



Zain Investors Presentation

Q4 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
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Zain AT A GLANCE FY 2015

45.6

Million active
customers



11.9

Million customers
In KSA



4G

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



Over
6,700
Employees



\$1.7

Billion in EBITDA



131

Million people
under license



11.9

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



\$513

Million in
net income



42.5

Million + daily
total sms



5.2

Million km²
under license

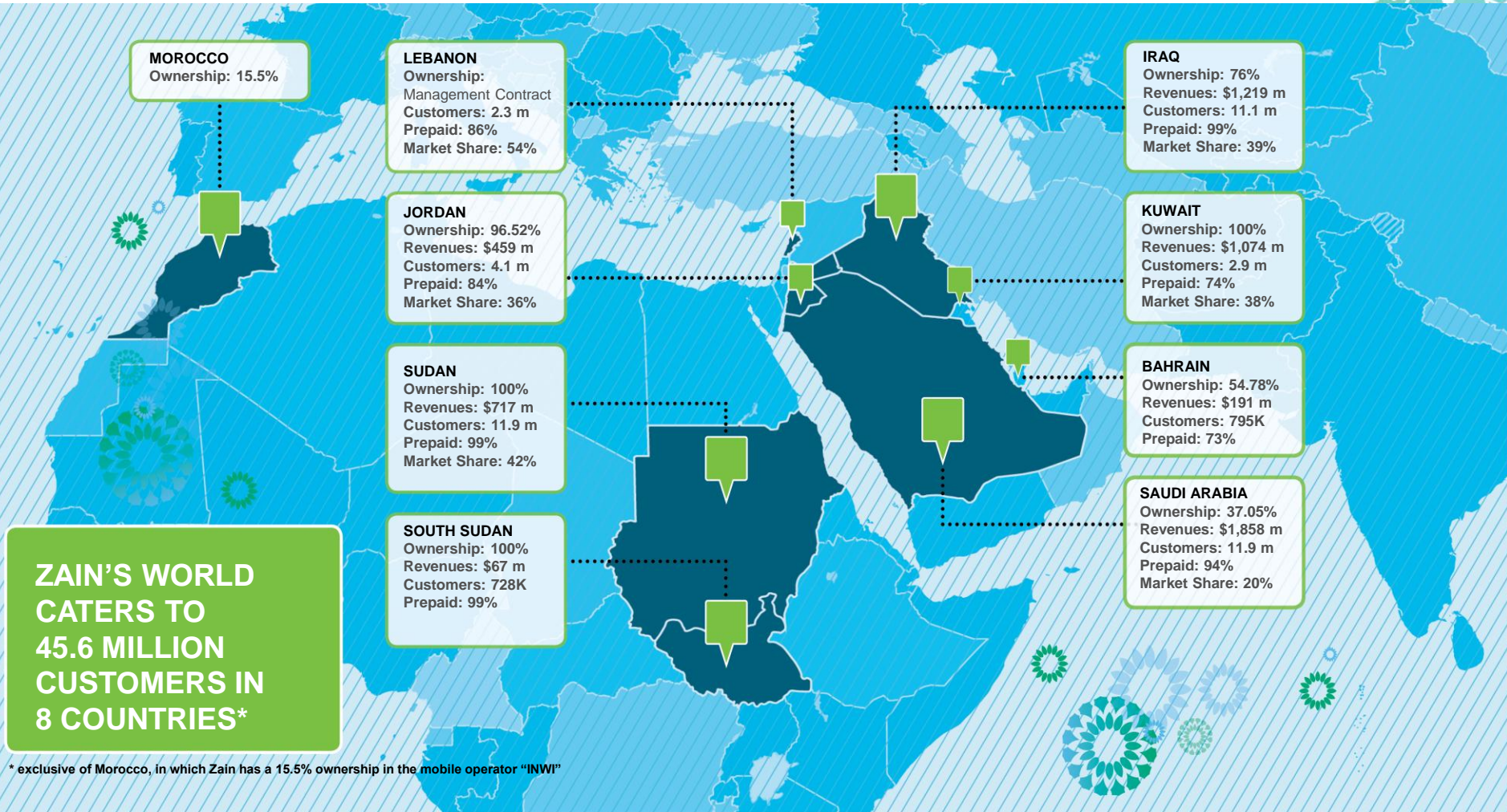


\$3.8

Billion in revenues

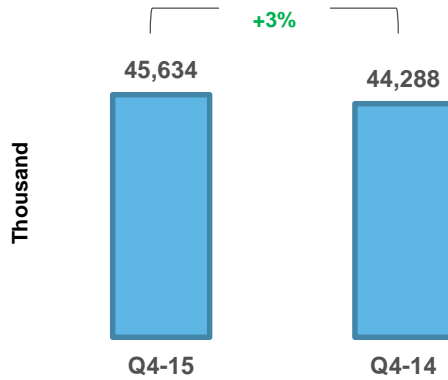


THE WORLD OF ZAIN FY 2015

