



# Zain Group Financial Results

Q2 2015





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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](mailto:IR@zain.com)

# Contents



-  Zain Group Overview
-  Zain Operations Overview
-  Financial Statements

# Zain AT A GLANCE

## H1 2015

**46.3**

Million active  
customers



**12.8**

Million customers  
In Iraq



**4G**

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



Over  
**6,700**  
Employees



**\$806**

Million in EBITDA



**108**

Million people  
under license



**11.6**

Million customers in  
Republic of Sudan



**141**

Million + total  
daily calls



**329**

TB of daily  
data usage



**Market  
Leader**

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



**\$269**

Million in  
net income



**42.5**

Million + daily  
total sms



**5.2**

Million km<sup>2</sup>  
under license

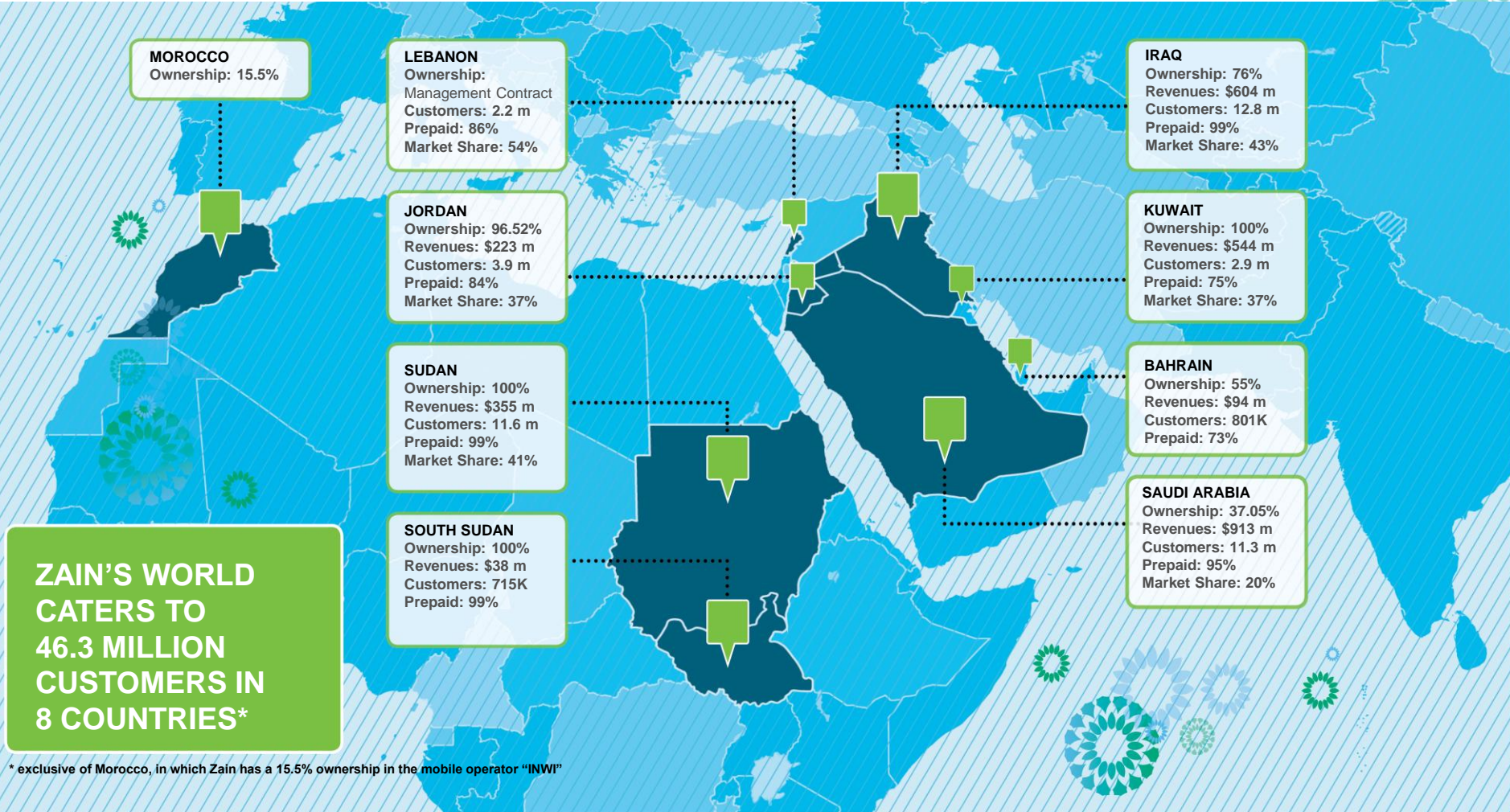


**\$1.9**

Billion in revenues

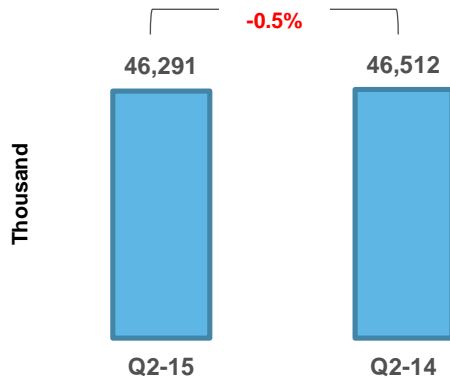


# THE WORLD OF ZAIN H1 2015

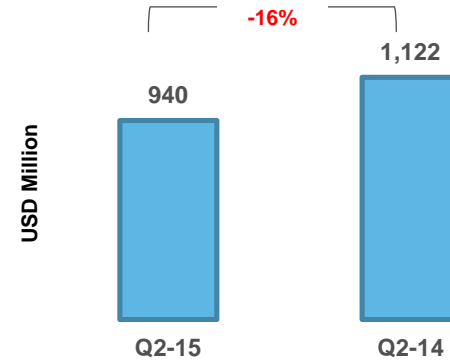


# Group Results Q2 2015

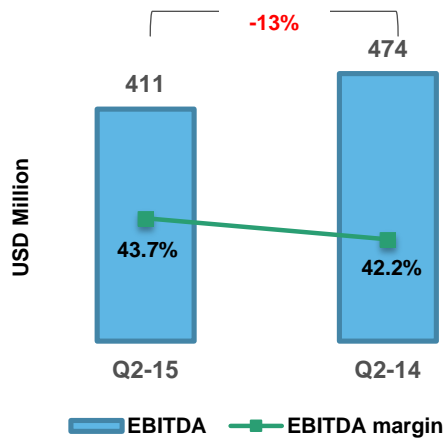
## CUSTOMERS



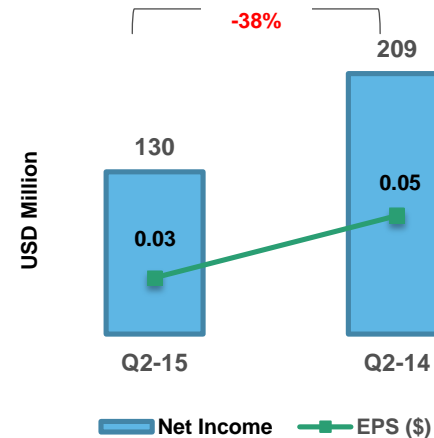
## REVENUES



## EBITDA / MARGIN

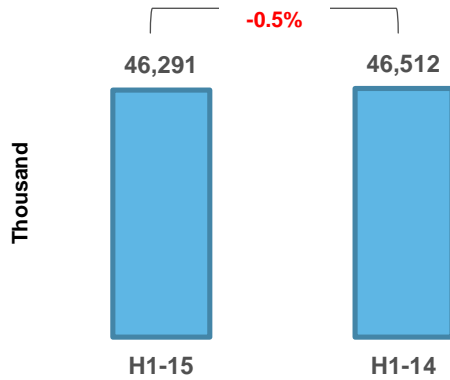


## NET INCOME / EPS

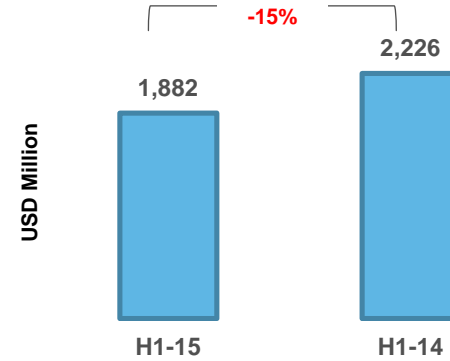


# Group Results H1 2015

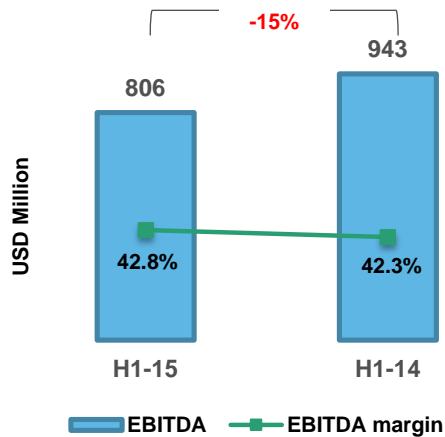
## CUSTOMERS



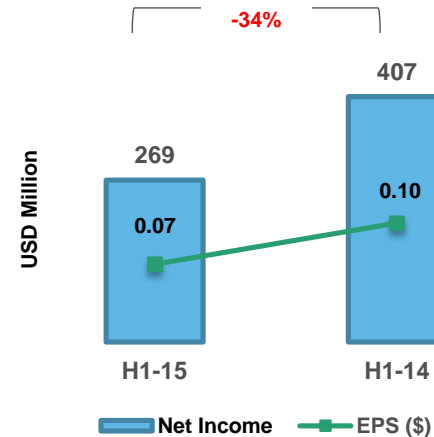
## REVENUES



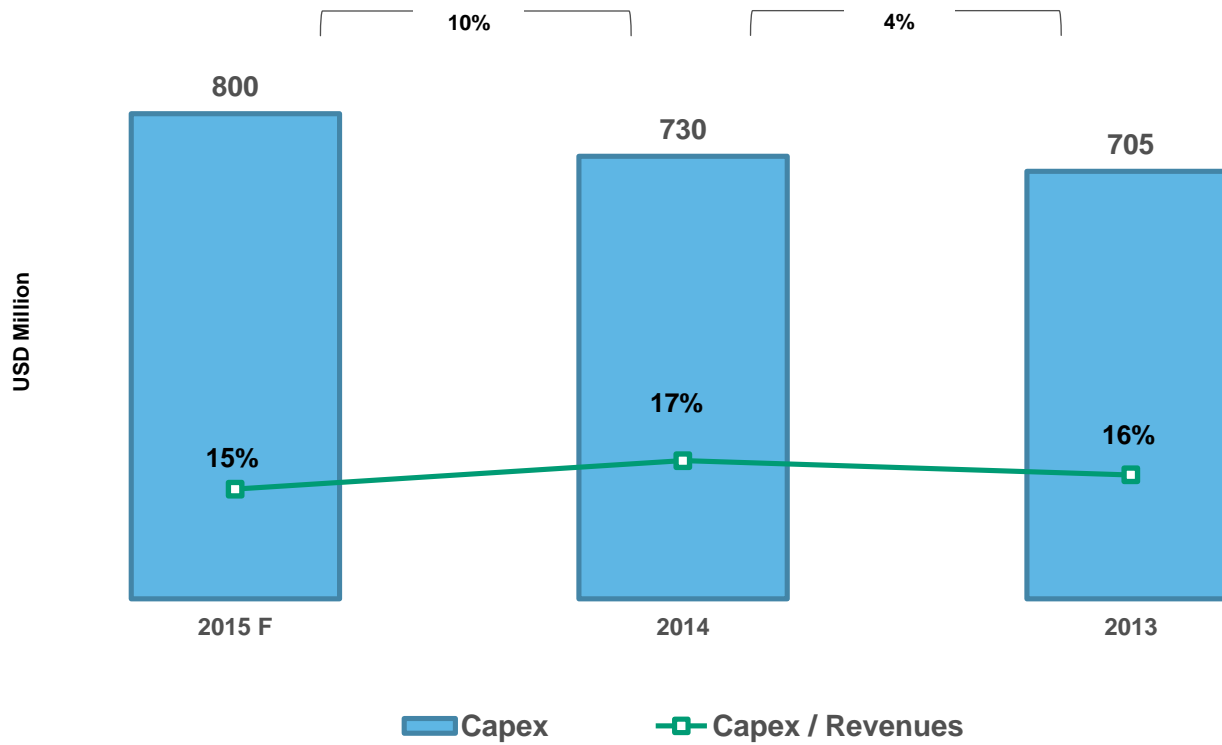
## EBITDA / MARGIN



## NET INCOME / EPS



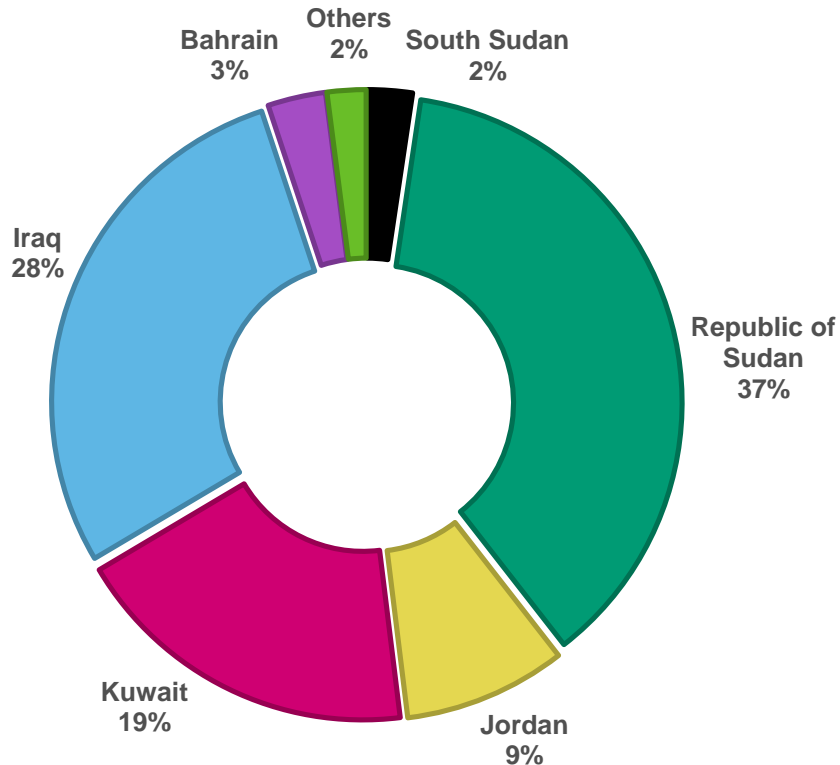
