



Zain Investors Presentation

Q3 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

Contents



-  Zain Group Overview
-  Zain Operations Overview
-  Financial Statements

Zain AT A GLANCE

9M 2015

45.6

Million active
customers



11.8

Million customers
In KSA



4G

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



Over
6,700
Employees



\$1.2

Billion 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,
Jordan and
Lebanon



\$394

Million in
net income



42.5

Million + daily
total sms



5.2

Million km²
under license



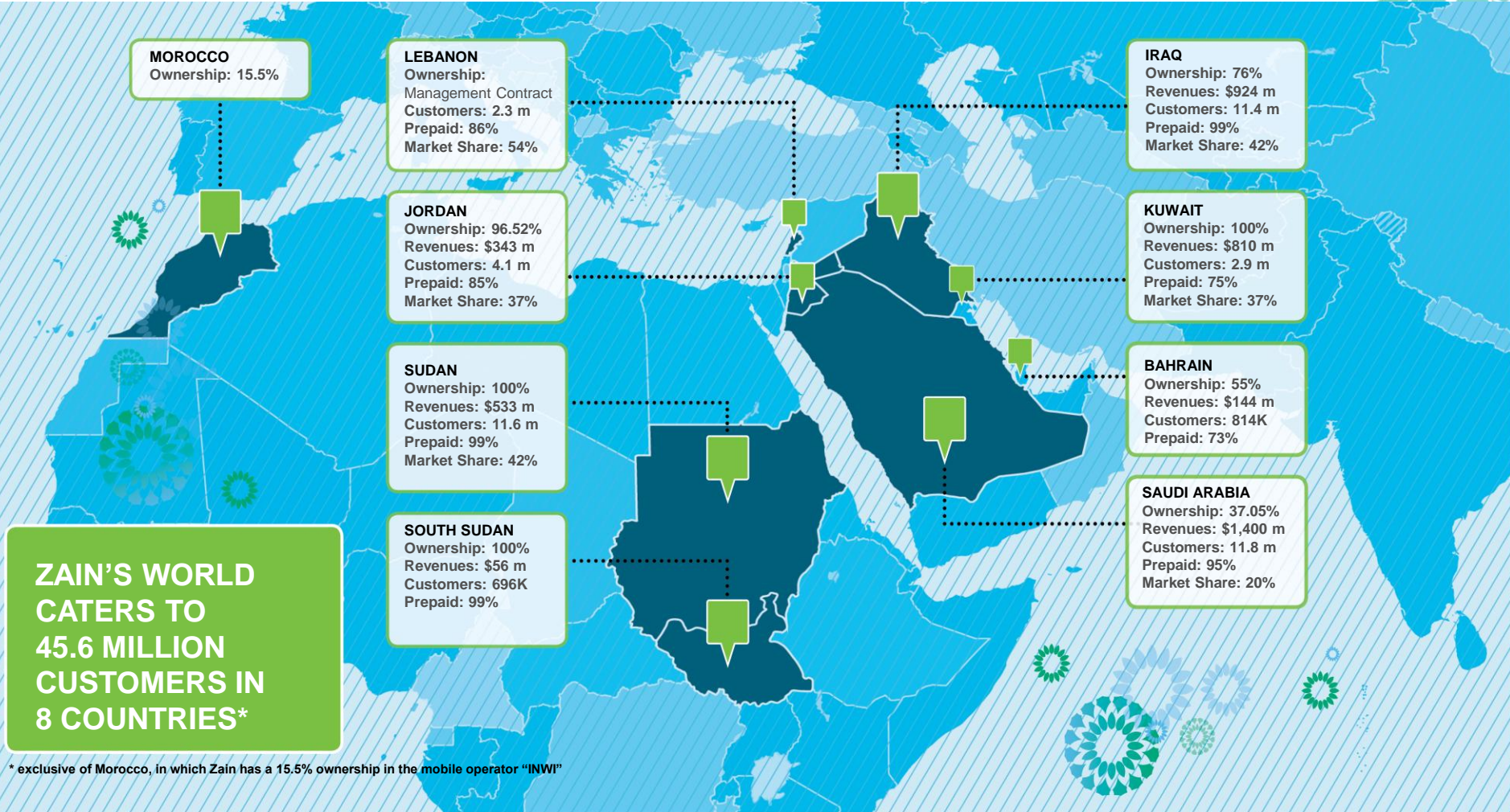
\$2.8

Billion in revenues



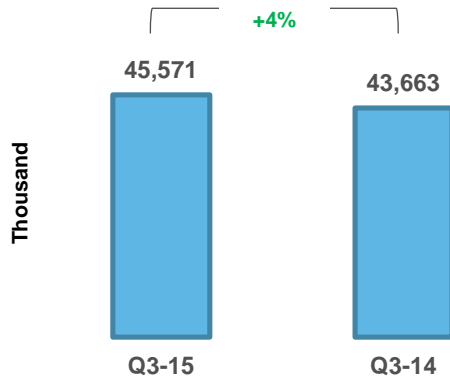
THE WORLD OF ZAIN

