



Zain Group Financial Results

Q3 2016






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For further information about Zain Group, or the materials contained within this presentation, please direct your enquiries to our Investor Relations team via email at IR@zain.com

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-  Zain Group Overview
-  Zain Operations Overview
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Zain AT A GLANCE

As Of 30 September, 2016

45.8

Million active
customers



11.8

Million customers
In Iraq



4G

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



6,668

Employees



\$1.3

Billion 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



\$413

Million in
net income



42.5

Million + daily
total sms



5.2

Million km²
under license



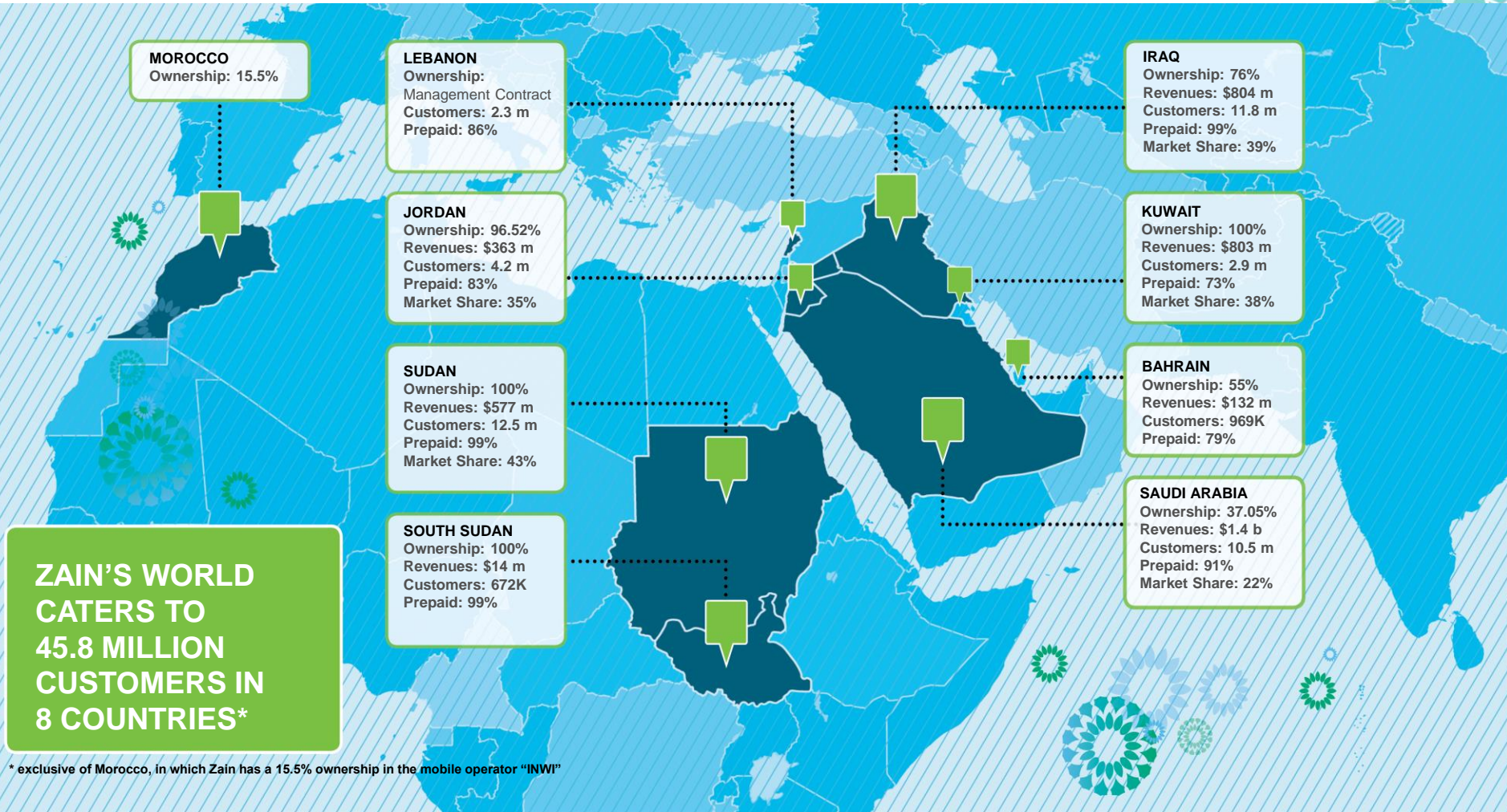
\$2.7

Billion in revenues



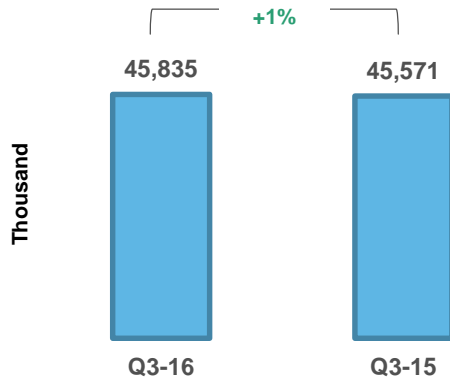
THE WORLD OF ZAIN

As Of 30 September, 2016

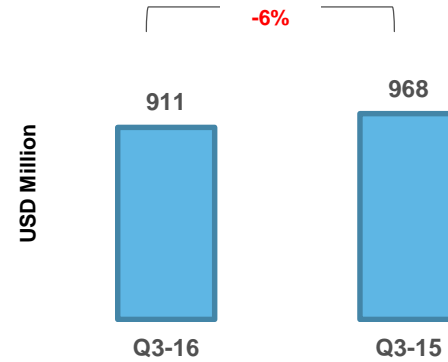


Group Results

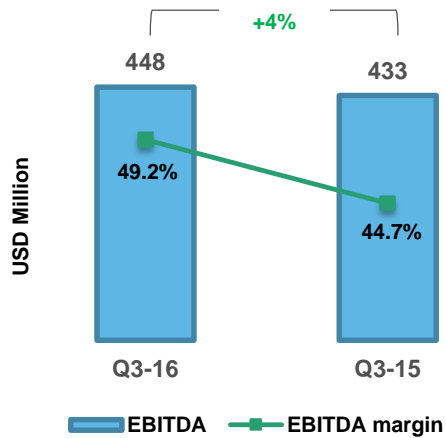
CUSTOMERS



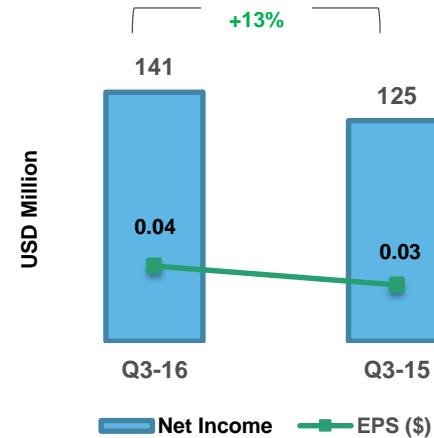
REVENUES



EBITDA / MARGIN

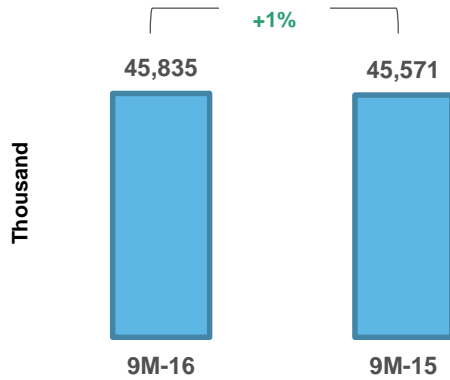


NET INCOME / EPS

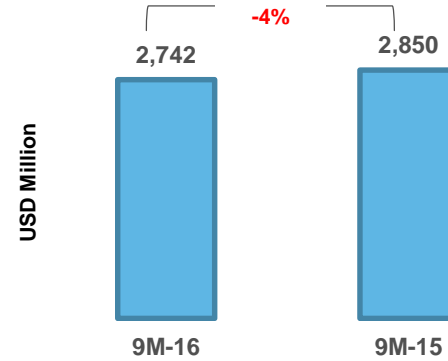


Group Results

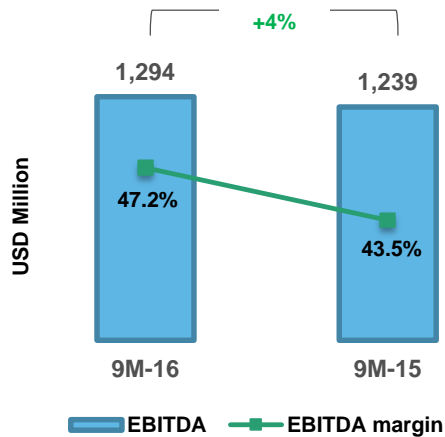
CUSTOMERS



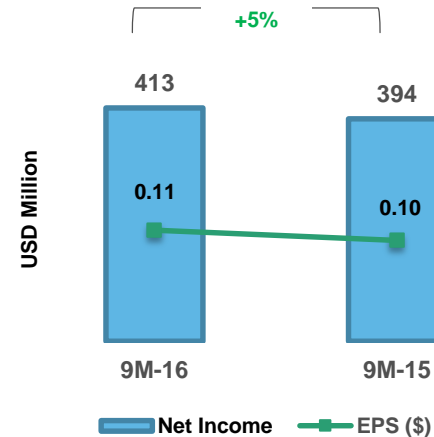
REVENUES



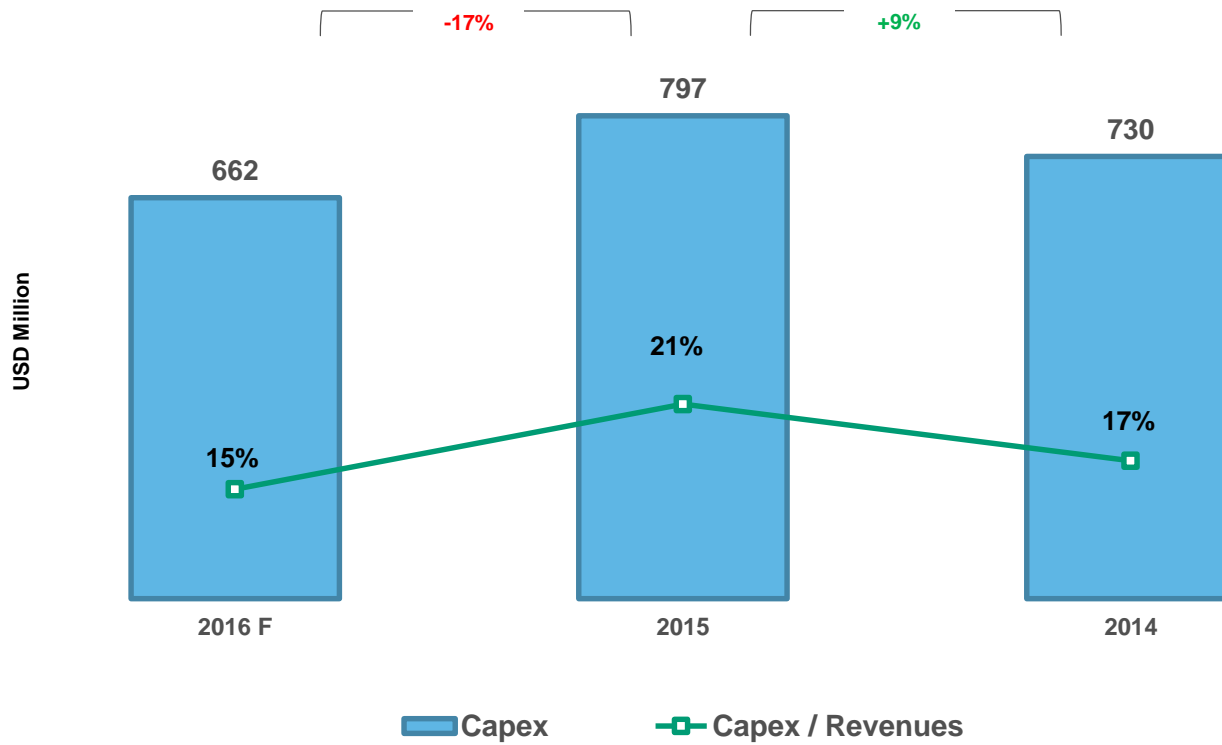
EBITDA / MARGIN



NET INCOME / EPS



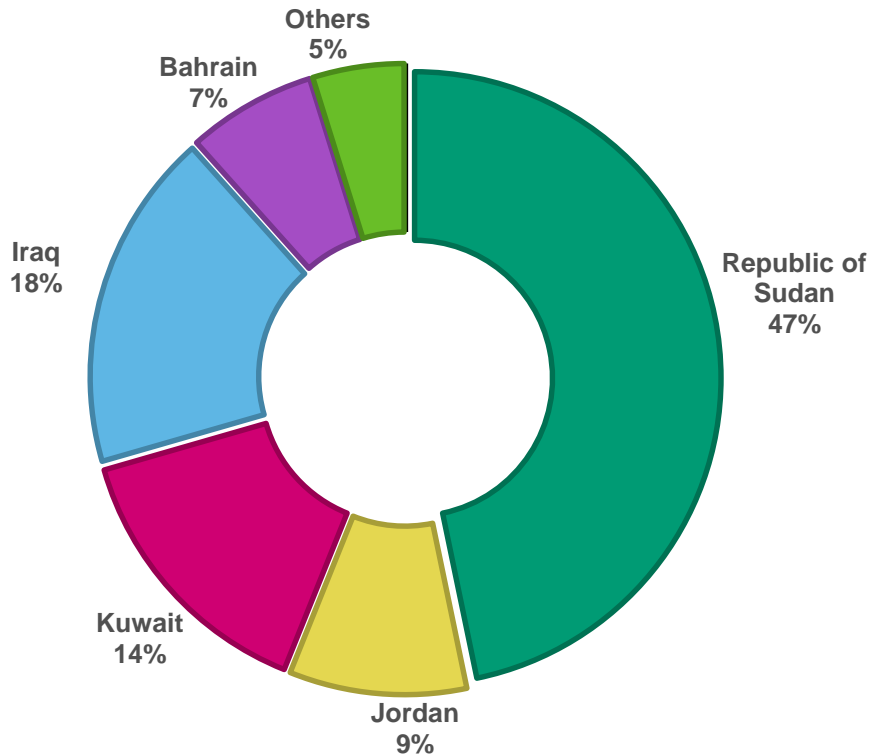
CAPEX & CAPEX / Revenues



F = Forecasted

Total CAPEX

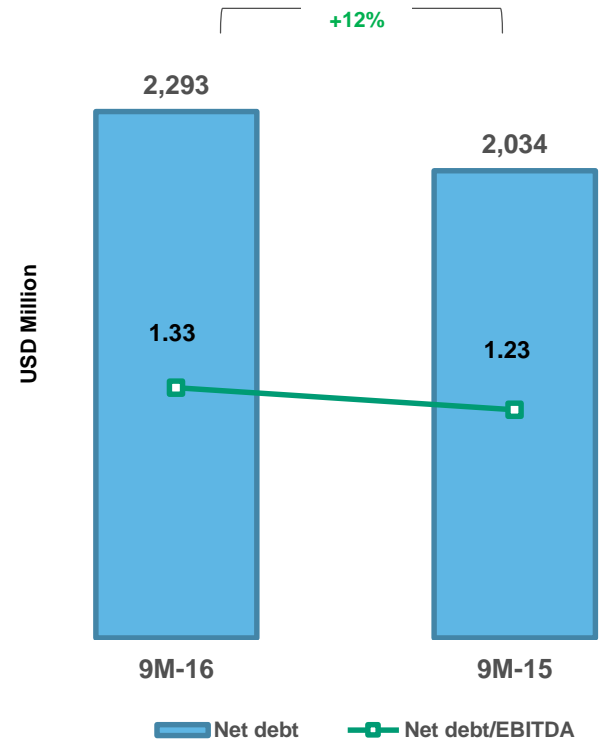