# CAPEX & CAPEX / Revenues



F = Forecasted

# Total CAPEX

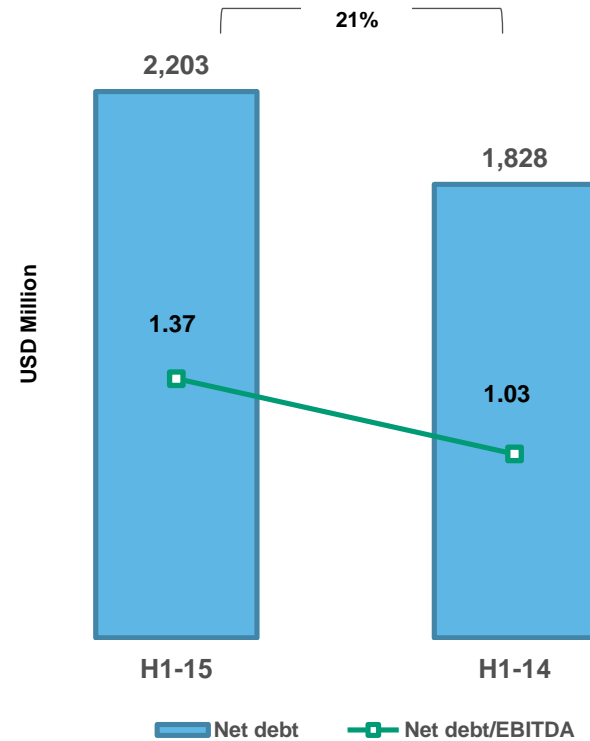
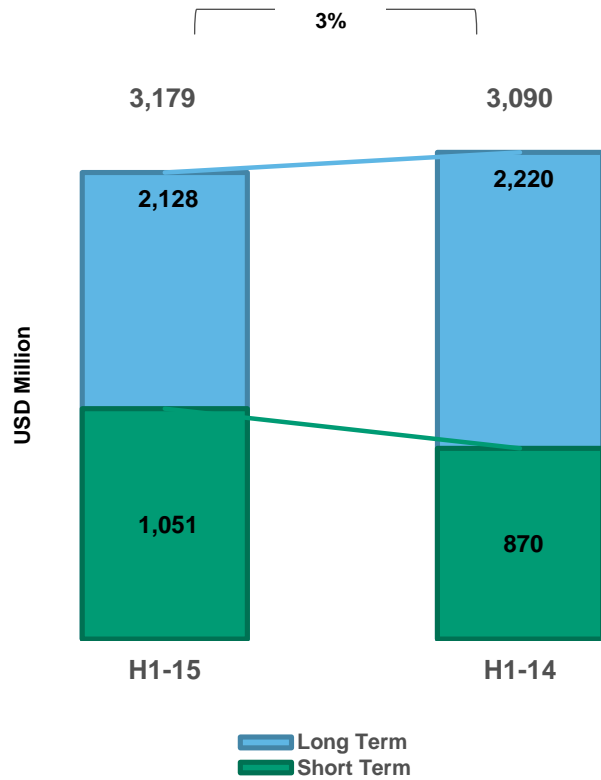
Group Total Capex (excluding KSA) = USD 314 million



OpcO	H1-2015 USD Million	% of Revenues
Kuwait	58	11%
Iraq	89	15%
Sudan	116	33%
KSA	263	29%
Jordan	27	12%
Bahrain	10	10%
S. Sudan	7	19%
Others	7	N/A

# Total Debt

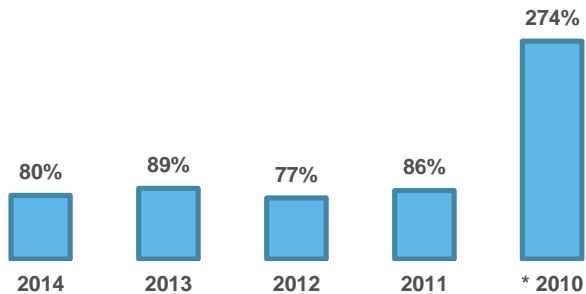
# Net Debt & Net Debt / EBITDA



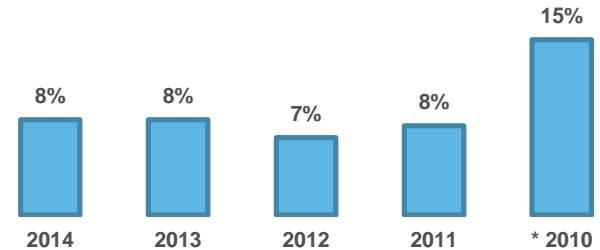
- Net Debt = Total interest bearing debts (excluding letter of guarantees) after deducting cash and cash equivalent

## Zain Dividends

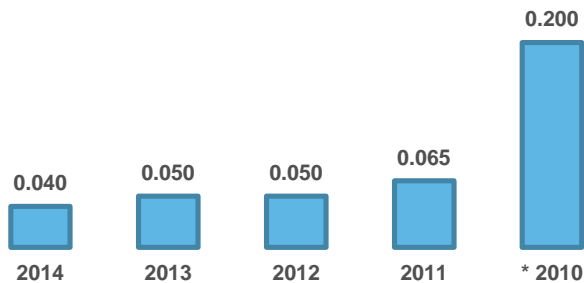
### DIVIDEND PAYOUT RATIO



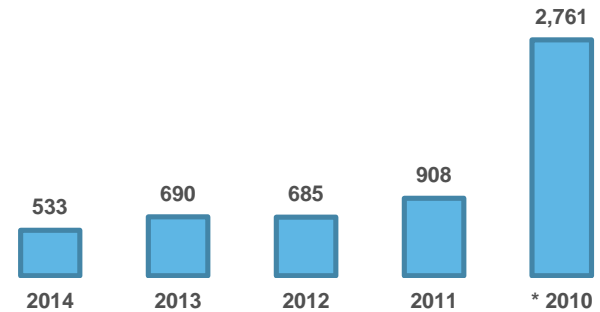
### DIVIDEND YIELD (%)