9M 2015

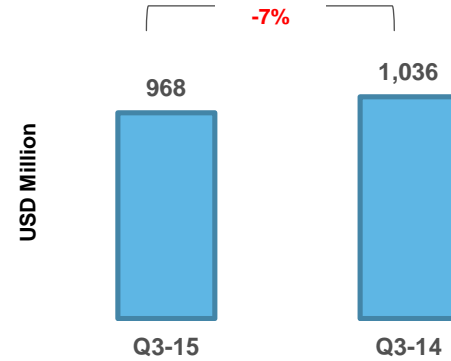


Group Results Q3 2015

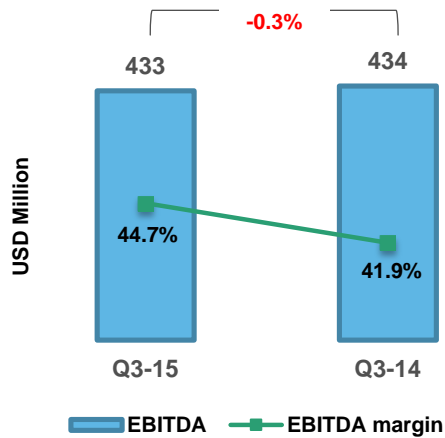
CUSTOMERS



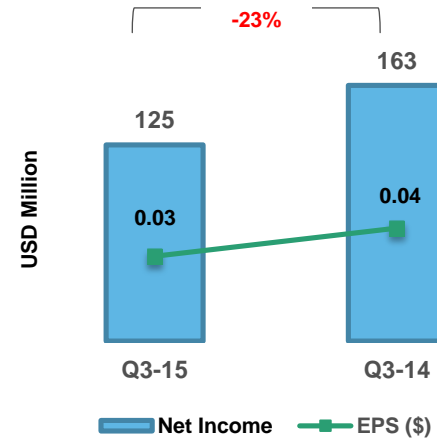
REVENUES



EBITDA / MARGIN

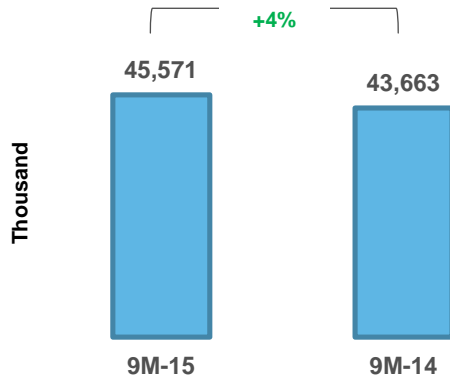


NET INCOME / EPS

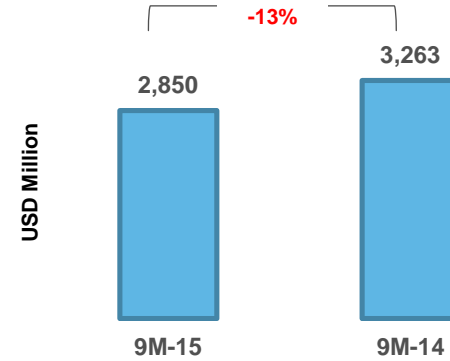


Group Results 9M 2015

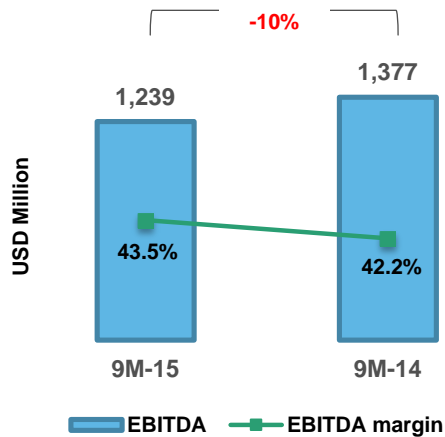
CUSTOMERS



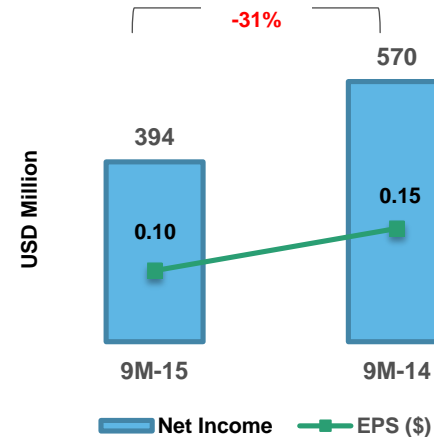
REVENUES



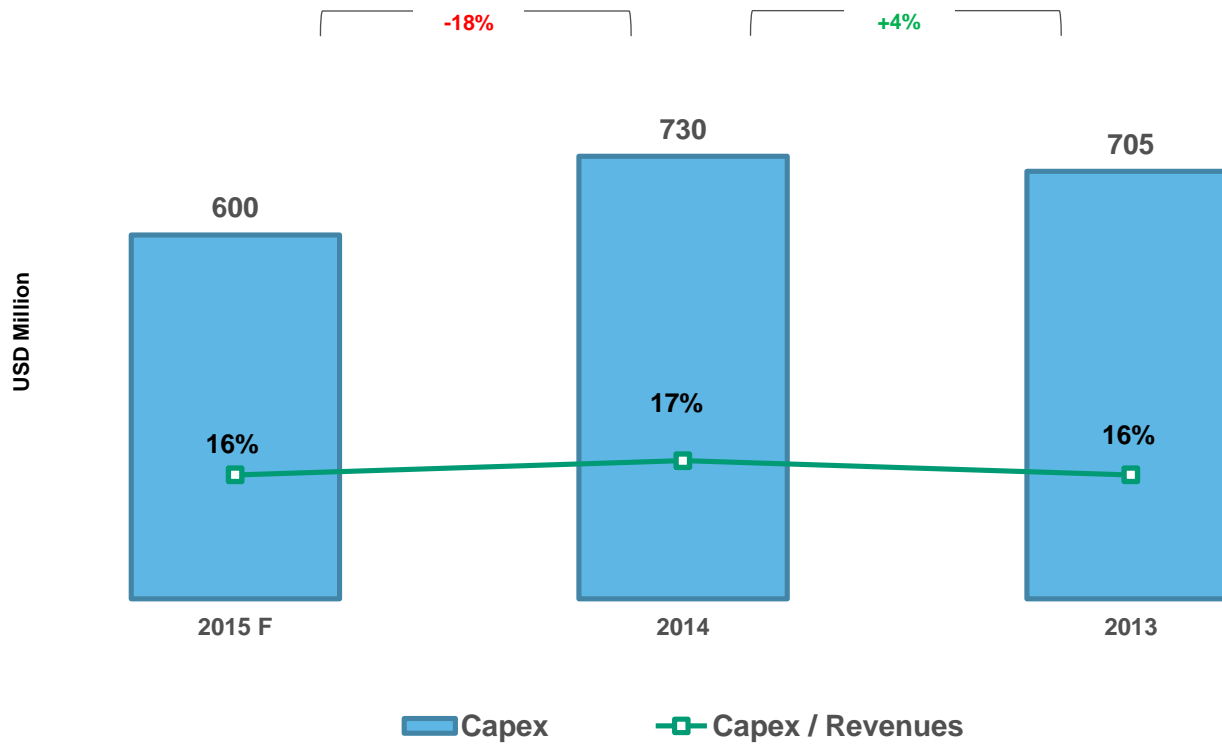
EBITDA / MARGIN



NET INCOME / EPS



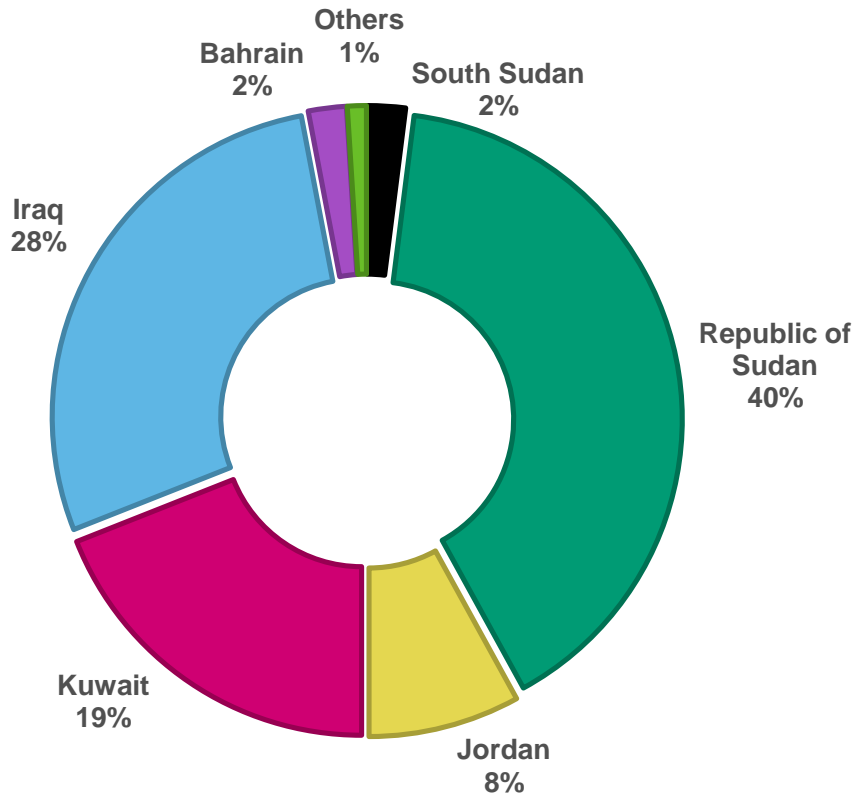
CAPEX & CAPEX / Revenues



F = Forecasted

Total CAPEX

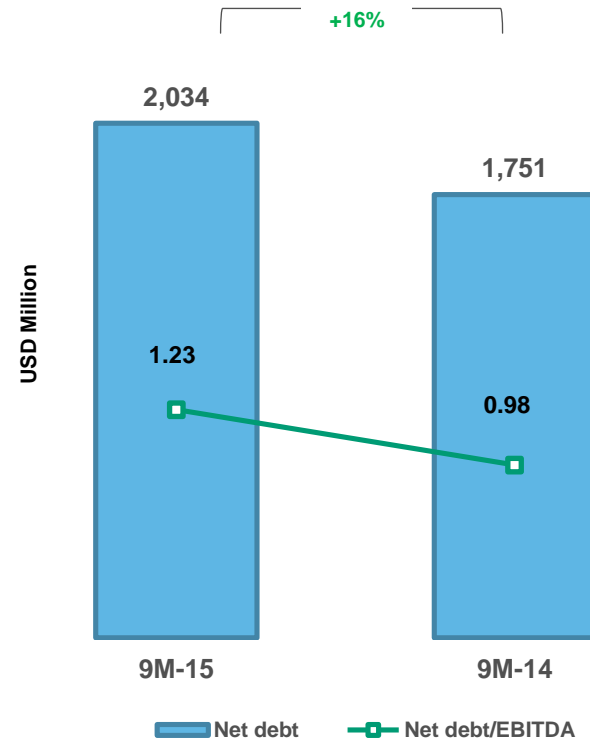
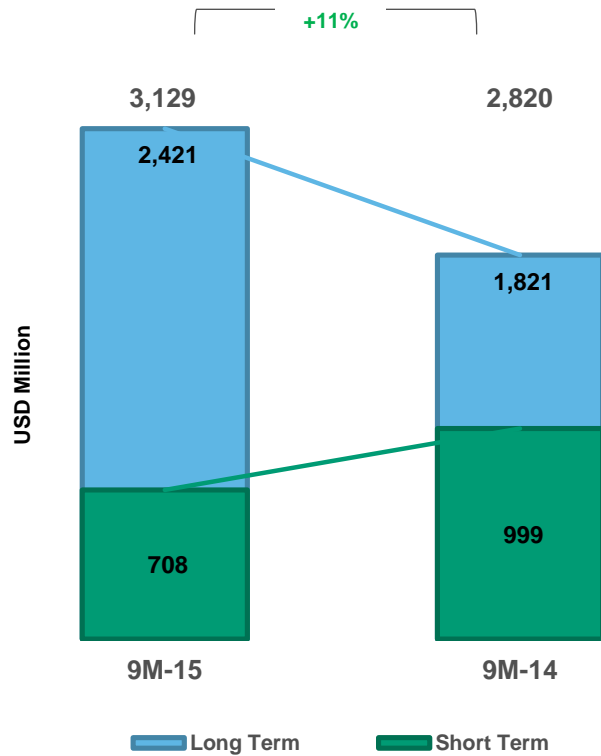