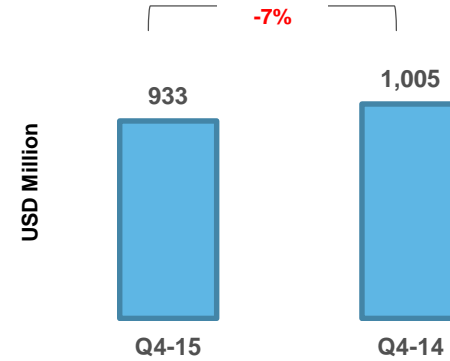


Group Results Q4 2015

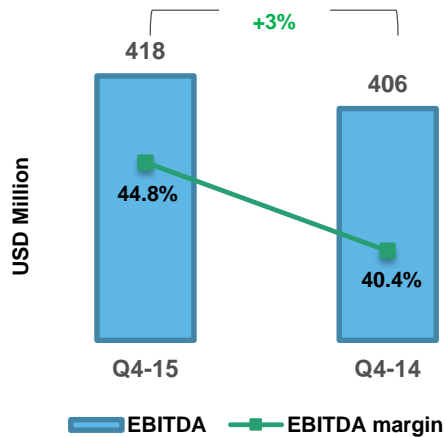
CUSTOMERS



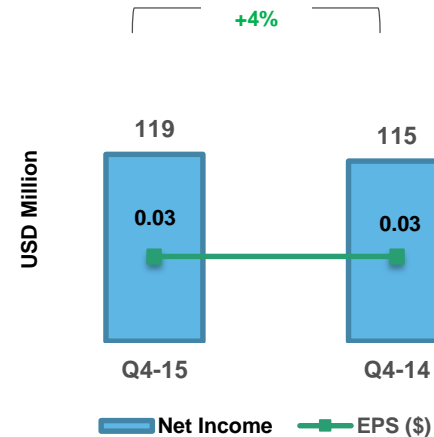
REVENUES



EBITDA / MARGIN

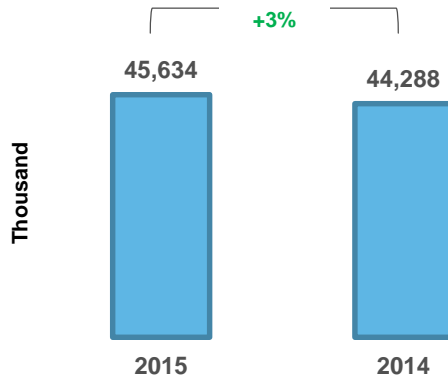


NET INCOME / EPS

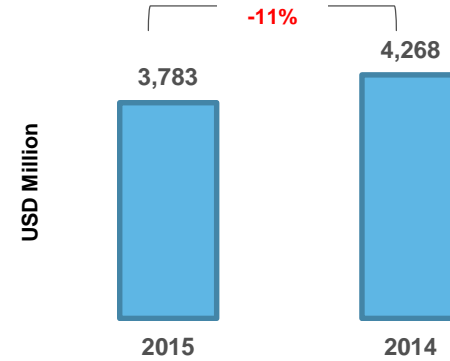


Group Results FY 2015

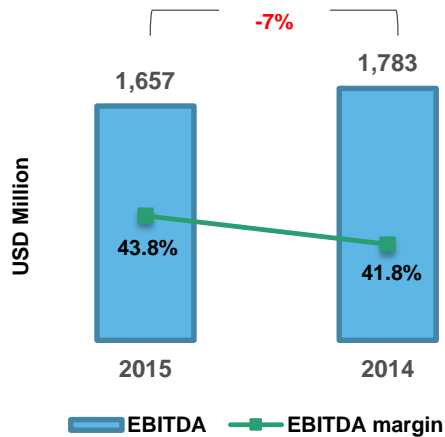
CUSTOMERS