### DIVIDEND PER SHARE (KD)

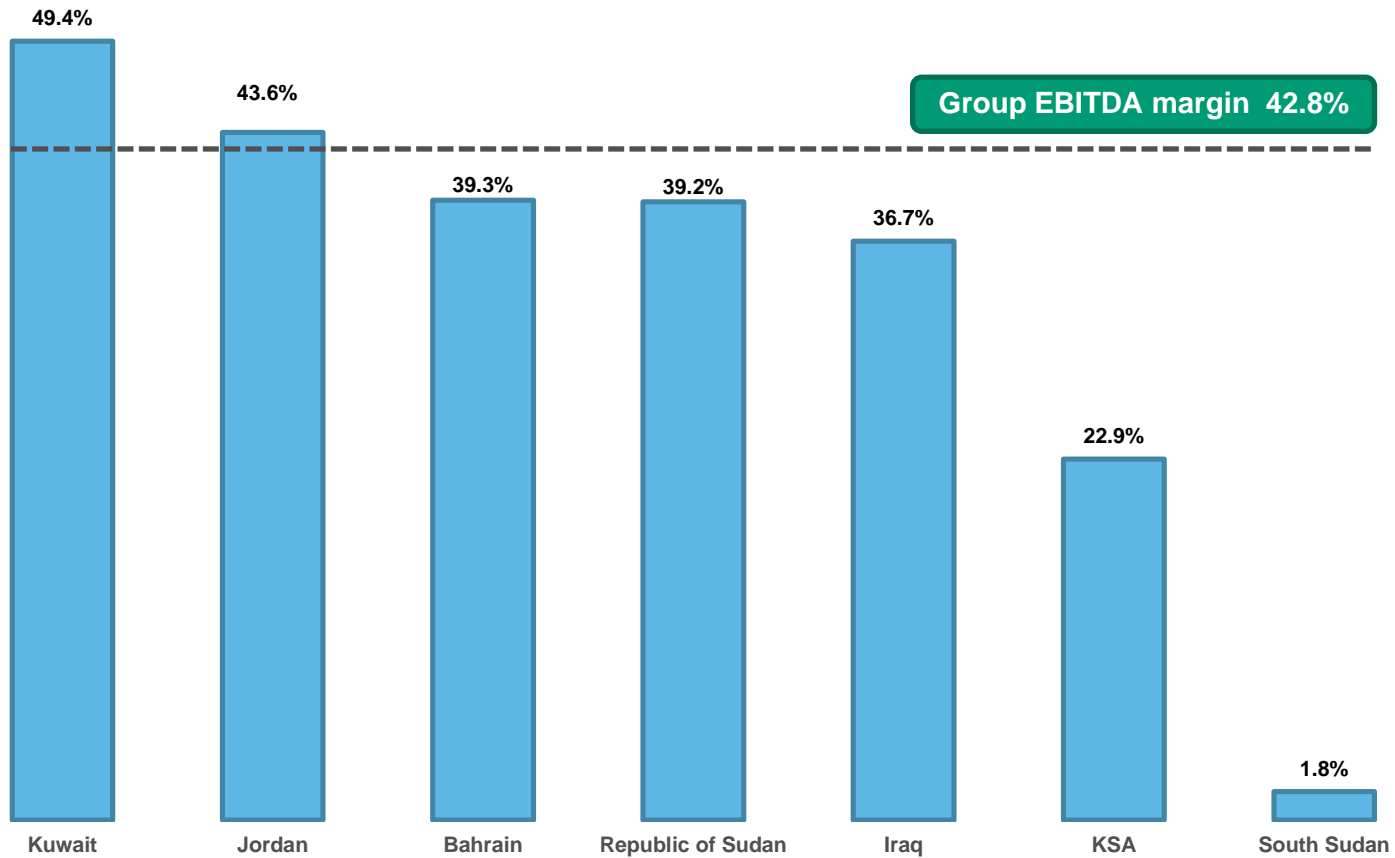


### CASH DIVIDEND (USD M)

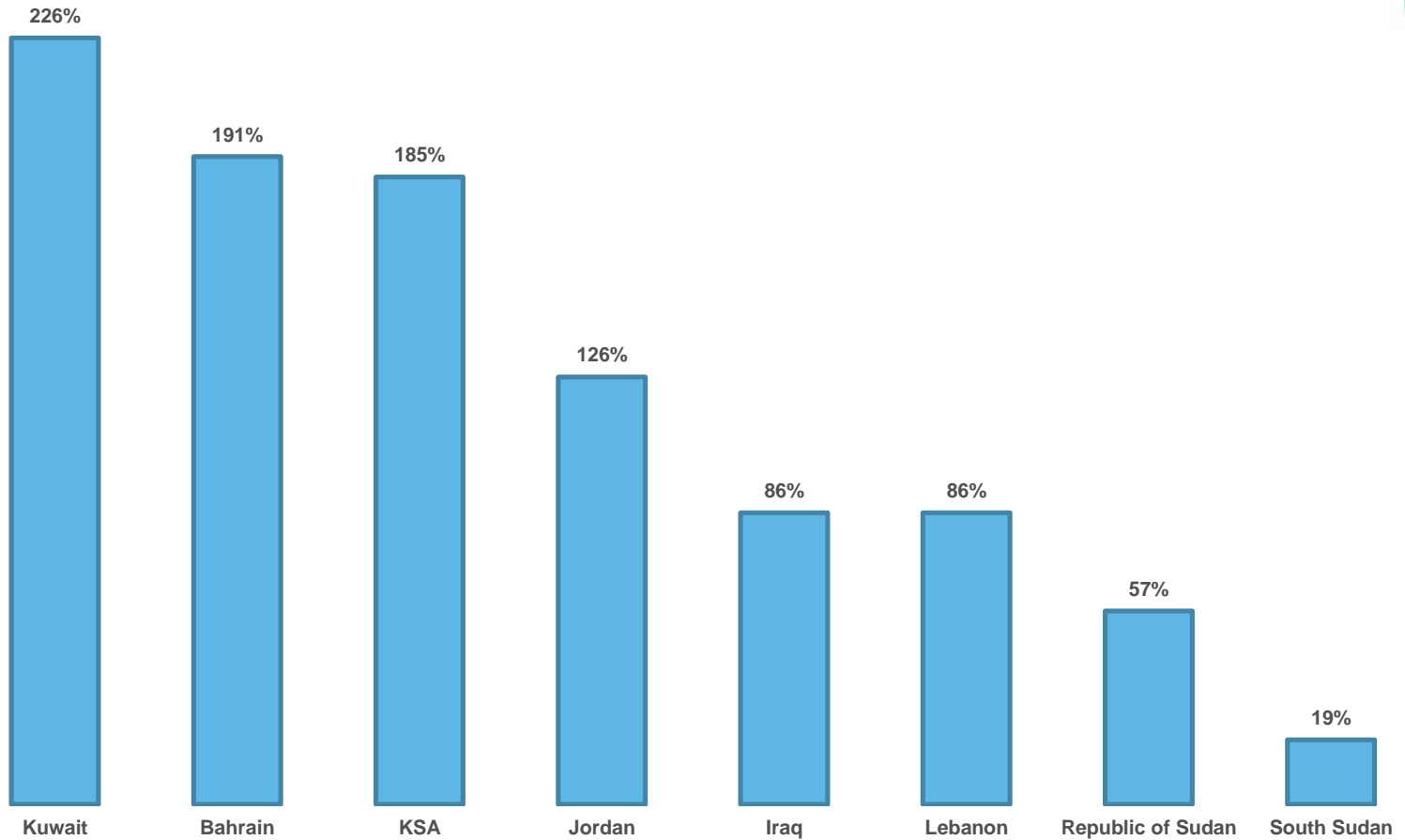


\* Zain Group distributed normal and exceptional dividends of Fils 200 reflecting the distribution of proceeds of the sale of Zain Africa assets to Bharti Airtel. However the EPS is made up of Normal EPS = Fils 80, Exceptional EPS = Fils 195

## EBITDA Margins H1 2015

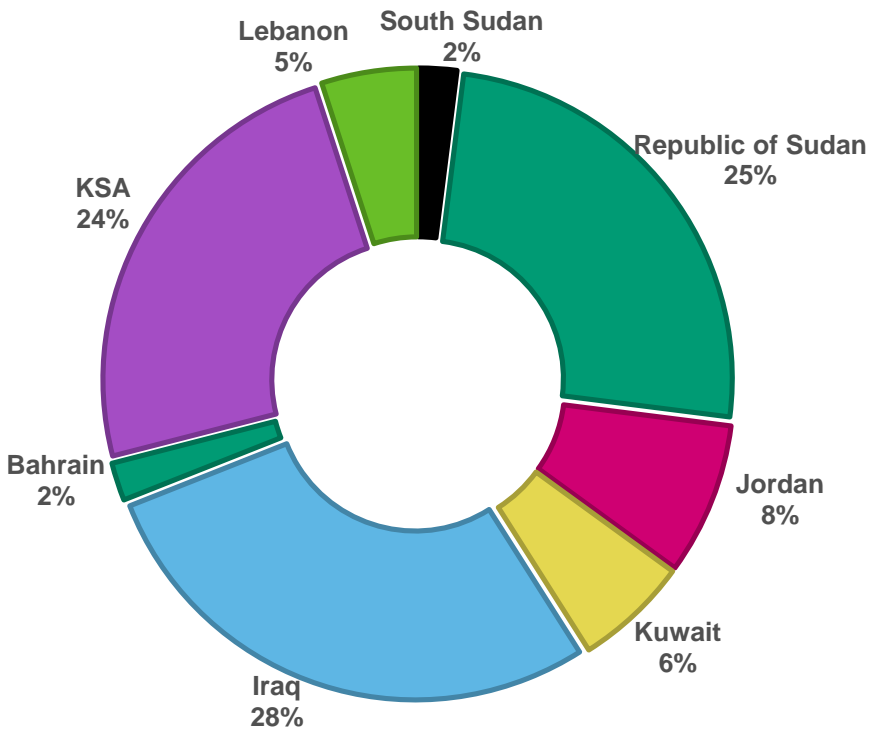


## Market Penetration Rates

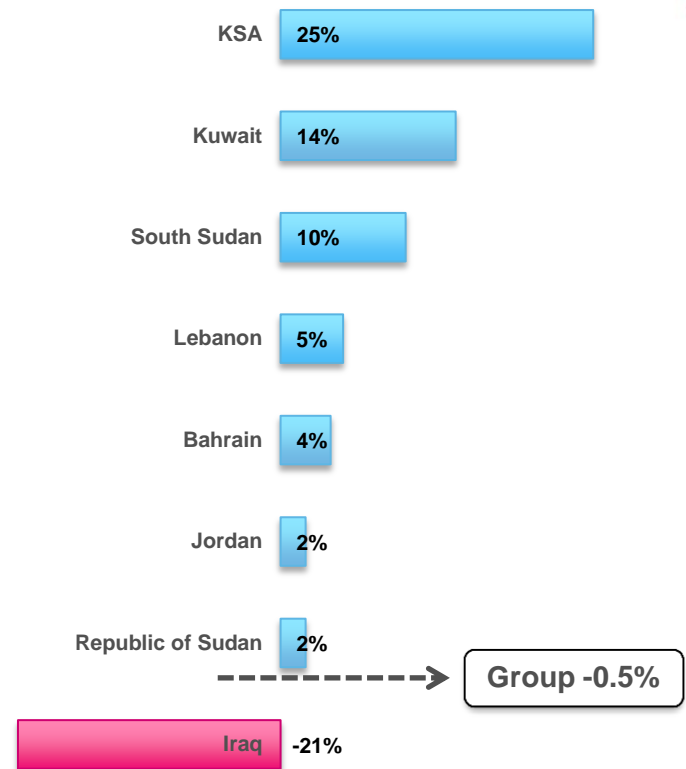


Source: World Cellular Information Services (WCIS).