Group Total Capex (excluding KSA) = USD 469 million



OpcO	9M-2015 USD Million	% of Revenues
Kuwait	87	11%
Iraq	131	14%
Sudan	188	35%
KSA	315	23%
Jordan	40	12%
Bahrain	12	8%
S. Sudan	8	14%
Others	3	N/A

TOTAL DEBT

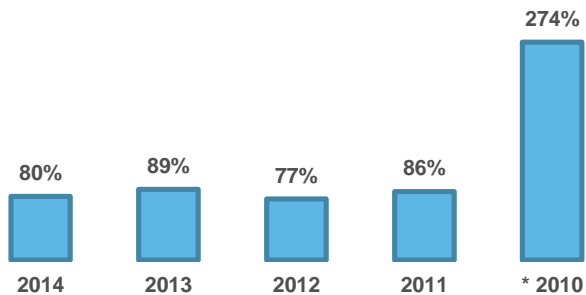
Net Debt & Net Debt / EBITDA



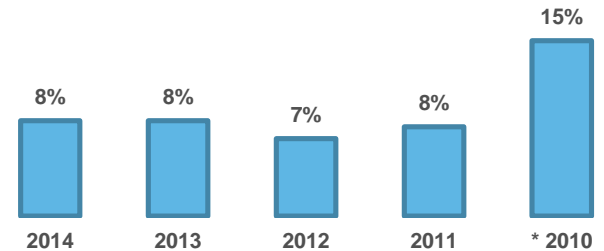
• Net Debt = Total interest bearing debts (excluding letter of guarantees) after deducting cash and cash equivalent

Zain Dividends

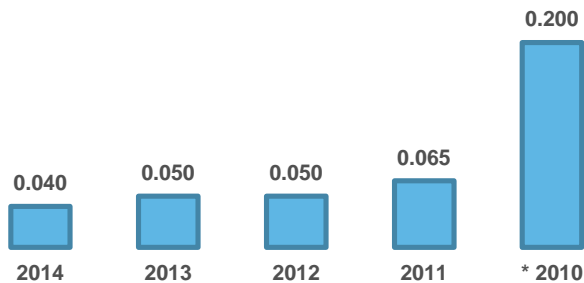
DIVIDEND PAYOUT RATIO



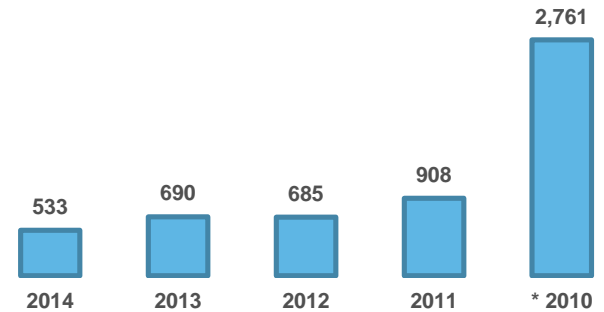
DIVIDEND YIELD (%)



DIVIDEND PER SHARE (KD)

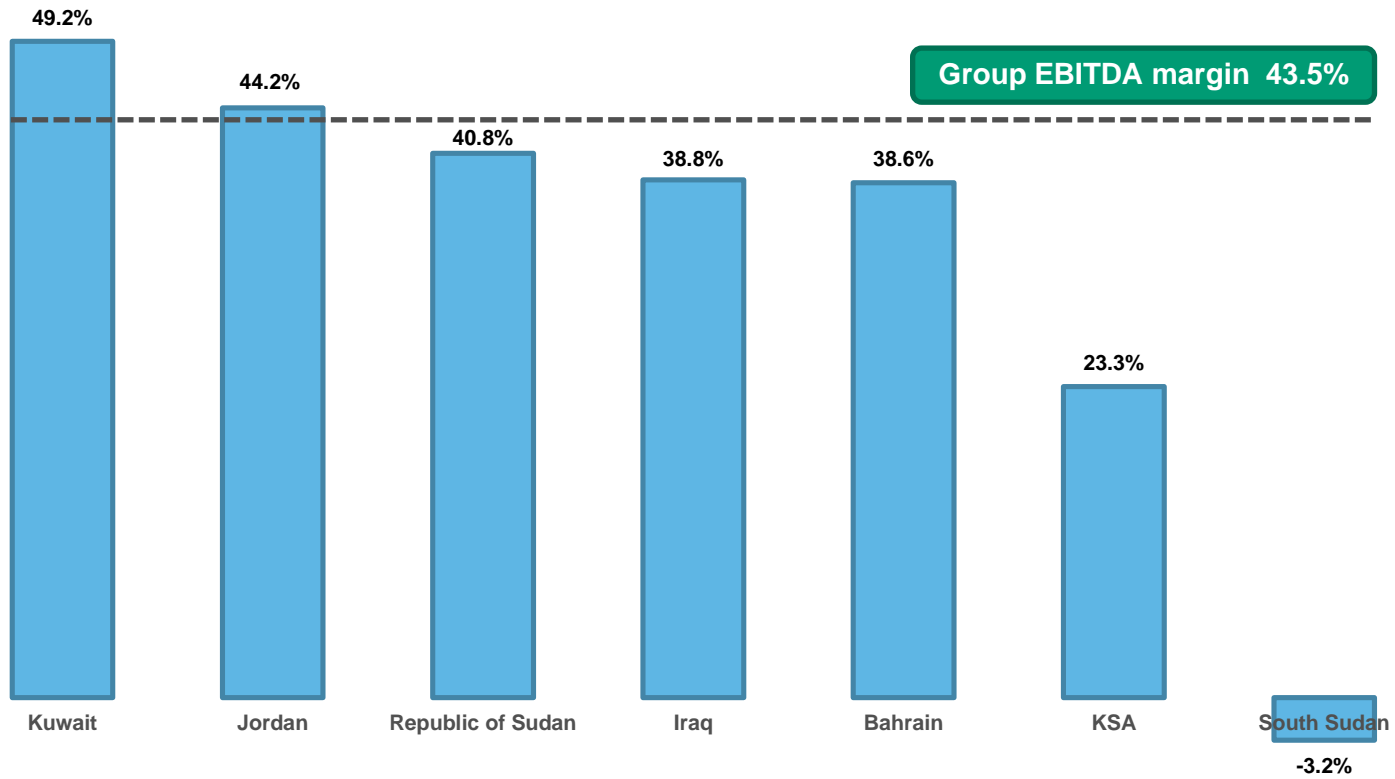


CASH DIVIDEND (USD M)