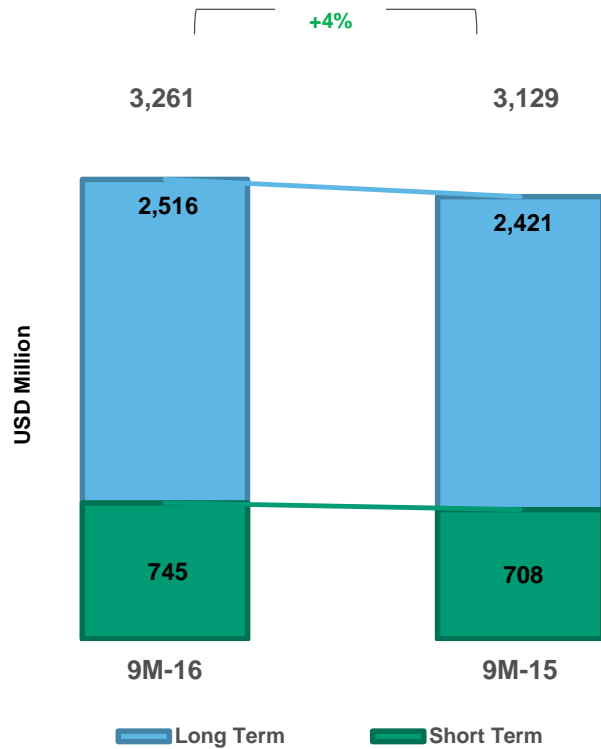
Group Total Capex (excluding KSA) = USD 353 million



| OpcO | 9M 2016 USD Million | % of Revenues |
|---------|------------------------|------------------|
| Kuwait | 51 | 6% |
| Iraq | 63 | 8% |
| Sudan | 165 | 29% |
| KSA | 568 | 40% |
| Jordan | 33 | 9% |
| Bahrain | 24 | 17% |
| Others | 17 | N/A |

Total Debt

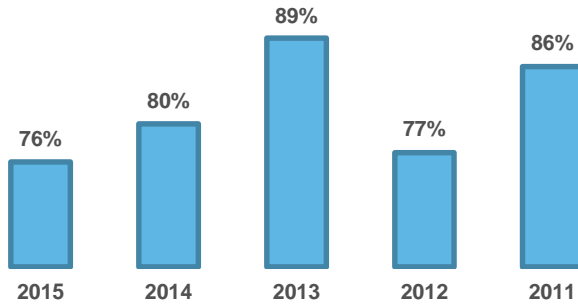
Net Debt & Net Debt / EBITDA



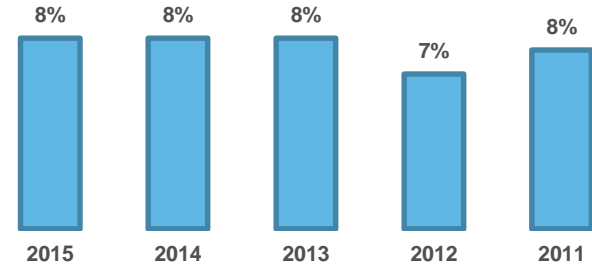
- Net Debt = Total interest bearing debt (excluding letters of guarantee) after deducting cash and cash equivalents

Zain Dividends

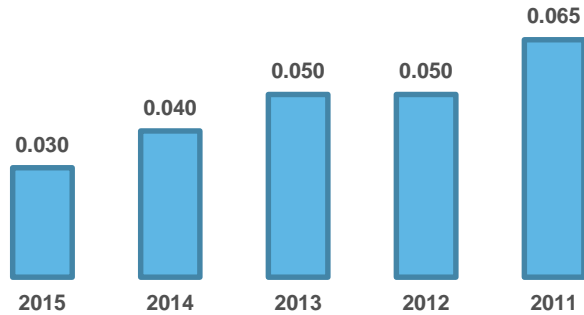
DIVIDEND PAYOUT RATIO



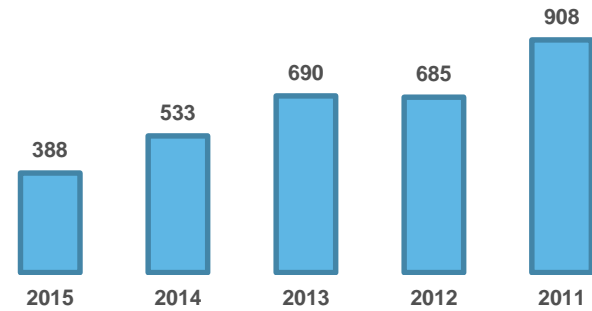
DIVIDEND YIELD (%)



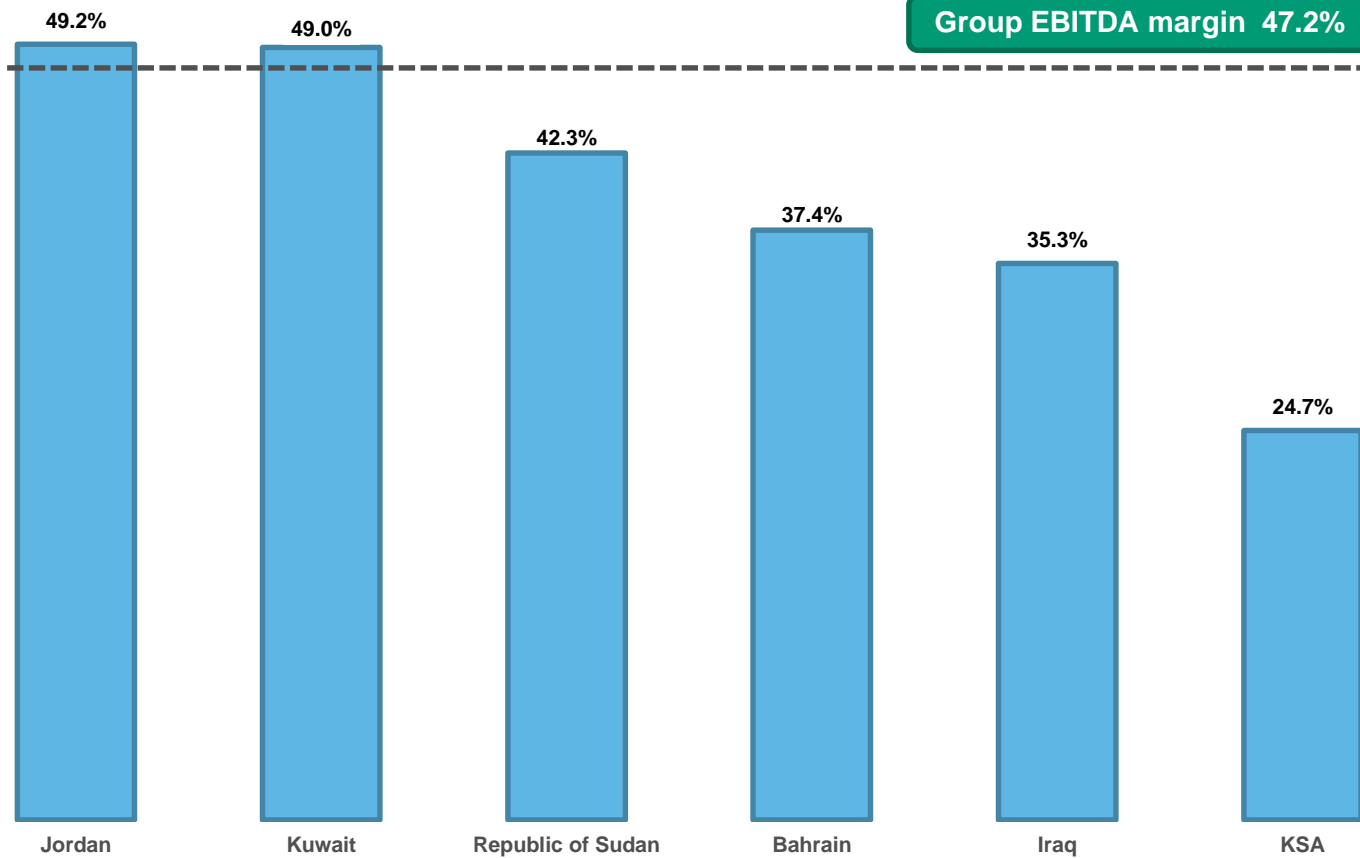
DIVIDEND PER SHARE (KD)



