
Cash flows from financing activities				
Proceeds from bank borrowings			100,764	372,018
Repayment of bank borrowings			(55,669)	(228,990)
Loan to an associate			(14,592)	(11,722)
Dividends paid to Company's shareholders			(115,938)	(154,206)
Dividends paid to minority shareholders of subsidiaries			(1,908)	(1,751)
Finance costs paid			(11,534)	(13,120)
<i>Net cash used in financing activities</i>			(98,877)	(37,771)
Net decrease in cash and cash equivalents			(45,094)	(63,098)
Effect of foreign currency translation			(2,905)	8,619
Cash and cash equivalents at beginning of period			228,266	221,021
Cash and cash equivalents at end of period			180,267	166,542



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 of June 2016.

Zain Group, Head Office Building P.O. Box 22244, 13083 Safat, Kuwait City, Kuwait
Tel: +965 2464 4444 , Fax: +965 2464 4506
www.zain.com