## Customers Contribution

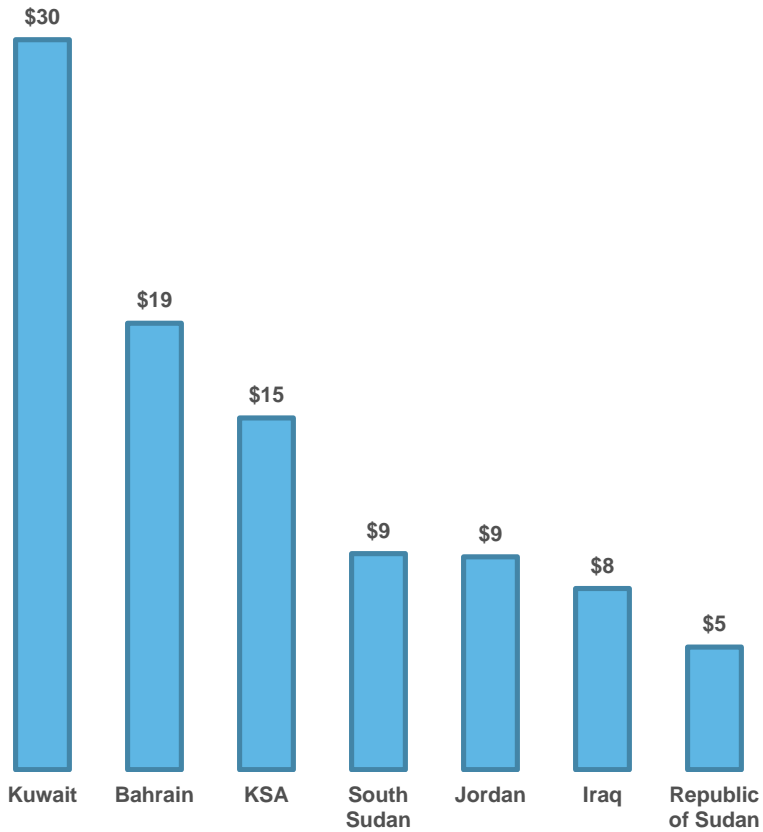


## Customers Growth

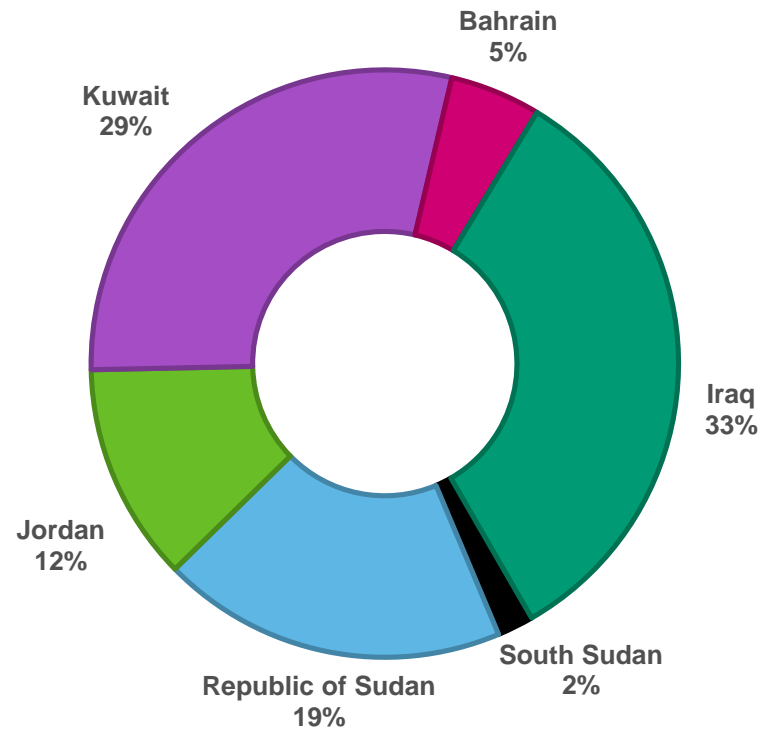


\* Customer base decline is due to the new definition of an “active customer” implemented by the regulator in Iraq.

## Blended ARPU



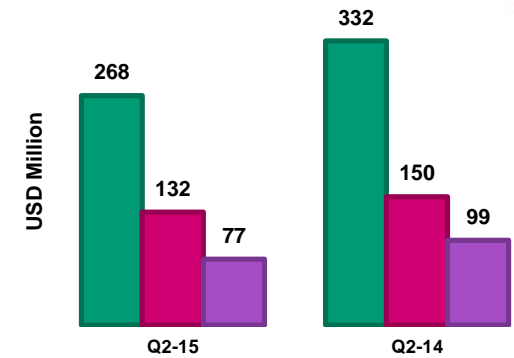
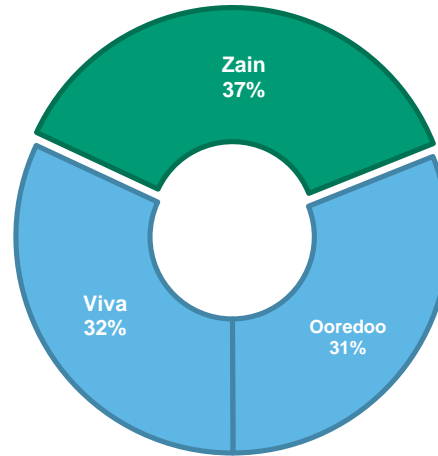
## Revenue Contribution



# ZAIN KUWAIT

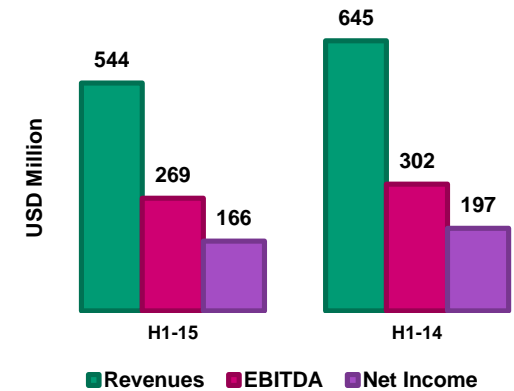
# MARKET SHARE

# FINANCIALS



Technology : **2G, 3G, 4G** - Number of Sites : **1,881** - 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 6 billion closing at Fils 415 as of 30<sup>th</sup> June, 2015.
- Zain Kuwait managed to increase its market share to a leading 37% from 36% in the last quarter, serving 2.9 million customers, which grew by 14% Y-o-Y. For the first six months, Zain Kuwait revenues decreased by 16% to USD 544 million mainly due to OTT impact. EBITDA and net income decreased by 11% and 16% respectively mainly due to the impact on the top line performance. The operator reported a healthy EBITDA margin of 49.4% for the first half 2015.
- Notably, data revenues (excluding SMS & VAS) formed 36% of total revenues, reflecting an annual growth of 1% (7% growth in local currency KWD terms). Zain's nationwide 4G LTE network covered the entire population of Kuwait through a total of 1,881 network sites.