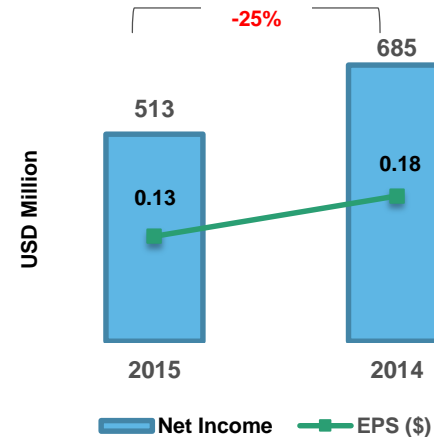
REVENUES



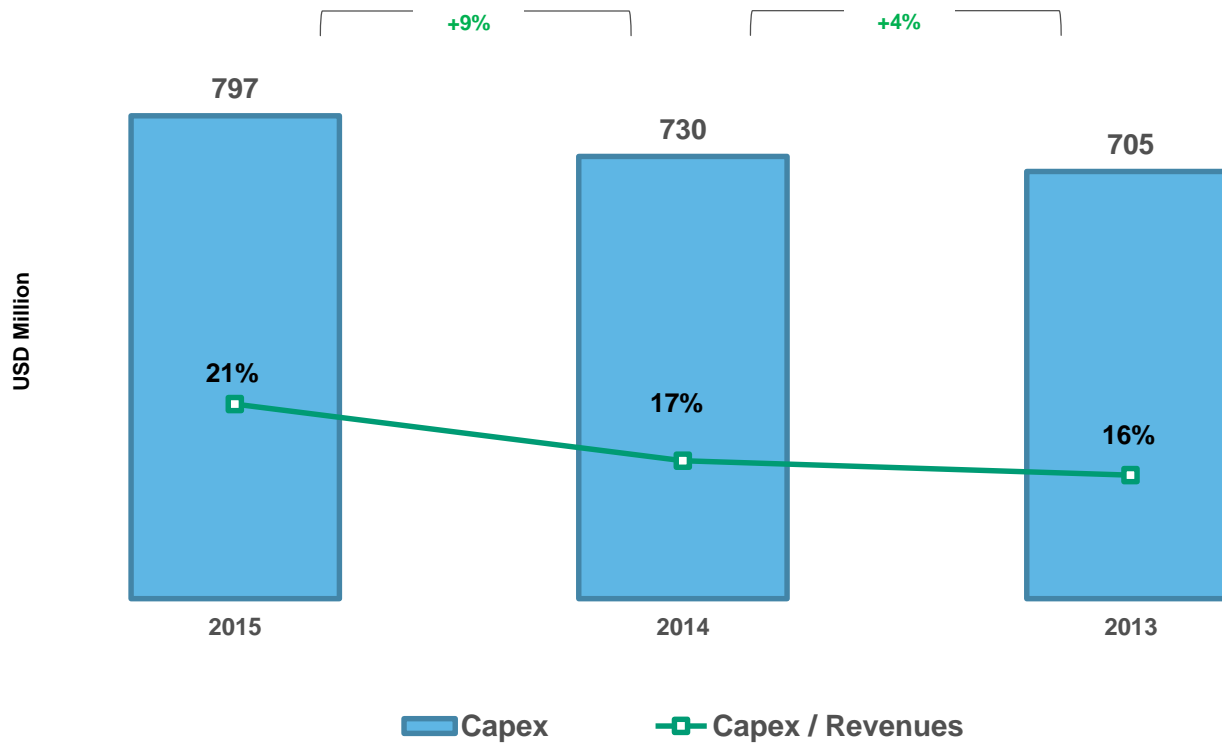
EBITDA / MARGIN



NET INCOME / EPS

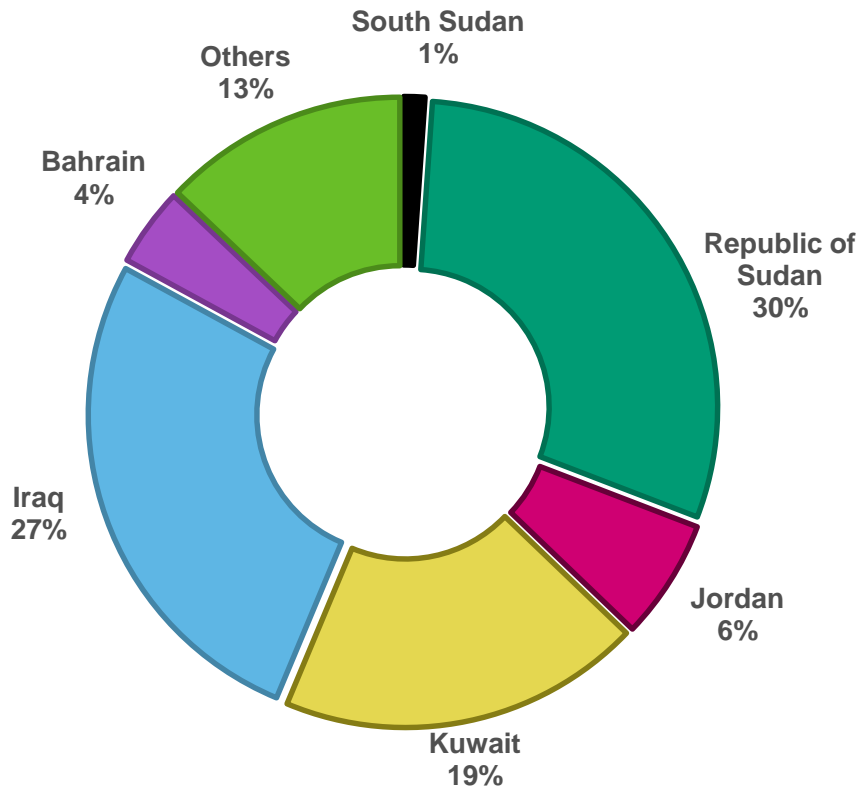


CAPEX & CAPEX / Revenues



Total CAPEX

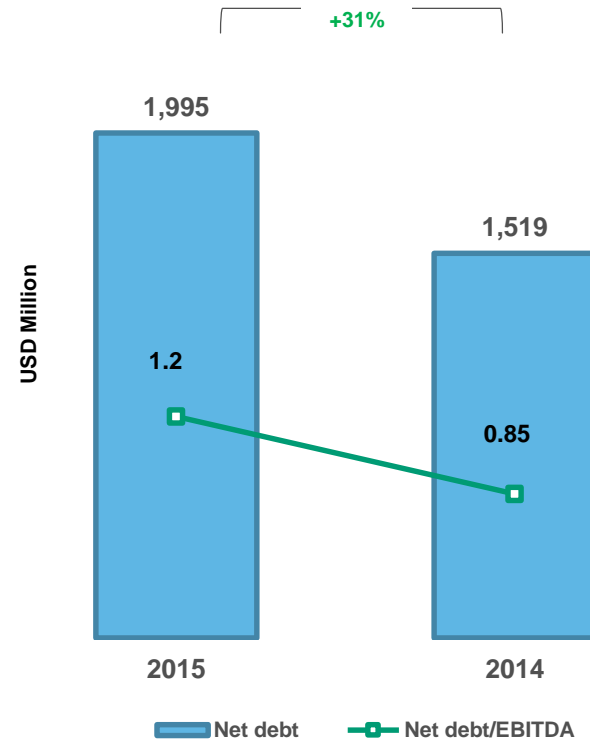
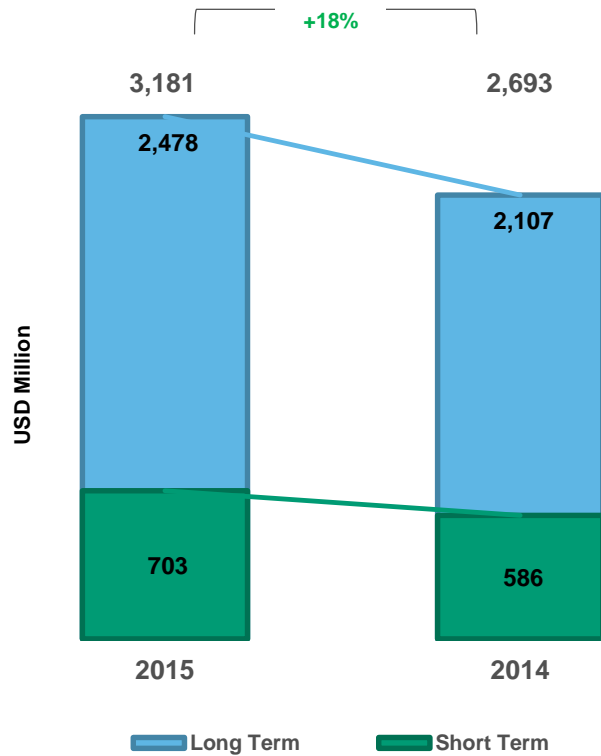
Group Total Capex (excluding KSA) = USD 797 million