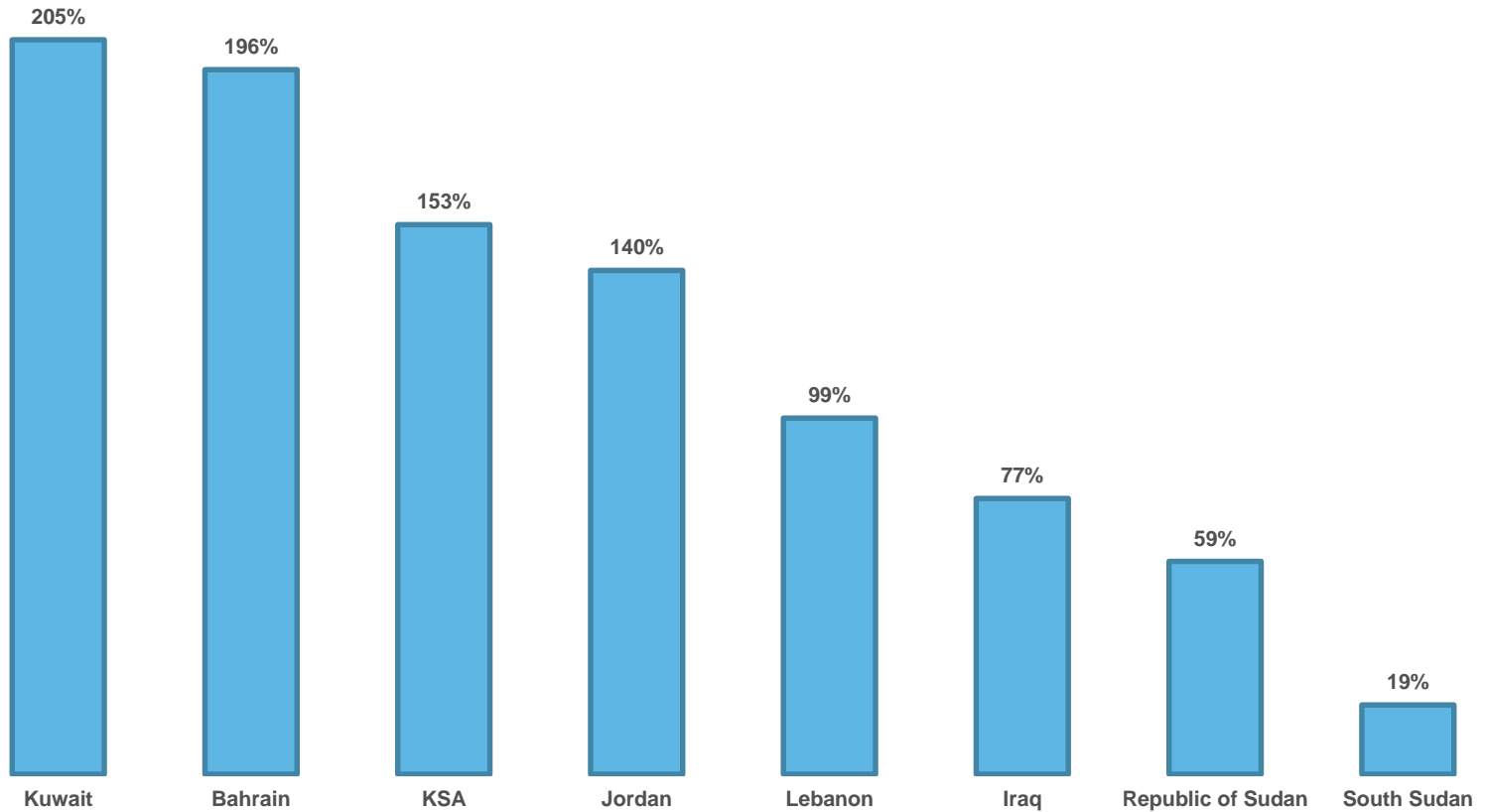
CASH DIVIDEND (USD M)



EBITDA Margins



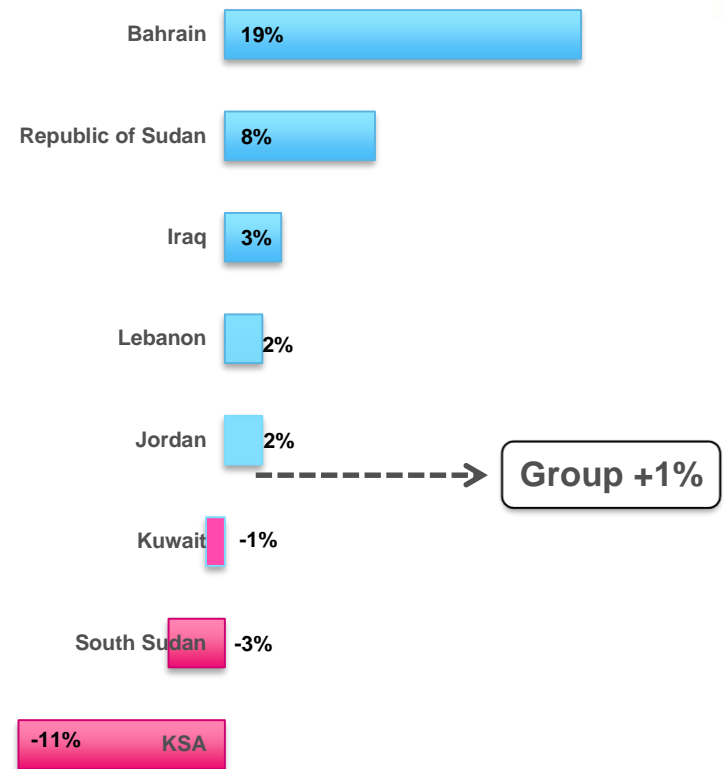
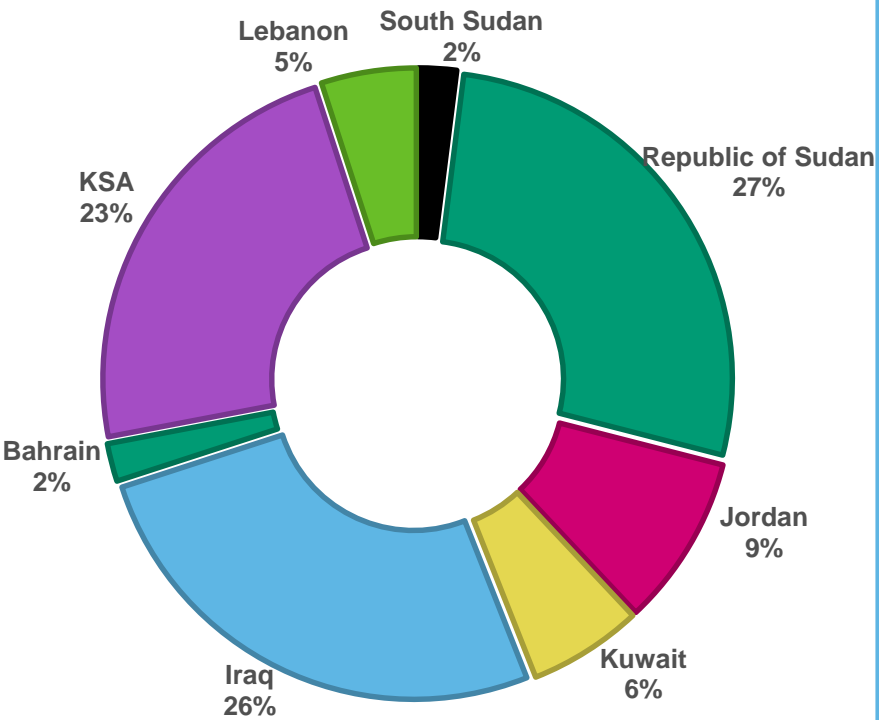
Market Penetration Rates



Source: World Cellular Information Services (WCIS).