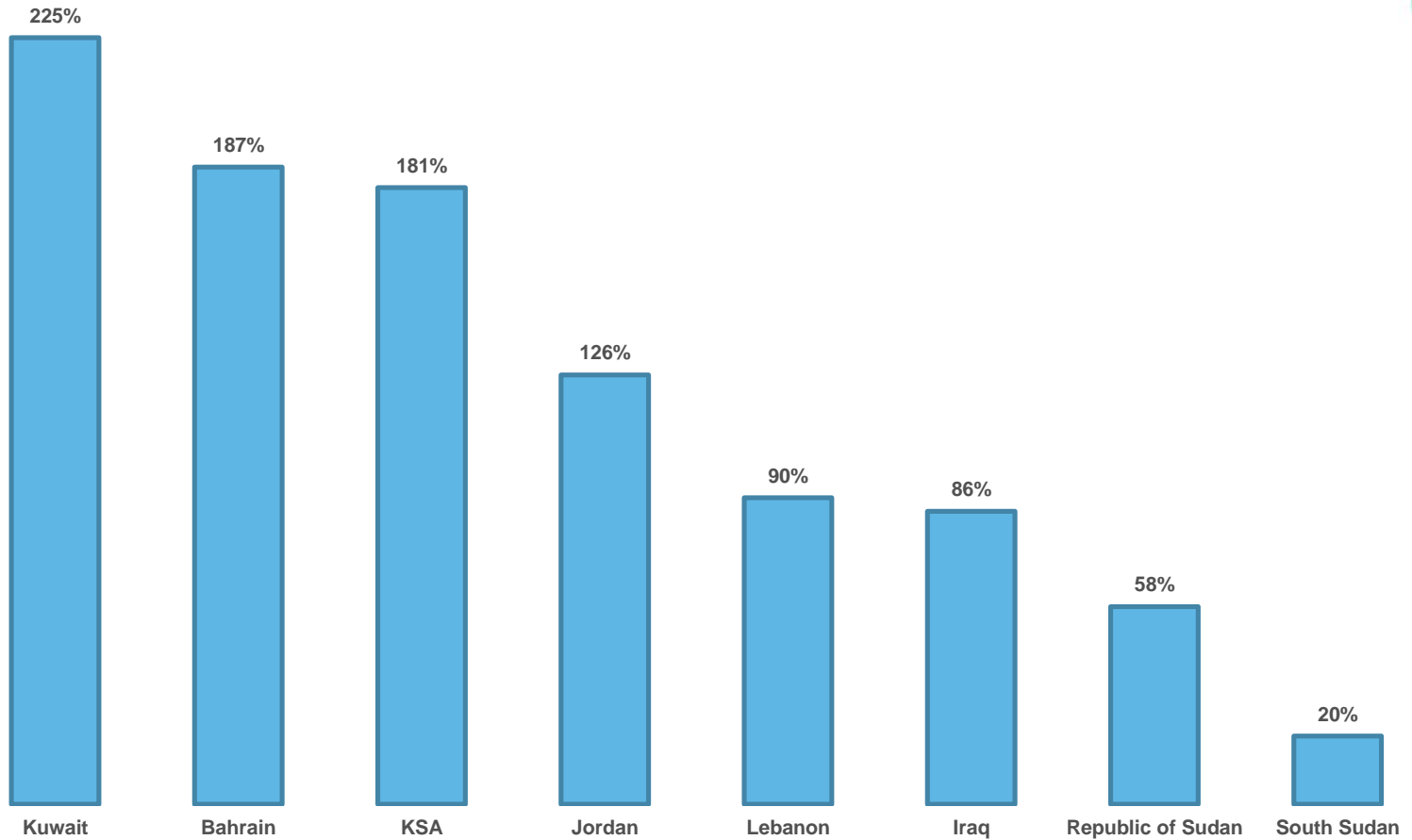


* Zain Group distributed normal and exceptional dividends of Fils 200 reflecting the distribution of proceeds of the sale of Zain Africa assets to Bharti Airtel. However the EPS is made up of Normal EPS = Fils 80, Exceptional EPS = Fils 195

EBITDA Margins 9M 2015

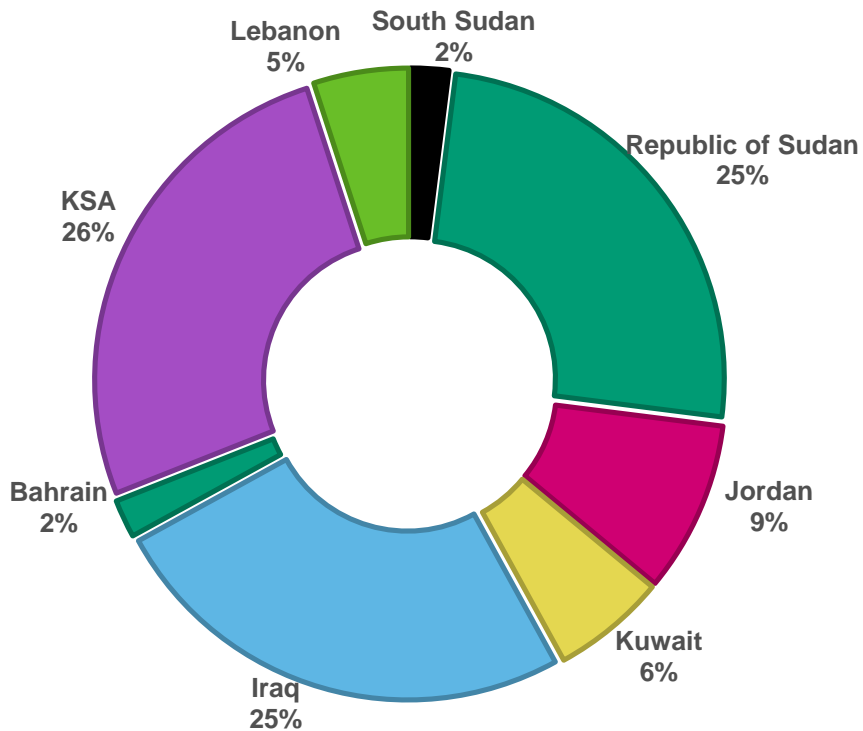


Market Penetration Rates

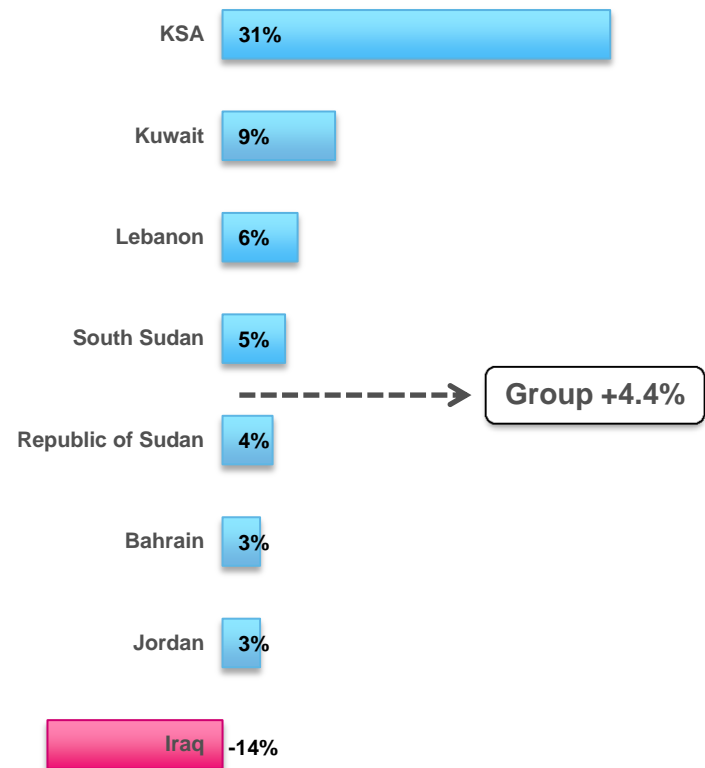


Source: World Cellular Information Services (WCIS).