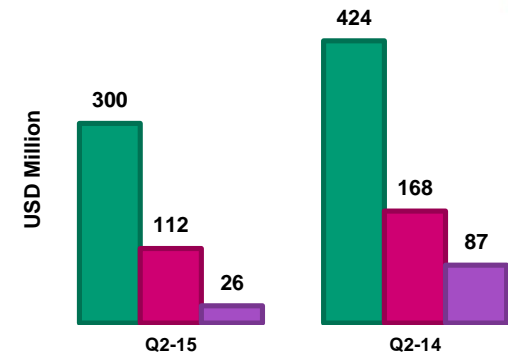
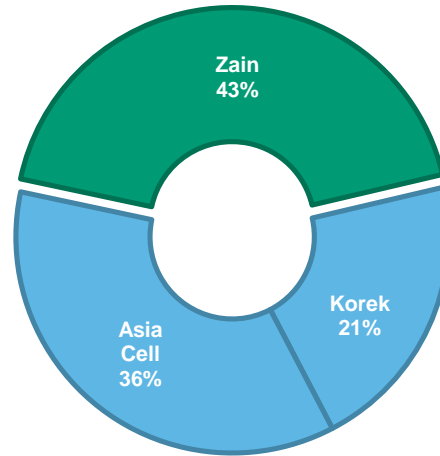


■ Revenues ■ EBITDA ■ Net Income

ZAIN IRAQ

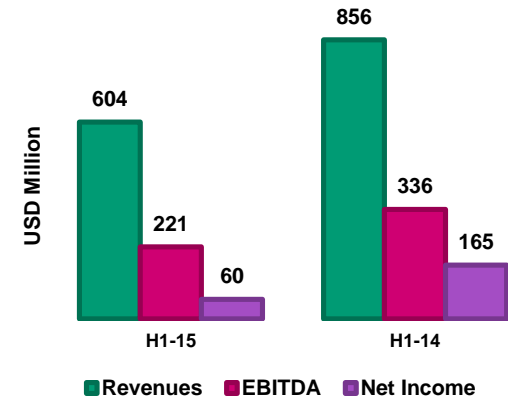
MARKET SHARE

FINANCIALS



Technology : **2G, 3G** - Number of sites : **4,108** - 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.
- Zain Iraq completed its operating licence requirement of listing on the Iraq Stock Exchange on June 23, 2015, offering 25% of the company's equity to the public, at the end of June, 2015 Zain Iraq share price closed at IQD 5.20, with a market capitalization circa USD 8 billion.
- The operator launched 3G services at the beginning of the year and is very active in rolling out 3G services across the country. The performance of Zain Iraq over the last six months was severely hampered by the escalation of political and social instability that has seen several million people displaced internally, coupled with Zain Iraq enduring frequent temporary network shutdowns and associated higher network operational costs. These exceptional circumstances coupled with intense competition and currency fluctuations, adversely affected the operation's financial performance, as its revenues for the first six months reached USD 604 million, with EBITDA reaching USD 221 million, and net income amounting to USD 60 million.
- Zain Iraq is the largest contributor to Zain Group's customers, accounting for 28% of the base, while its revenues represent 33% of the Group's total consolidated revenues. By the end of June 2015, the operator had a total of 4,108 network sites, covering 98% of the population.



■ Revenues ■ EBITDA ■ Net Income

## ZAIN SUDAN



**39.7 m**  
Population



**\$4,500**  
GDP/Capita



**57%**  
Penetration



**2006**  
Year of full acquisition



**11.6 m**  
Customers

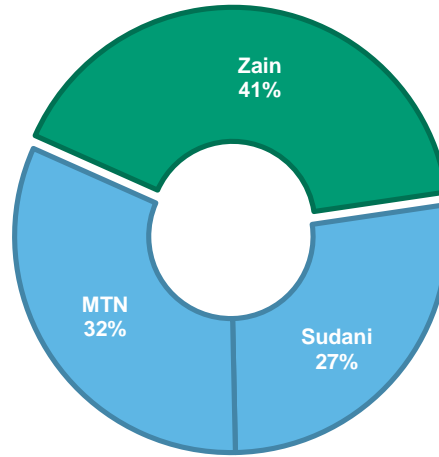


**100%**  
Ownership



**\$5**  
ARPU

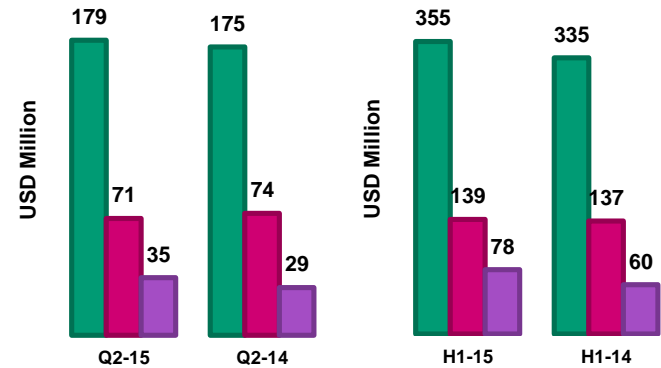
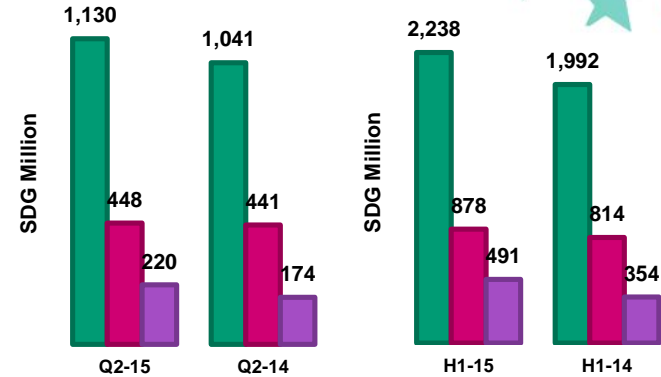
## MARKET SHARE



## FINANCIALS

Technology : **2G, 3G** - Number of sites : **2,426** - Coverage : **89%** - 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.
- The operation performed well in both USD and local currency terms (SDG) with revenues increasing 6% Y-o-Y in USD terms to reach USD 355 million (up 12% Y-o-Y in SDG terms) mainly due to increase in voice and data revenues. EBITDA increased 2% Y-o-Y to reach USD 139 million (up 8% in SDG terms) mainly on account of the healthy top line performance, with net income increasing 31% Y-o-Y to reach USD 78 million (up 39% in SDG terms) due to the positive EBITDA performance and lower currency variance.
- The operator witnessed a 2% increase in its customers base to now serve 11.6 million customers through a total number of 2,426 network sites, with 89% population coverage. Data revenues (excluding SMS and VAS) formed only 9% of total revenues, with a remarkable growth of 78% Y-o-Y (89% in SDG terms).



■ Revenues ■ EBITDA ■ Net Income

ZAIN KSA

MARKET SHARE

FINANCIALS

**29.9 m**  
Population

**\$52,800**  
GDP/Capita

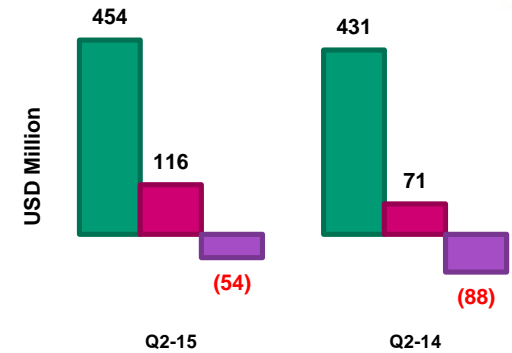
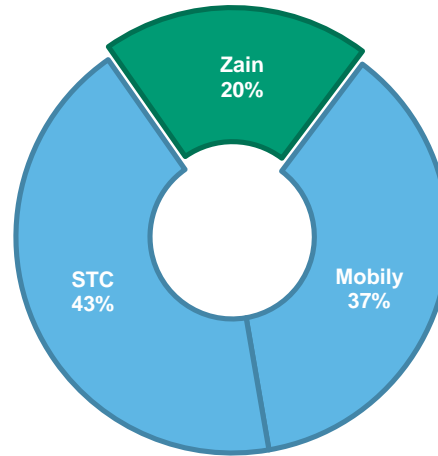
**185%**  
Penetration

**2008**  
Year of acquisition

**11.3 m**  
Customers

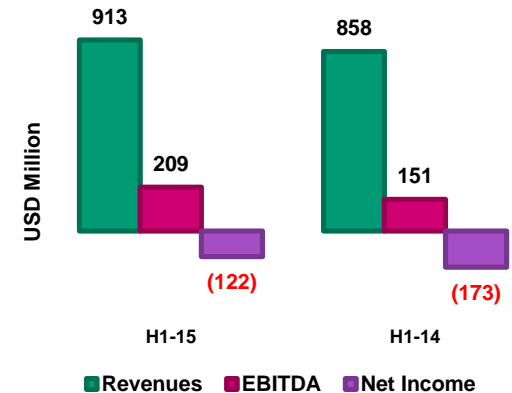
**37%**  
Ownership

**\$15**  
ARPU



Technology : **2G, 3G, 4G** - Number of sites : **6,439** - Coverage : **95%** - License : **expires in 2033**

- 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 2 billion (share price of SAR 11.4) on June 30<sup>th</sup>, 2015.
- The operator witnessed the highest customer growth among the group with a remarkable 25% increase Y-o-Y to now serve more than 11.3 million customers representing 24% of the total group customer base. Zain Saudi Arabia is continually improving in all key aspects of its business. For the first six-months of 2015, revenues reached USD 913 million, reflecting a 6% increase mainly due to the increase in data revenues, while net losses decreased 29% to USD 122 million, compared to same period in 2014. EBITDA increased significantly by 39%, reaching USD 209 million, while the EBITDA margin improved to 23% compared to 18% in H1-2014. Encouragingly, data revenues grew significantly by 36%, representing 21% of total revenues at the end of the six month period.
- The operator witnessed 36% rise in data revenues (excluding SMS & VAS) Y-o-Y which represents 21% of total revenues as the company expands its state-of-the-art 4G LTE network that currently covers 95% of the population.