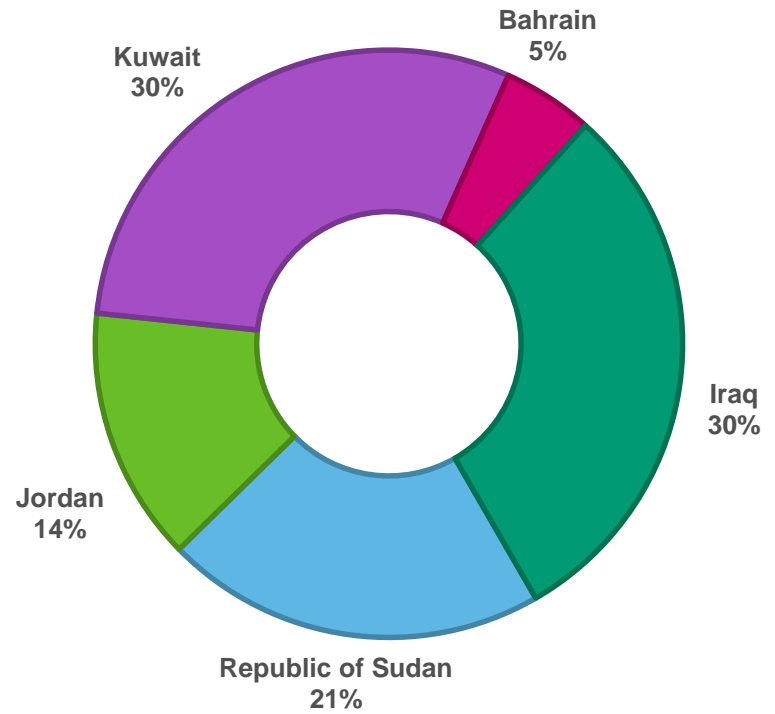
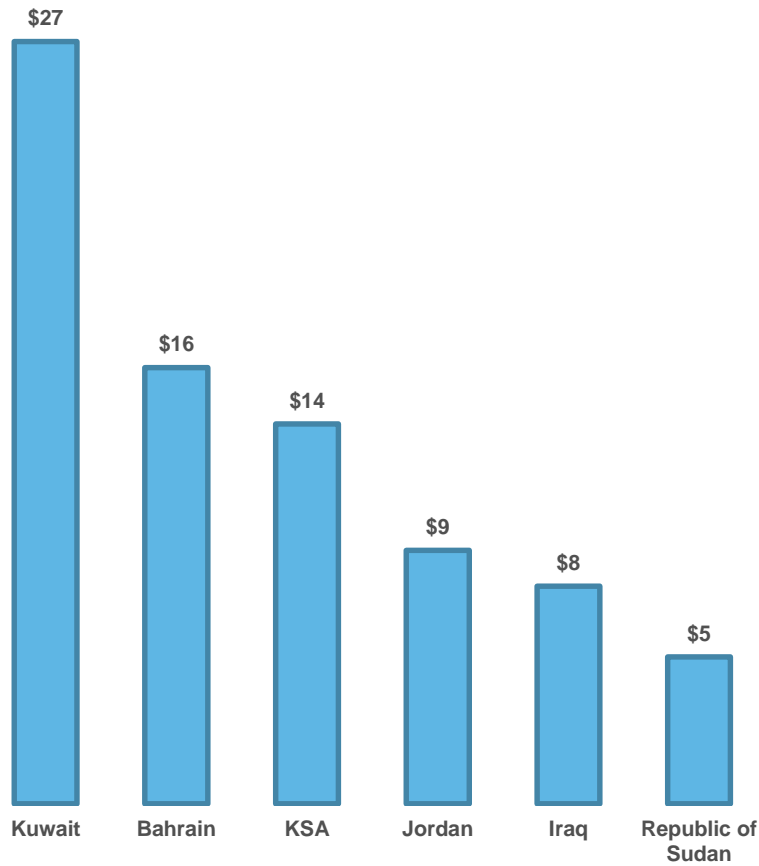
Customer Contribution

Customer Growth



Blended ARPU

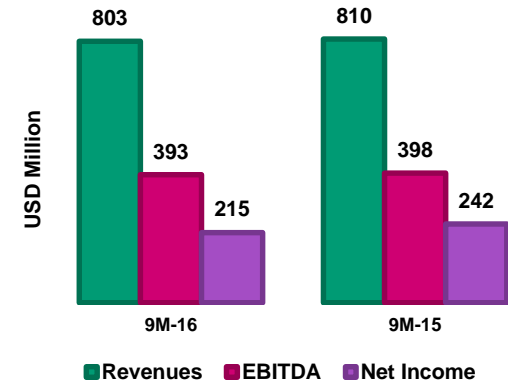
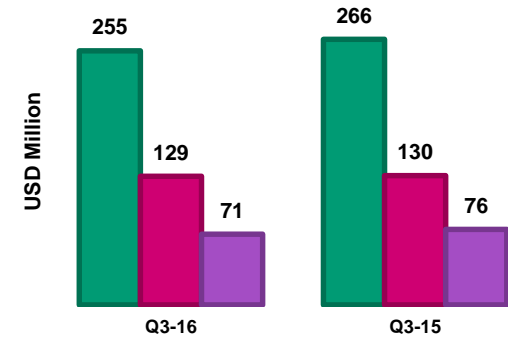
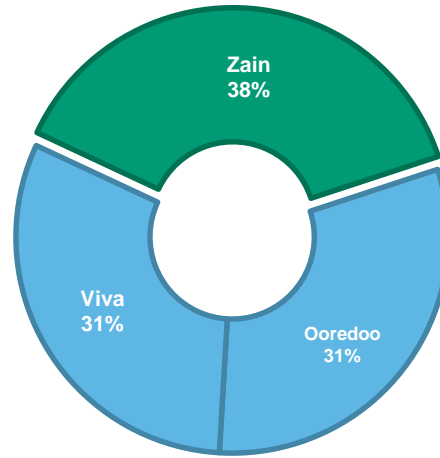
Revenue Contribution