Customers Contribution



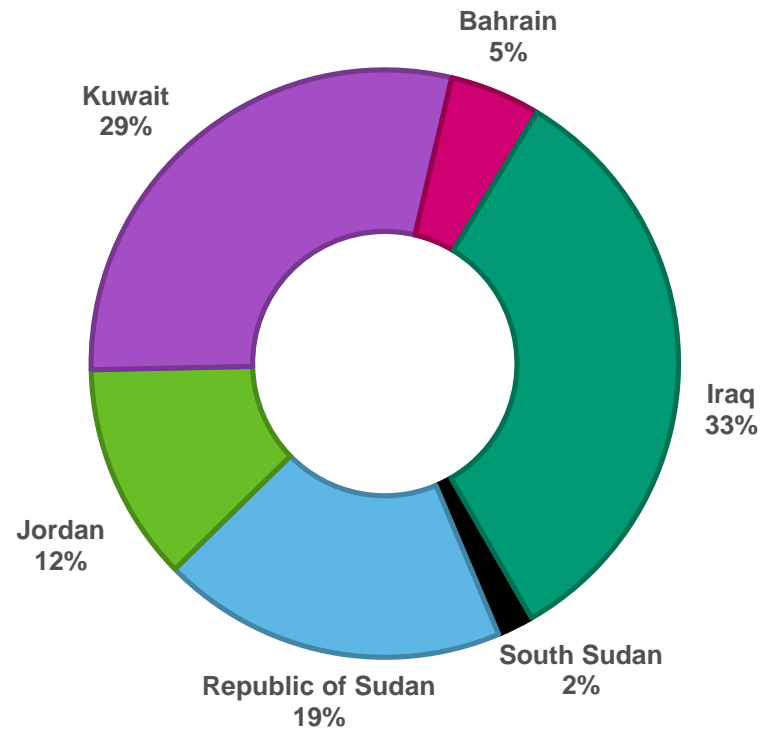
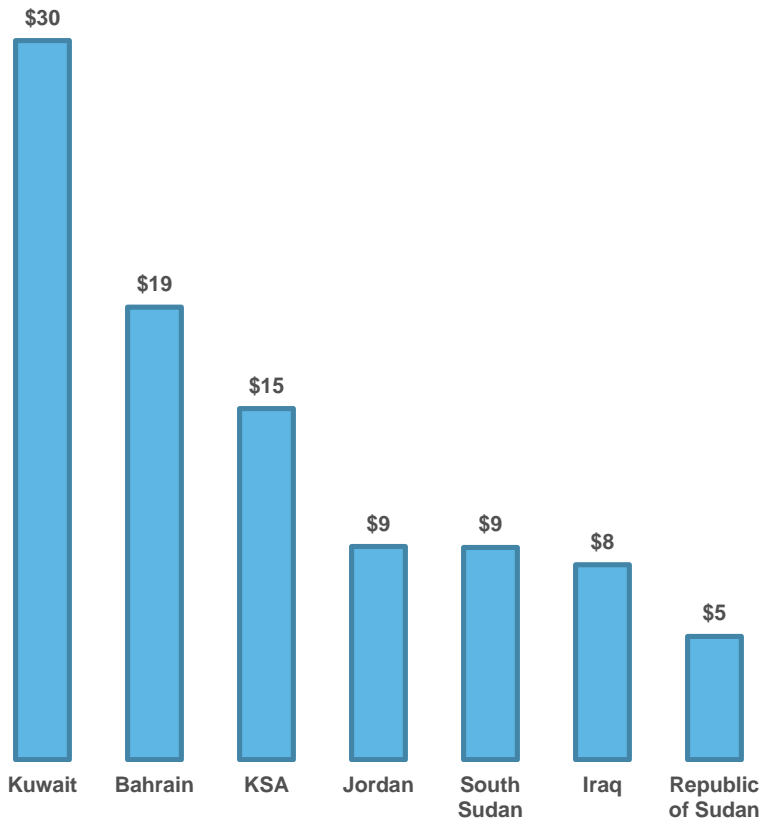
Customers Growth



* 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



3.6 m
Population



\$71,000
GDP/Capita



225%
Penetration



1983
Year of launch



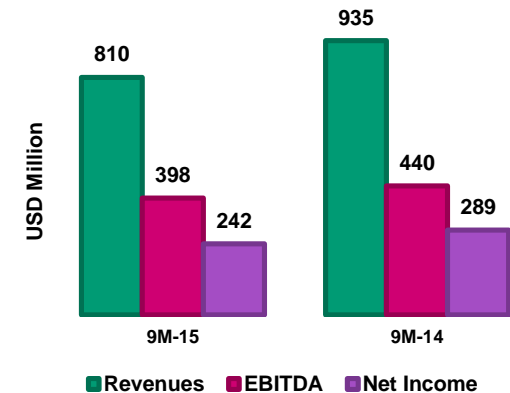
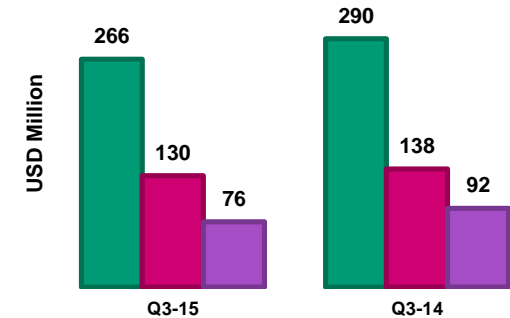
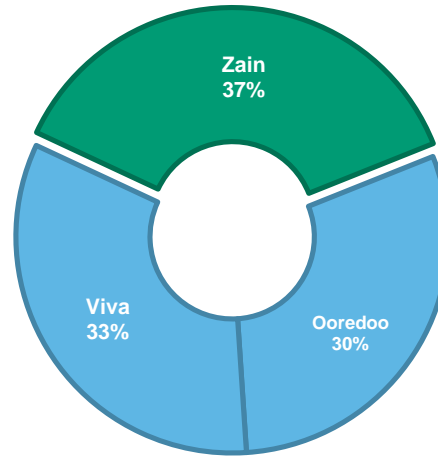
2.9 m
Customers



100%
Ownership



\$30
ARPU



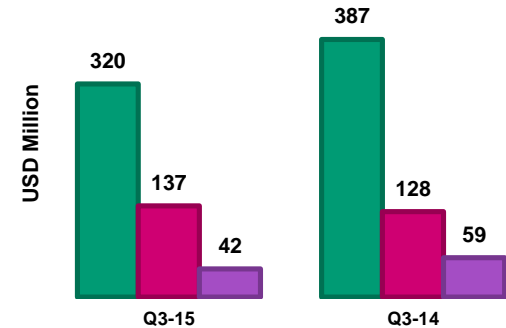
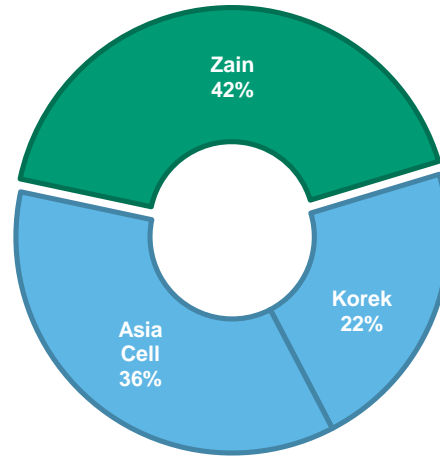
Technology : **2G, 3G, 4G** - Number of Sites : **1,888** - Coverage : **100%**