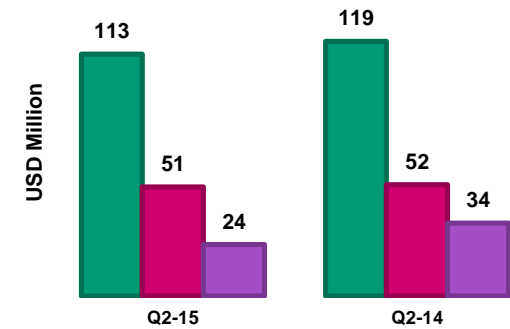
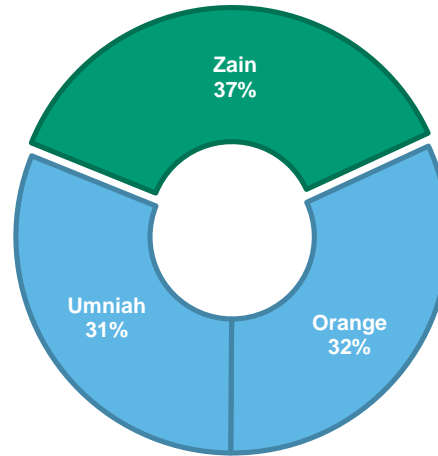


■ Revenues ■ EBITDA ■ Net Income

ZAIN JORDAN

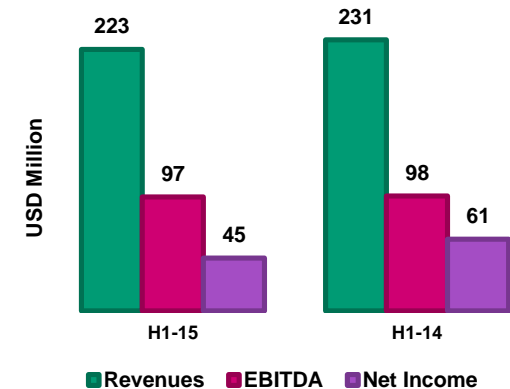
MARKET SHARE

FINANCIALS



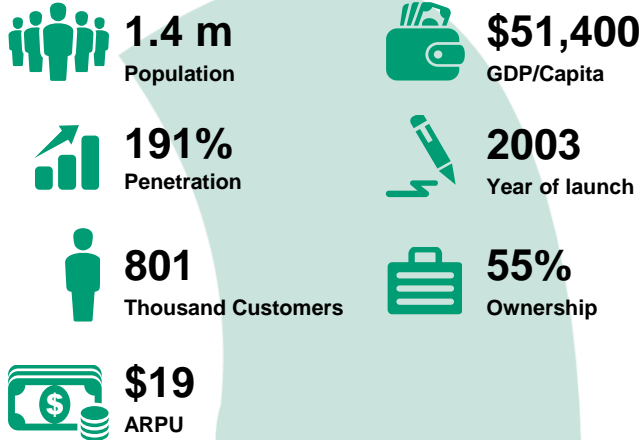
Technology : **2G, 3G, 4G** - Number of sites : **2,200** - Coverage : **100%** - License : **expires in 2031**

- 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 has been acquired for USD 419 million and today remains the market leader.
- Despite the heightening of price competition, Zain Jordan managed to maintain its lead in the market with 37% customer market share with 3.9 million customers. The operator's performance for the first six months witnessed a slight decrease in revenues of 3% to reach USD 223 million with net income reaching 45 million for the period.
- Data revenues (excluding SMS & VAS) represented 27% of total revenues, which grew by 14% as compared with the same period last year. The operator covers the entire population through its 2,200 network sites.



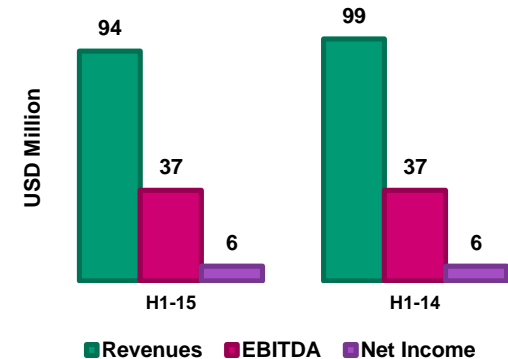
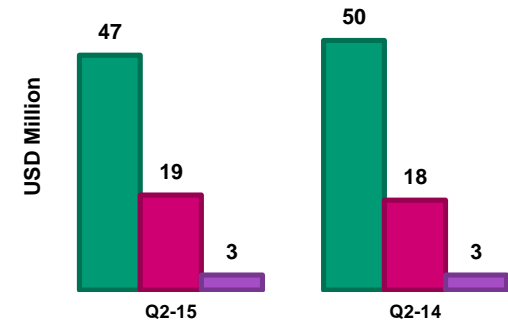
## ZAIN BAHRAIN

## FINANCIALS



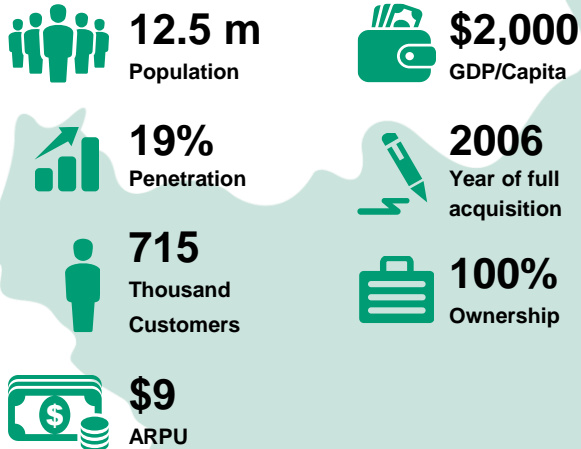
Technology : **2G, 3G, 4G** - Number of sites : **439** - Coverage : **99%** - License : **expires in 2028**

- 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 180 million (share price BD 0.180) on 30<sup>th</sup> June, 2015.
- With an ARPU of USD 19, Zain Bahrain has the second highest ARPU in the Group.
- For the first six months 2015, Zain Bahrain generated revenues of USD 94 million, a decrease of 5% as compared with USD 99 million last year, mainly due to lower voice and roaming revenues. EBITDA for the period reached USD 37 million, reflecting a healthy EBITDA margin of 39%, and net income amounting to USD 6 million.
- Data revenues (excluding SMS & VAS) represented 34% of overall revenues, which grew by 8% as compared with last year.



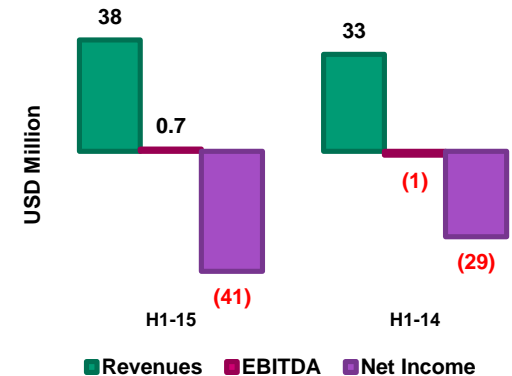
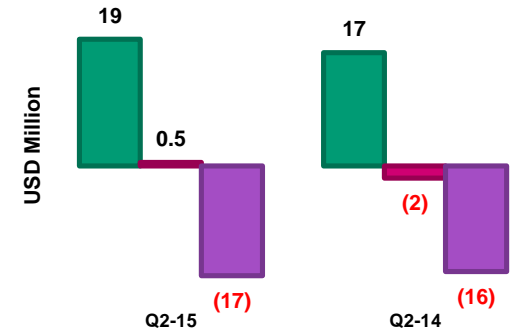
## ZAIN SOUTH SUDAN

## 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.
- Zain maintained its leadership in the South Sudanese market, supported with the increase in its data revenues which is a preferred service in South Sudan and data revenues (excluding SMS & VAS) continues to grow significantly by 106% Y-o-Y representing 15% of the total revenues.
- The operator had a total of 288 network sites, covering 50% of the population.