ZAIN KUWAIT

MARKET SHARE

FINANCIALS



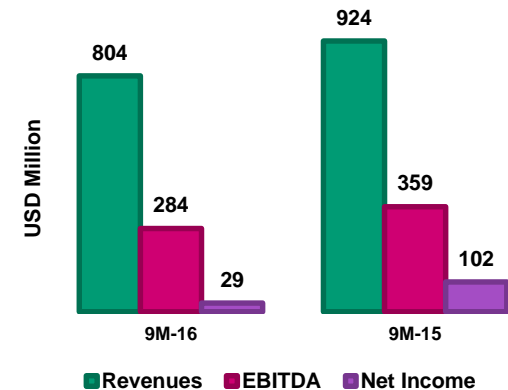
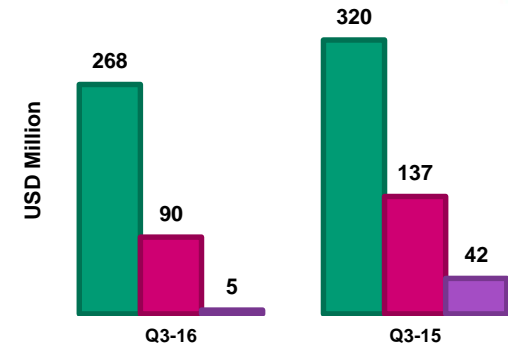
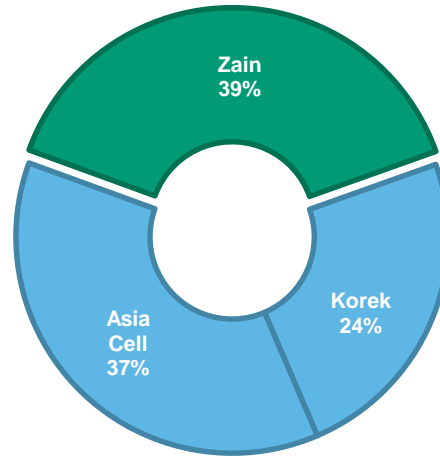
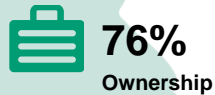
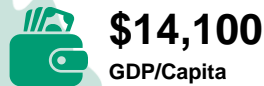
Technology : **4G** - Number of Sites : **1,969** - Coverage : **100%**

- 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 420 Fils as of 26th October, 2016.
- Zain Kuwait maintained its market with 37% market share, serving 2.9 million customers. For the first 9 months of 2016, Zain Kuwait revenues were stable at KD 242 million (USD 803 million). EBITDA for the period was stable at KD 119 million (USD 393 million) while net income decreased by 11% mainly due to higher depreciation and amortization. The operator reported a healthy EBITDA margin of 49%.
- Notably, data revenues (excluding SMS & VAS) formed 36% of total revenues. Zain's nationwide 4G LTE network covered the entire population of Kuwait through a total of 1,969 network sites.

ZAIN IRAQ

MARKET SHARE

FINANCIALS



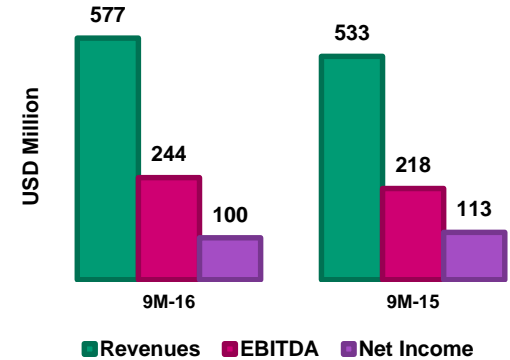
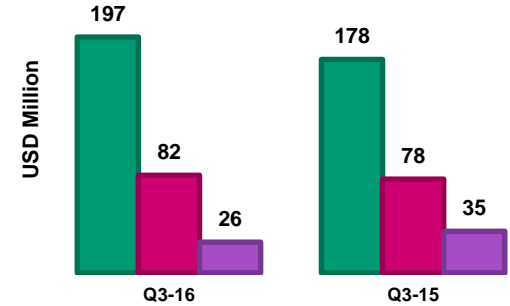
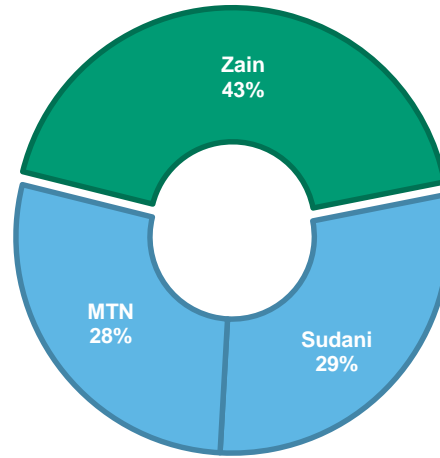
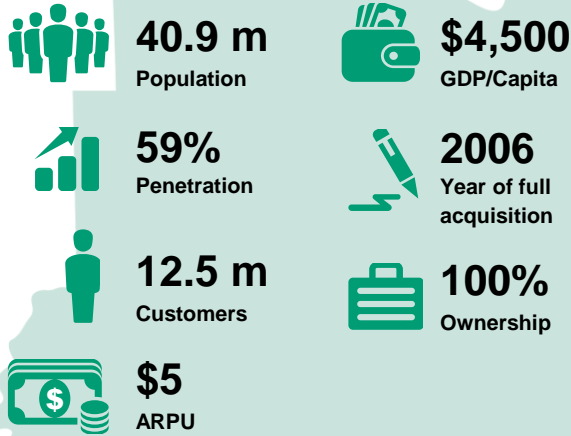
Technology : **3G** - Number of sites : **4,246** - Coverage : **99%** - License : **expires in 2022**

- 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 September, 2016 Zain Iraq share price closed at IQD 2.95, with a market capitalization circa USD 5 billion.
- The performance of Zain Iraq over the last nine months was severely hampered by the escalation of political and social instability specially in North and Anbar regions, coupled with unpaid salaries and the ongoing 20% VAT effect and the intense competition, adversely affected the operation's financial performance, as its revenues for the first nine months reached USD 804 million, with EBITDA reaching USD 284 million, and net income amounting to USD 29 million.
- Data revenues (excluding SMS & VAS) represented 9% of total revenues, which grew by 12% as compared with the same period last year.

ZAIN SUDAN

MARKET SHARE

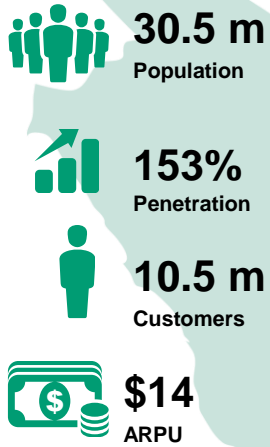
FINANCIALS



Technology : **4G** - Number of sites : **2,440** - Coverage : **90%** - License : **expires in 2029**

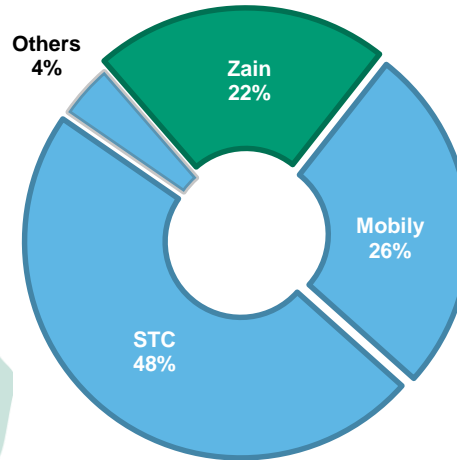
- In February 2006, Zain acquired the remaining 61% stake of Mobitel, Republic of Sudan's first mobile operator, in a deal valued at USD 1.3 billion, resulting in 100% ownership. The company rebranded to Zain in September 2007 and subsequently renewed its license for a period of 20 years.
- For the first nine months of 2016, in local currency (SDG) terms, the operator's revenues grew by 10% Y-o-Y to reach SDG 3.7 billion (USD 577 million, up 8% in USD terms), due to higher data revenues. EBITDA increased by 14% to reach SDG 1.6 billion (USD 244 million, up 12% in USD terms), while net income decreased by 10% to SDG 646 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 914K new customers, up 8% Y-o-Y, to now serve around 12.5 million customers, through a total number of 2,440 network sites, with 90% population coverage.
- Data revenues (excluding SMS and VAS) formed only 13% of total revenues, with a remarkable growth of 44% Y-o-Y (42% in USD terms).