- 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 395 as of 30th September, 2015.
- Zain Kuwait managed to maintain its market share with a leading 37%, serving 2.9 million customers, which grew by 9% Y-o-Y. For the nine months of 2015, the operator reported 8% decrease in its revenues, to reach KD 243 million (USD 810 million), mainly due to the aggressive competition between the operators with lower revenues coming from the OTT impact. EBITDA for the period decreased by 4% to reach KD 119 million (USD 398 million). Net income for the period reached KD 73 million (USD 242 million) which represents a drop of 11%. The operator reported a healthy EBITDA margin of 49.2% as of Sep-2015.
- Data revenues (excluding SMS & VAS) formed 36% of total revenues, reflecting an annual growth of 8% (2% growth in USD terms). Zain's nationwide 4G LTE network covered the entire population of Kuwait through a total of 1,888 network sites.

ZAIN IRAQ

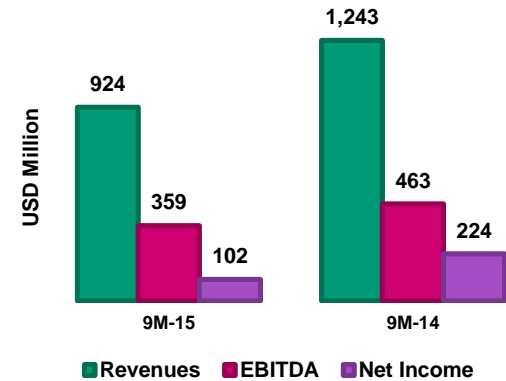
MARKET SHARE

FINANCIALS



Technology : **2G, 3G** - Number of sites : **4,118** - 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 September, 2015 Zain Iraq share price closed at IQD 3.5, with a market capitalization of more than USD 5 billion.
- Zain Iraq launched 3G services at the beginning of the year and is actively rolling out 3G services across the country. This contributed to data revenues growth of 39% Y-o-Y for the nine months. Zain Iraq's performance has been severely hampered by the escalation of social instability that has resulted in several million people being displaced internally. Zain Iraq also has to endure frequent temporary network shutdowns and associated higher network operational costs. In addition, the implementation of a new 20% sales tax on mobile services together with a wide range of tax increases in other sectors in Iraq were introduced on 1st August, 2015, impacting spending on mobile services. These exceptional circumstances coupled with intense competition and currency fluctuations, adversely affected the operation's financial performance. Revenues for the period reached USD 924 million, with EBITDA reaching USD 359 million, and net income amounting to USD 102 million. It is worth mentioning that the Q3 2015 KPIs grew by revenues 7%, EBITDA 13% and net income 60% as compared with Q2 2015.

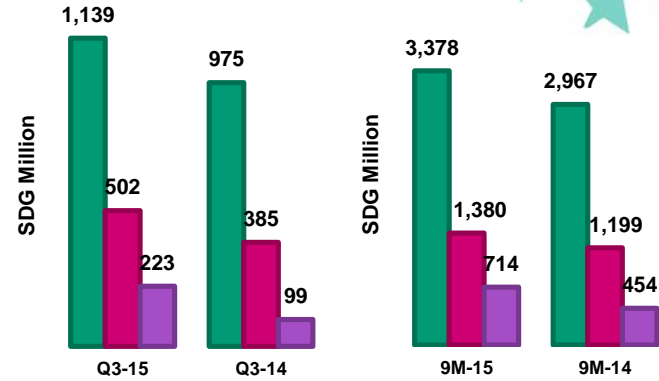
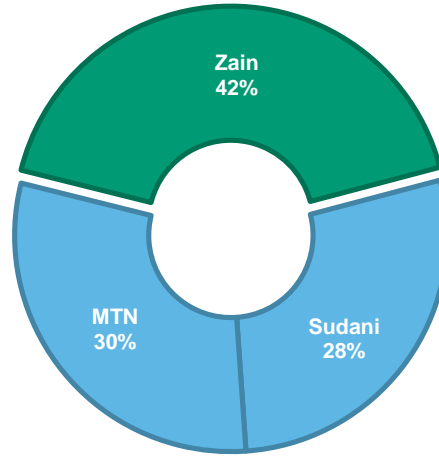
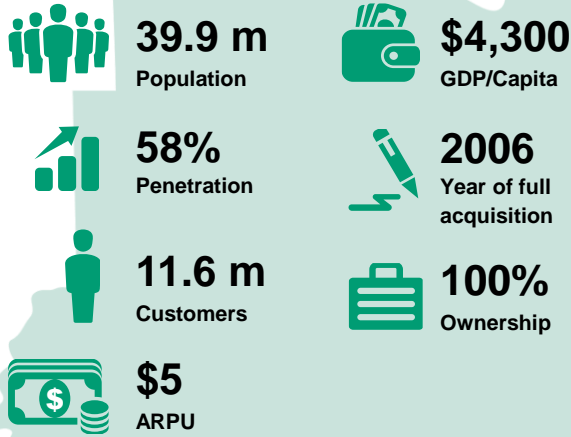


■ Revenues ■ EBITDA ■ Net Income

ZAIN SUDAN

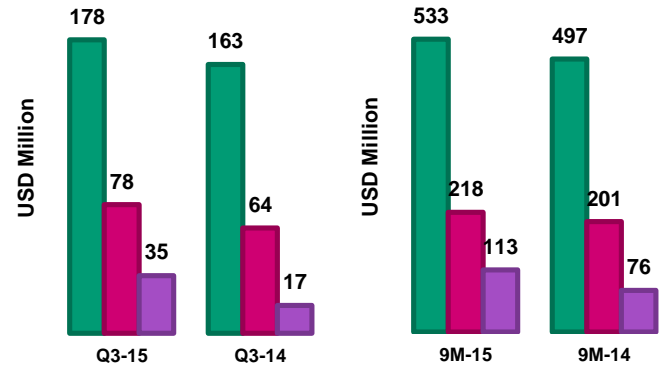
MARKET SHARE

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 7% Y-o-Y in USD terms to reach USD 533 million (up 14% Y-o-Y in SDG terms) mainly due to increase in voice and data revenues. EBITDA increased 8% Y-o-Y to reach USD 218 million (up 15% in SDG terms) mainly on account of the healthy top line performance, with net income increasing 48% Y-o-Y to reach USD 113 million (up 57% in SDG terms) due to the positive EBITDA performance and lower currency variance.
- The operator witnessed a 4% 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 10% of total revenues, with a remarkable growth of 87% Y-o-Y (99% in SDG terms).