## TOUCH MANAGED BY ZAIN

## MARKET SHARE

 **5.0 m**  
Population

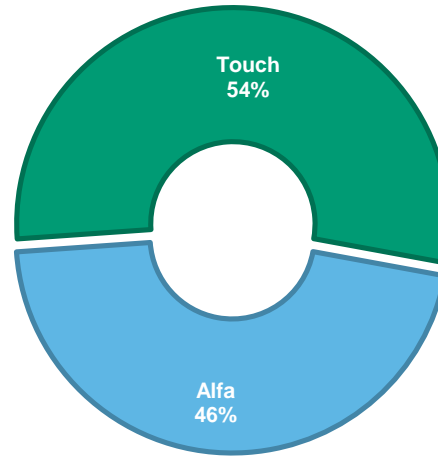
 **\$17,900**  
GDP/Capita

 **86%**  
Mobile  
Penetration

 **2004**  
Year of acquisition

 **2.2 m**  
Customers

 **MC**  
Ownership



Technology : **2G, 3G, 4G** - Number of sites : **1,256** - 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 1,256 network sites as of June 2015, covering 99% of the population.
- The operation currently serves around 2.2 million customers.

## BALANCE SHEET

	Unaudited 30-Jun-15	Audited 31-Dec-14	Unaudited 30-Jun-14
	KD '000		
<b>Assets</b>			
<b>Current assets</b>			
Cash and bank balances	294,669	343,570	355,046
Trade and other receivables	386,002	358,377	361,771
Inventories	30,764	16,836	19,729
Investment securities- at fair value through profit or loss	1,453	1,941	1,718
	<b>712,888</b>	<b>720,724</b>	<b>738,264</b>
<b>Non-current assets</b>			
Investment securities – available for sale	30,809	37,717	42,295
Investments in associates and joint ventures	232,978	238,977	247,052
Due from associates	338,041	309,298	290,417
Other assets	23,379	22,772	20,269
Property and equipment	909,747	852,590	746,908
Intangible assets	1,200,533	1,094,985	1,055,329
	<b>2,735,487</b>	<b>2,556,339</b>	<b>2,402,270</b>
<b>Total Assets</b>	<b>3,448,375</b>	<b>3,277,063</b>	<b>3,140,534</b>

	Unaudited 30-Jun-15	Audited 31-Dec-14	Unaudited 30-Jun-14
	KD '000		
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Trade and other payables	695,653	656,064	550,935
Due to banks	317,568	171,616	244,742
	<b>1,013,221</b>	<b>827,680</b>	<b>795,677</b>
<b>Non-current liabilities</b>			
Due to banks	643,218	616,645	624,434
Other non-current liabilities	40,922	38,769	37,599
	<b>684,140</b>	<b>655,414</b>	<b>662,033</b>
<b>Equity</b>			
<b>Attributable to the Company's shareholders</b>			
Share capital	432,706	432,706	432,637
Share premium	1,707,164	1,707,164	1,707,104
Treasury shares	(567,834)	(567,834)	(567,834)
Legal reserve	216,353	216,353	216,134
Foreign currency translation reserve	(651,588)	(677,007)	(687,832)
Treasury shares reserve	1,967	1,967	1,967
Investment fair valuation reserve	(1,080)	1,205	174
Hedge reserve	(2,454)	(1,931)	(2,112)
Retained earnings	437,210	512,780	433,474
	<b>1,572,444</b>	<b>1,625,403</b>	<b>1,533,712</b>
Non-controlling interests	178,570	168,566	149,112
<b>Total equity</b>	<b>1,751,014</b>	<b>1,793,969</b>	<b>1,682,824</b>
<b>Total Liabilities and Equity</b>	<b>3,448,375</b>	<b>3,277,063</b>	<b>3,140,534</b>

## INCOME STATEMENT

	Six months ended	
	30-Jun	
	2015	2014
	KD'000	
Revenue	562,351	626,938
Cost of sales	(146,700)	(175,612)
<b>Gross profit</b>	415,651	451,326
Operating and administrative expenses	(172,361)	(179,731)
Depreciation and amortization	(104,941)	(88,117)
Provision for impairment – trade and other receivables	(2,316)	(6,097)
<b>Operating profit</b>	136,033	177,381
Interest income	3,837	9,630
Investment income	(1,190)	2,196
Share of results of associates and joint ventures	(13,271)	(16,421)
Other (expense)/income	(1,730)	2,084
Finance costs	(13,355)	(13,652)
Loss from currency revaluation	(12,678)	(16,546)
Board of Directors' remuneration	(172)	(215)
Contribution to Kuwait Foundation for Advancement of Sciences	(442)	(777)
National Labour Support Tax and Zakat	(3,081)	(3,473)
Profit for the period before income tax	93,951	140,207
Income tax expenses	(8,130)	(13,050)
<b>Profit for the period</b>	85,821	127,157
<b>Attributable to:</b>		
Shareholders of the Company	80,354	114,700
Non-controlling interests	5,467	12,457
	85,821	127,157

	Six months ended	
	30-Jun	
	2015	2014
<b>Earnings per share</b>		
Basic – Fils	21	29

## CASH FLOW STATEMENT

	Six months ended	
	30-Jun	
	2015	2014
	KD'000	
<b>Cash flows from operating activities</b>		
Profit for the period before income tax	93,951	140,207
Adjustments for:		
Depreciation and amortization	104,941	88,117
Interest income	(3,837)	(9,630)
Investment income	1,190	(2,196)
Share of loss of associates and joint ventures	13,271	16,421
Finance costs	13,355	13,652
Loss from currency revaluation	12,678	16,546
Operating profit before working capital changes	235,549	263,117
Increase in trade and other receivables	(36,280)	(20,752)
Increase in inventories	(13,156)	(5,038)
Increase/(decrease) in trade and other payables	6,946	(6,245)
Cash generated from operations	192,059	231,082
Paid to Kuwait Foundation for Advancement of Sciences	(700)	(3,949)
National Labour Support Tax and Zakat paid	(3,403)	(3,807)
Income tax paid	(5,617)	(10,650)
<b>Net cash from operating activities</b>	<b>182,339</b>	<b>212,676</b>

	Six months ended	
	30-Jun	
	2015	2014
	KD'000	
<b>Cash flows from investing activities</b>		
Deposits maturing after three months and bank balances blocked	(5,578)	1,575
Net cash outflow on acquisition of subsidiaries	(4,307)	(3,513)
Purchase of investments	(967)	(273)
Proceeds from sale of investments	2,794	3,941
Acquisition of property and equipment (net)	(89,262)	(64,429)
Acquisition of intangible assets	(115,246)	(95,550)
Interest received	4,102	4,143
Dividend received	798	272
<b>Net cash used in investing activities</b>	<b>(207,666)</b>	<b>(153,834)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	372,018	333,228
Repayment of bank borrowings	(228,990)	(217,491)
Loan to an associate	(11,722)	(11,009)
Capital contribution including share premium – employees stock option	-	694
Dividends paid to Company's shareholders	(154,206)	(193,274)
Dividends paid to minority shareholders of subsidiaries	(1,751)	(1,163)
Finance costs paid	(13,120)	(10,968)
<b>Net cash used in financing activities</b>	<b>(37,771)</b>	<b>(99,983)</b>
Net decrease in cash and cash equivalents	(63,098)	(41,141)
Effect of foreign currency translation	8,619	(1,480)
Cash and cash equivalents at beginning of period	221,021	282,687
<b>Cash and cash equivalents at end of period</b>	<b>166,542</b>	<b>240,066</b>



# Q&A

For More Information Please Contact Zain Group Investor Relations Team : [IR@zain.com](mailto: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 2014.

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