ZAIN KSA

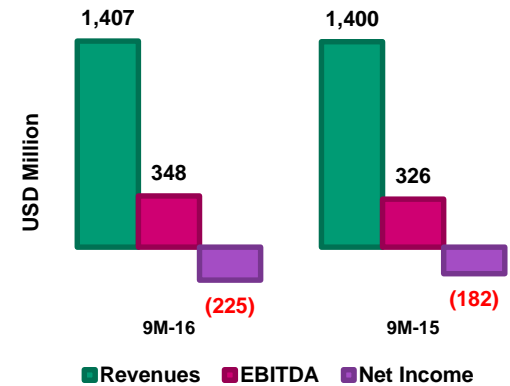
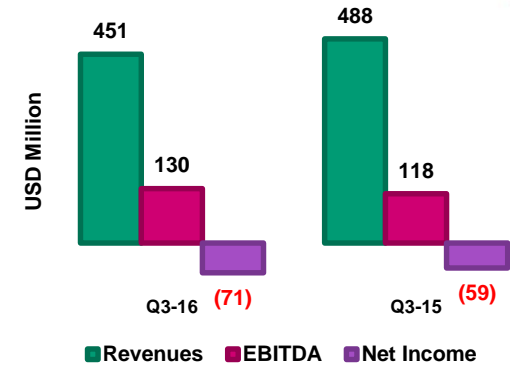


MARKET SHARE

* Displayed market share is as of June 2016



FINANCIALS



Technology : **4G** - Number of sites : **8,259** - Coverage : **94%** - License : **expires in 2047**

- 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 billion (share price of SAR 6.7) on September 30th, 2016.
- On October 1, 2016, Zain KSA received formal notification from the Kingdom's authorities extending its mobile operating license for an additional 15 years. Zain KSA was also issued a Unified Telecommunication License, which allows the company to provide all telecommunications services, including fixed services. The license extension will reduce the annual amortization charge by SAR 433 million (USD 115 million) starting from the date of the extension, reducing the company's net losses by the same amount.
- The operation served 10.5 million customers as of September 2016. Revenues were stable at USD 1.4 billion while EBITDA grew 7% to reach USD 348 million and net losses amounted to USD 225 million for the period. Zain KSA EBITDA margin reached 25%.
- The operator witnessed a noticeable 37% 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

7.8 m
Population

\$11,900
GDP/Capita

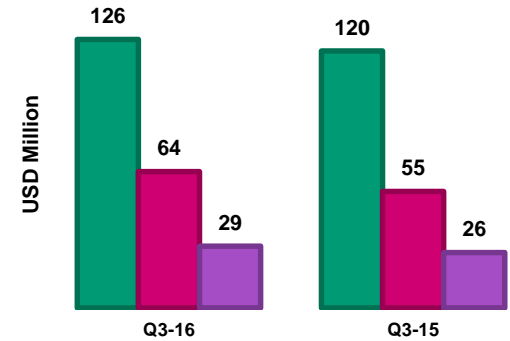
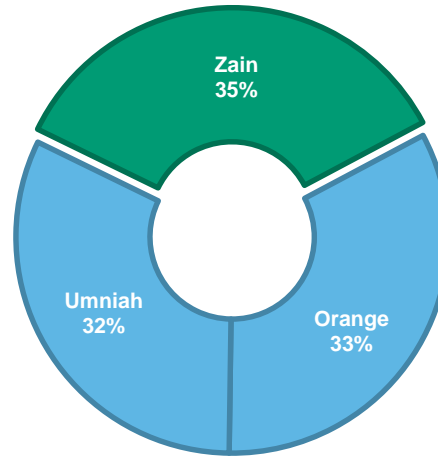
140%
Penetration

2003
Year of acquisition

4.2 m
Customers

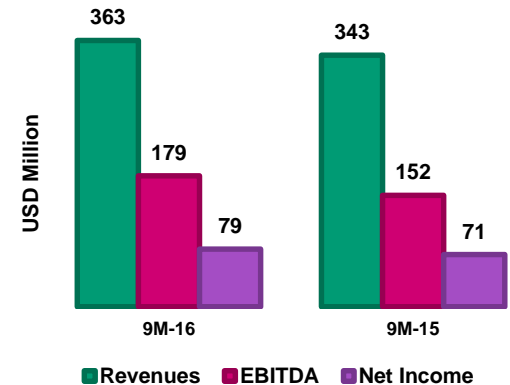
96.52%
Ownership

\$9
ARPU



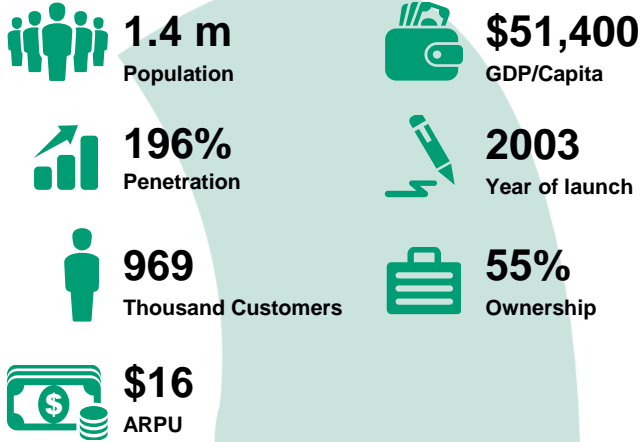
Technology : **4G** - Number of sites : **2,290** - Coverage : **100%** - License : **expires in 2031**

- 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 nine months of 2016, where revenues increased by 6% to reach USD 363 million, due to higher data revenues. EBITDA jumped by an impressive 18% to reach USD 179 million with an impressive EBITDA margin of 49%. Net income increased by 11% to reach USD 79 million, due to the positive top line performance.
- Data revenues (excluding SMS & VAS) represented 33% of total revenues, which grew by 24% as compared with the same period last year. The operator covers the entire population through its 2,290 network sites.



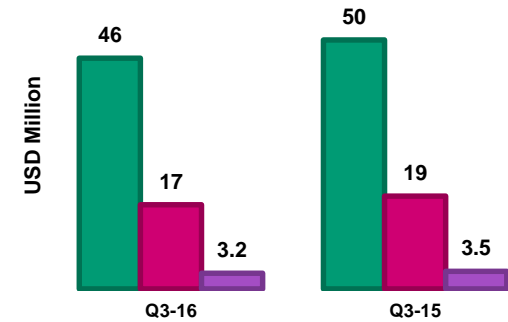
ZAIN BAHRAIN

FINANCIALS



Technology : **4G** - Number of sites : **490** - 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 September, 2016.
- With an ARPU of USD 16, Zain Bahrain has the second highest ARPU in the Group.
- For the first nine months 2016, Zain Bahrain generated revenues of USD 132 million, a drop of 8% as compared with USD 144 million last year. EBITDA for the period reached USD 49 million, reflecting a healthy EBITDA margin of 37%. Net income for the period reached USD 8 million.
- Data revenues (excluding SMS & VAS) represented 39% of overall revenues, which grew by 8% as compared to last year.



TOUCH
MANAGED BY ZAIN

MARKET SHARE



5.0 m
Population



\$17,900
GDP/Capita



99%
Mobile
Penetration



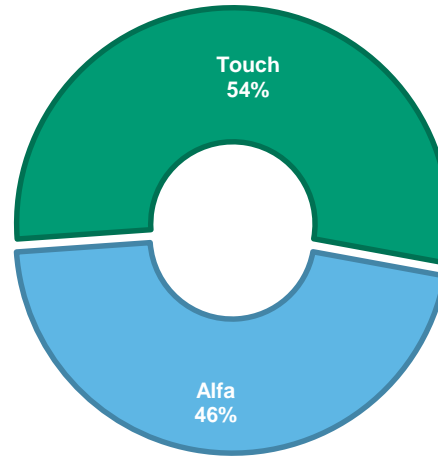
2004
Year of acquisition



2.3 m
Customers



MC
Ownership



Technology : **4G** - Number of sites : **1,306** - 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.