■ Revenues ■ EBITDA ■ Net Income

ZAIN KSA

MARKET SHARE

FINANCIALS

30.0 m
Population

\$52,200
GDP/Capita

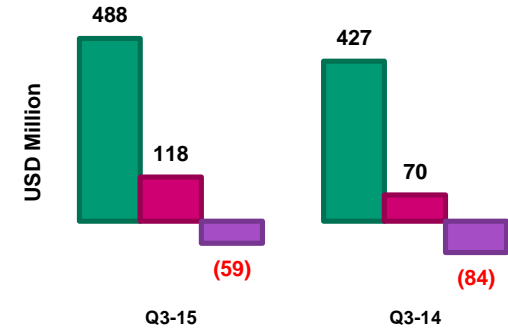
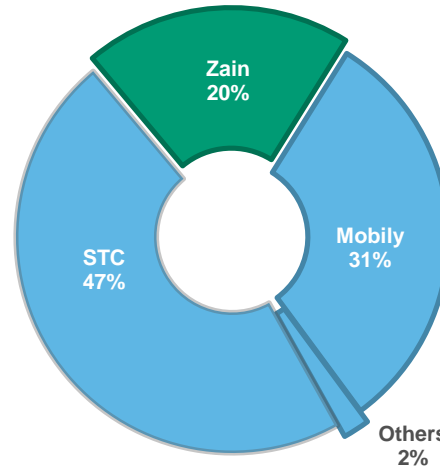
181%
Penetration

2008
Year of acquisition

11.8 m
Customers

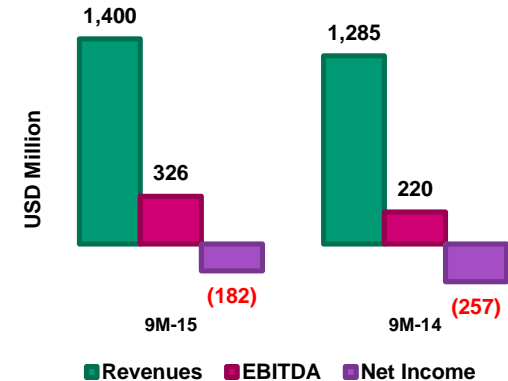
37%
Ownership

\$15
ARPU



Technology : **2G, 3G, 4G** - Number of sites : **7,095** - 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 1.4 billion (share price of SAR 9.1) on September 30th, 2015.
- The operator witnessed the highest customer growth among the group with a remarkable 31% increase Y-o-Y to now serve around 11.8 million customers representing 26% of the total group customer base. Zain Saudi Arabia is continually improving in all key aspects of its business. Revenues for the first nine months 2015 reached USD 1.4 billion, reflecting a 9% increase mainly due to the increase in data revenues, while net losses decreased 29% to USD 182 million. EBITDA for the period increased significantly by 48%, reaching USD 326 million, while the EBITDA margin improved to 23% compared to 17% last year.
- The operator witnessed 48% rise in data revenues (excluding SMS & VAS) Y-o-Y which represents 23% of total revenues as the company expands its state-of-the-art 4G LTE network that currently covers 95% of the population.

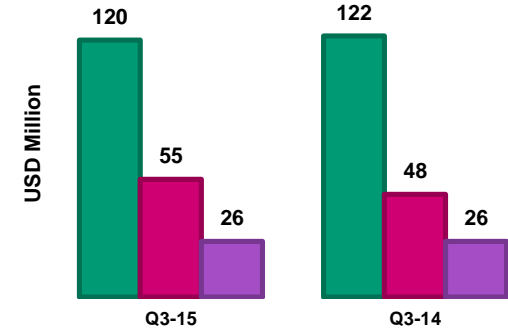
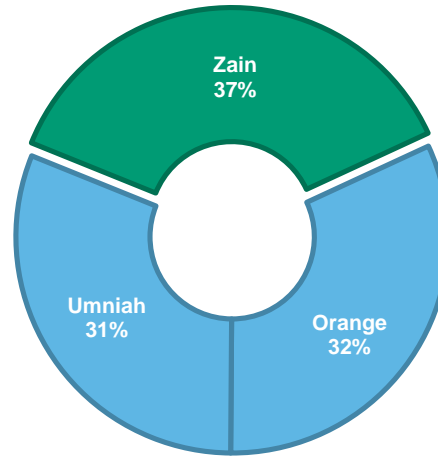


■ Revenues ■ EBITDA ■ Net Income

ZAIN JORDAN

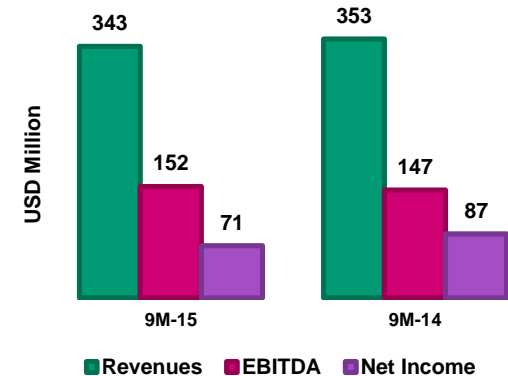
MARKET SHARE

FINANCIALS



Technology : **2G, 3G, 4G** - Number of sites : **2,223** - 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 4.1 million customers which grew by 3% Y-o-Y. The operator's performance for the first nine months witnessed a slight decrease in revenues of 3% to reach USD 343 million with net income reaching 71 million for the period.
- Data revenues (excluding SMS & VAS) represented 28% of total revenues, which grew by 17% as compared with the same period last year. The operator covers the entire population through its 2,223 network sites.



■ Revenues ■ EBITDA ■ Net Income

ZAIN BAHRAIN

FINANCIALS

 **1.4 m**
Population

 **\$51,700**
GDP/Capita

 **187%**
Penetration

 **2003**
Year of launch

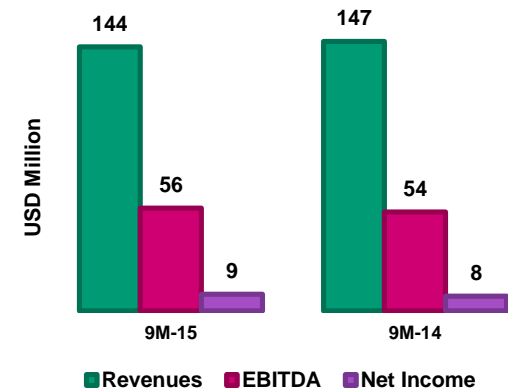
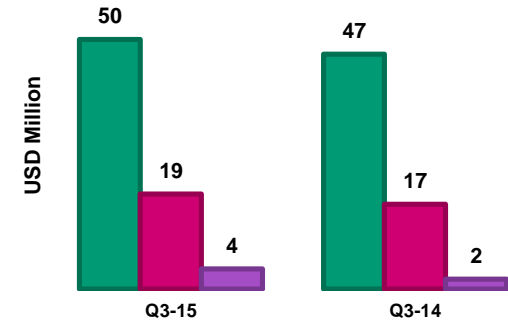
 **814**
Thousand
Customers

 **55%**
Ownership

 **\$19**
ARPU

Technology : **2G, 3G, 4G** - Number of sites : **454** - 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 174 million (share price BD 0.178) on 30th September, 2015.
- With an ARPU of USD 19, Zain Bahrain has the second highest ARPU in the Group.
- For the first nine months of 2015, Zain Bahrain generated revenues of USD 144 million, a decrease of 2% as compared with USD 147 million last year, mainly due to lower voice and roaming revenues. EBITDA for the period reached USD 56 million, reflecting a healthy EBITDA margin of 39%, and net income amounting to USD 9 million.
- Data revenues (excluding SMS & VAS) represented 34% of overall revenues, which grew by 10% as compared with last year.