BALANCE SHEET

| | Unaudited 30-Sep-16 | Audited 31-Dec-15 | Unaudited 30-Sep-15 | | Unaudited 30-Sep-16 | Audited 31-Dec-15 | Unaudited 30-Sep-15 |
|--|------------------------|----------------------|------------------------|---|------------------------|----------------------|------------------------|
| | KD '000 | | | | KD '000 | | |
| Assets | | | | Liabilities and Equity | | | |
| Current assets | | | | Current liabilities | | | |
| Cash and bank balances | 291,445 | 359,799 | 330,835 | Trade and other payables | 698,757 | 761,758 | 747,376 |
| Trade and other receivables | 450,952 | 406,581 | 424,325 | Due to banks | 224,400 | 213,310 | 213,886 |
| Inventories | 15,316 | 27,593 | 20,533 | | 923,157 | 975,068 | 961,262 |
| Investment securities at fair value through profit or loss | 985 | 1,164 | 1,349 | Non-current liabilities | | | |
| | 758,698 | 795,137 | 777,042 | Due to banks | 757,213 | 751,569 | 731,566 |
| Non-current assets | | | | Other non-current liabilities | 39,212 | 40,454 | 41,619 |
| Investment securities available for sale | 22,851 | 26,598 | 29,041 | | 796,425 | 792,023 | 773,185 |
| Investments in associates and joint ventures | 191,408 | 219,902 | 225,423 | Equity | | | |
| Due from associates | 375,043 | 350,673 | 347,964 | Attributable to the Company's shareholders | | | |
| Other assets | 15,386 | 15,880 | 19,969 | Share capital | 432,706 | 432,706 | 432,706 |
| Property and equipment | 909,389 | 901,679 | 925,072 | Share premium | 1,707,164 | 1,707,164 | 1,707,164 |
| Intangible assets and goodwill | 1,124,539 | 1,185,312 | 1,190,885 | Treasury shares | (567,834) | (567,834) | (567,834) |
| | 2,638,616 | 2,700,044 | 2,738,354 | Legal reserve | 216,353 | 216,353 | 216,353 |
| Total Assets | 3,397,314 | 3,495,181 | 3,515,396 | Foreign currency translation reserve | (786,452) | (756,643) | (660,662) |
| | | | | Treasury shares reserve | 1,967 | 1,967 | 1,967 |
| | | | | Investment fair valuation reserve | 982 | (1,446) | (3,470) |
| | | | | Hedge reserve | (553) | (216) | (2,631) |
| | | | | Retained earnings | 516,503 | 510,641 | 475,049 |
| | | | | | 1,520,836 | 1,542,692 | 1,598,642 |
| | | | | Non-controlling interests | 156,896 | 185,398 | 182,307 |
| | | | | Total equity | 1,677,732 | 1,728,090 | 1,780,949 |
| | | | | Total Liabilities and Equity | 3,397,314 | 3,495,181 | 3,515,396 |

INCOME STATEMENT

| | Nine months ended | | Nine months ended | |
|--|-------------------|----------------|-------------------|------|
| | 30-Sep | | 30-Sep | |
| | 2016 | 2015 | 2016 | 2015 |
| | KD'000 | | | |
| Revenue | 826,410 | 854,759 | | |
| Cost of sales | (200,733) | (198,190) | | |
| Gross profit | 625,677 | 656,569 | | |
| Operating and administrative expenses | (232,787) | (281,239) | | |
| Depreciation and amortization | (164,966) | (158,102) | | |
| Provision for impairment – trade and other receivables | (2,976) | (3,552) | | |
| Operating profit | 224,948 | 213,676 | | |
| Interest income | 4,965 | 5,172 | | |
| Investment income | (1,741) | (1,111) | | |
| Share of results of associates and joint ventures | (26,578) | (20,620) | | |
| Other income/(expense) | 2,021 | (5,460) | | |
| Finance costs | (23,911) | (21,117) | | |
| Loss from currency revaluation | (29,021) | (20,795) | | |
| Board of Directors' remuneration | (206) | (258) | | |
| Contribution to Kuwait Foundation for Advancement of Sciences | (744) | (649) | | |
| National Labour Support Tax and Zakat | (5,615) | (4,499) | | |
| Profit for the period before income tax | 144,118 | 144,339 | | |
| Income tax expenses | (15,798) | (16,878) | | |
| Profit for the period | 128,320 | 127,461 | | |
| Attributable to: | | | | |
| Shareholders of the Company | 124,474 | 118,193 | | |
| Non-controlling interests | 3,846 | 9,268 | | |
| | 128,320 | 127,461 | | |

| | Nine months ended | |
|---------------------------|-------------------|------|
| | 30-Sep | |
| | 2016 | 2015 |
| Earnings per share | | |
| Basic – Fils | 32 | 30 |

CASH FLOW STATEMENT

Nine months ended
30-Sep

| 2016 | 2015 |
|--------|------|
| KD'000 | |

| | | |
|---|----------------|----------------|
| | 2016 | 2015 |
| | KD'000 | |
| Cash flows from operating activities | | |
| Profit for the period before income tax | 144,118 | 144,339 |
| Adjustments for: | | |
| Depreciation and amortization | 164,966 | 158,102 |
| Interest income | (4,965) | (5,172) |
| Investment income | 1,741 | 1,111 |
| Share of loss of associates and joint ventures | 26,578 | 20,620 |
| Finance costs | 23,911 | 21,117 |
| Loss on currency revaluation | 29,021 | 20,795 |
| Operating profit before working capital changes | 385,370 | 360,912 |
| Increase in trade and other receivables | (42,586) | (73,127) |
| Decrease/(increase) in inventories | 12,001 | (3,625) |
| (Decrease)/increase in trade and other payables | (94,342) | 52,739 |
| Cash generated from operations | 260,443 | 336,899 |
| Paid to Kuwait Foundation for Advancement of Sciences | (500) | (700) |
| National Labour Support Tax and Zakat paid | (4,441) | (3,403) |
| Income tax paid | (18,316) | (14,533) |
| Net cash from operating activities | 237,186 | 318,263 |

Nine months ended
30-Sep

| 2016 | 2015 |
|--------|------|
| KD'000 | |

Cash flows from investing activities

| | | |
|--|------------------|------------------|
| Deposits maturing after three months and bank balances blocked | 2,913 | (16,337) |
| Net cash outflow on acquisition of non-controlling interest/a subsidiary | (26) | (4,307) |
| Purchase of investments | (670) | (2,077) |
| Proceeds from sale of investments | 3,009 | 3,210 |
| Acquisition of property and equipment (net) | (118,355) | (138,144) |
| Acquisition of intangible assets (net) | (35,186) | (134,342) |
| Interest received | 4,214 | 5,188 |
| Dividend received | 703 | 1,111 |
| Net cash used in investing activities | (143,398) | (285,698) |

Cash flows from financing activities

| | | |
|---|------------------|-----------------|
| Proceeds from bank borrowings | 138,907 | 519,257 |
| Repayment of bank borrowings | (115,648) | (391,248) |
| Loan to an associate | (26,954) | (21,745) |
| Dividends paid to Company's shareholders | (117,020) | (155,559) |
| Dividends paid to minority shareholders of subsidiaries | (15,059) | (1,783) |
| Finance costs paid | (18,045) | (17,181) |
| Net cash used in financing activities | (153,819) | (68,259) |
| Net decrease in cash and cash equivalents | (60,031) | (35,694) |
| Effect of foreign currency translation | (5,410) | 6,622 |
| Cash and cash equivalents at beginning of period | 228,266 | 221,021 |
| Cash and cash equivalents at end of period | 162,825 | 191,949 |



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 September 2016.

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