■ Revenues ■ EBITDA ■ Net Income

ZAIN SOUTH SUDAN

FINANCIALS

 **12.6 m**
Population

 **\$2,300**
GDP/Capita

 **20%**
Penetration

 **2006**
Year of full
acquisition

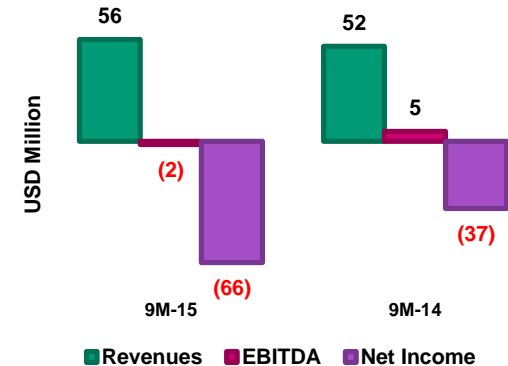
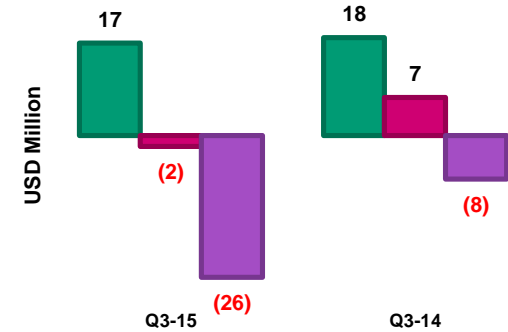
 **696**
Thousand
Customers

 **100%**
Ownership

 **\$9**
ARPU

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 operator witnessed a 5% increase in its customers base to now serve 696 thousand customers through a total number of 288 network sites, with 50% population coverage.
- Data revenues (excluding SMS and VAS) formed only 16% of total revenues, with a remarkable growth of 93% Y-o-Y.



TOUCH MANAGED BY ZAIN

MARKET SHARE

 **5.0 m**
Population

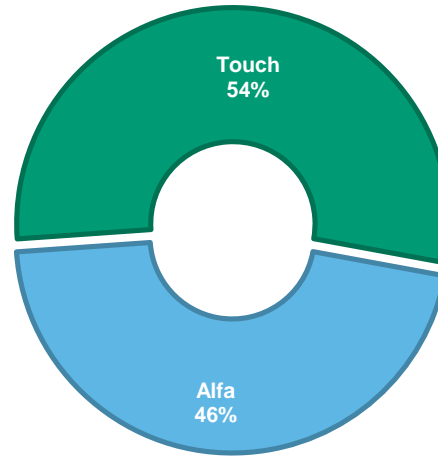
 **\$18,000**
GDP/Capita

 **90%**
Mobile
Penetration

 **2004**
Year of acquisition

 **2.3 m**
Customers

 **MC**
Ownership



Technology : **2G, 3G, 4G** - Number of sites : **1,282** - 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 1,282 network sites as of September 2015, covering 99% of the population.
- The operation currently serves around 2.3 million customers.

BALANCE SHEET

	Unaudited 30-Sep-15	Audited 31-Dec-14	Unaudited 30-Sep-14
	KD '000		
Assets			
Current assets			
Cash and bank balances	330,835	343,570	307,972
Trade and other receivables	424,325	358,377	394,521
Inventories	20,533	16,836	13,234
Investment securities- at fair value through profit or loss	1,349	1,941	2,163
	777,042	720,724	717,890
Non-current assets			
Investment securities – available for sale	29,041	37,717	44,001
Investments in associates and joint ventures	225,423	238,977	243,121
Due from associates	347,964	309,298	309,287
Other assets	19,969	22,772	21,355
Property and equipment	925,072	852,590	779,265
Intangible assets	1,190,885	1,094,985	1,068,528
	2,738,354	2,556,339	2,465,557
Total Assets	3,515,396	3,277,063	3,183,447

	Unaudited 30-Sep-15	Audited 31-Dec-14	Unaudited 30-Sep-14
	KD '000		
Liabilities and Equity			
Current liabilities			
Trade and other payables	747,376	656,064	572,538
Due to banks	213,886	171,616	287,674
	961,262	827,680	860,212
Non-current liabilities			
Due to banks	731,566	616,645	524,672
Other non-current liabilities	41,619	38,769	37,818
	773,185	655,414	562,490
Equity			
Attributable to the Company's shareholders			
Share capital	432,706	432,706	432,706
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	(660,662)	(677,007)	(669,081)
Treasury shares reserve	1,967	1,967	1,967
Investment fair valuation reserve	(3,470)	1,205	4,083
Hedge reserve	(2,631)	(1,931)	(1,287)
Retained earnings	475,049	512,780	479,729
	1,598,642	1,625,403	1,603,521
Non-controlling interests	182,307	168,566	157,224
Total equity	1,780,949	1,793,969	1,760,745
Total Liabilities and Equity	3,515,396	3,277,063	3,183,447

INCOME STATEMENT

	Nine months ended	
	30-Sep	
	2015	2014
	KD'000	
Revenue	854,759	921,397
Cost of sales	(218,898)	(256,938)
Gross profit	635,861	664,459
Operating and administrative expenses	(260,531)	(267,052)
Depreciation and amortization	(158,102)	(129,088)
Provision for impairment – trade and other receivables	(3,552)	(8,548)
Operating profit	213,676	259,771
Interest income	5,172	15,542
Investment income	(1,111)	1,748
Share of results of associates and joint ventures	(20,620)	(25,426)
Other (expense)/income	(5,460)	2,682
Finance costs	(21,117)	(20,402)
Loss from currency revaluation	(20,795)	(31,431)
Board of Directors' remuneration	(258)	(323)
Contribution to Kuwait Foundation for Advancement of Sciences	(649)	(1,124)
National Labour Support Tax and Zakat	(4,499)	(5,159)
Profit for the period before income tax	144,339	195,878
Income tax expenses	(16,878)	(18,017)
Profit for the period	127,461	177,861
Attributable to:		
Shareholders of the Company	118,193	160,955
Non-controlling interests	9,268	16,906
	127,461	177,861

	Nine months ended	
	30-Sep	
	2015	2014
Earnings per share		
Basic – Fils	30	41

CASH FLOW STATEMENT

	Nine months ended			Nine months ended	
	30-Sep			30-Sep	
	2015	2014		2015	2014
	KD'000			KD'000	
Cash flows from operating activities			Cash flows from investing activities		
Profit for the period before income tax	144,339	195,878	Deposits maturing after three months and bank balances blocked	(16,337)	(16,171)
Adjustments for:			Net cash outflow on acquisition of subsidiaries	(4,307)	(3,513)
Depreciation and amortization	158,102	129,088	Purchase of investments	(2,077)	(750)
Interest income	(5,172)	(15,542)	Proceeds from sale of investments	3,210	4,879
Investment income	1,111	(1,748)	Acquisition of property and equipment (net)	(138,144)	(110,946)
Share of loss of associates and joint ventures	20,620	25,426	Acquisition of intangible assets	(134,342)	(105,753)
Finance costs	21,117	20,402	Interest received	5,188	6,312
Loss from currency revaluation	20,795	31,431	Dividend received	1,111	608
Operating profit before working capital changes	360,912	384,935	Net cash used in investing activities	(285,698)	(225,334)
Increase in trade and other receivables	(73,127)	(50,254)	Cash flows from financing activities		
(Increase)/decrease in inventories	(3,625)	1,485	Proceeds from bank borrowings	519,257	368,329
Increase/(decrease) in trade and other payables	52,739	(9,483)	Repayment of bank borrowings	(391,248)	(328,033)
Cash generated from operations	336,899	326,683	Loan to an associate	(21,745)	(20,445)
Paid to Kuwait Foundation for Advancement of Sciences	(700)	(3,949)	Capital contribution including share premium – employees stock option	-	763
National Labour Support Tax and Zakat paid	(3,403)	(3,807)	Dividends paid to Company's shareholders	(155,559)	(194,602)
Income tax paid	14,533)	(13,022)	Dividends paid to minority shareholders of subsidiaries	(1,783)	(2,647)
Net cash from operating activities	318,263	305,905	Finance costs paid	(17,181)	(14,855)
			Net cash used in financing activities	(68,259)	(191,490)
			Net decrease in cash and cash equivalents	(35,694)	(110,919)
			Effect of foreign currency translation	6,622	3,478
			Cash and cash equivalents at beginning of period	221,021	282,687
			Cash and cash equivalents at end of period	191,949	175,246



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

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