OpcO	2015 USD Million	% of Revenues
Kuwait	153	14%
Iraq	212	17%
Sudan	237	33%
KSA	487	26%
Jordan	50	11%
Bahrain	33	17%
S. Sudan	9	13%
Others	103	N/A

TOTAL DEBT

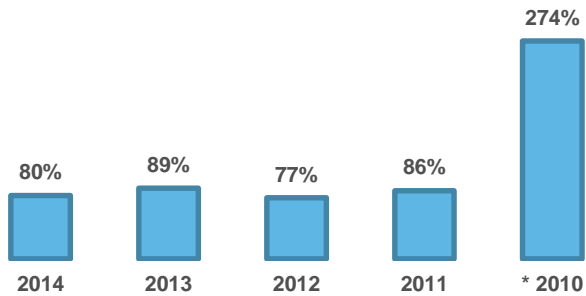
Net Debt & Net Debt / EBITDA



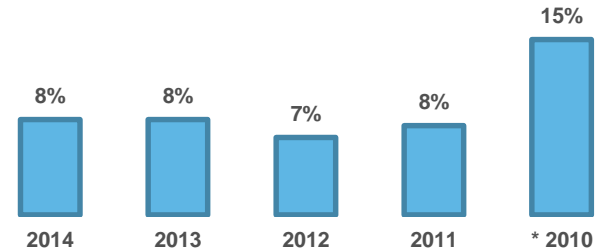
• Net Debt = Total interest bearing debts (excluding letter of guarantees) after deducting cash and cash equivalent

Zain Dividends

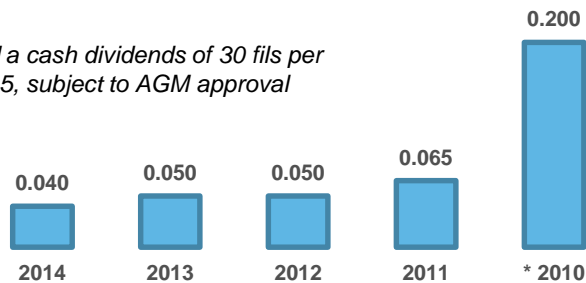
DIVIDEND PAYOUT RATIO



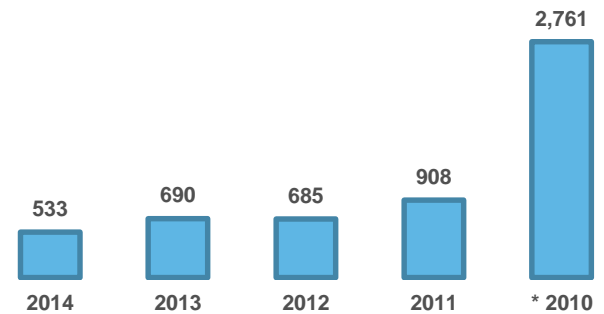
DIVIDEND YIELD (%)



DIVIDEND PER SHARE (KD)



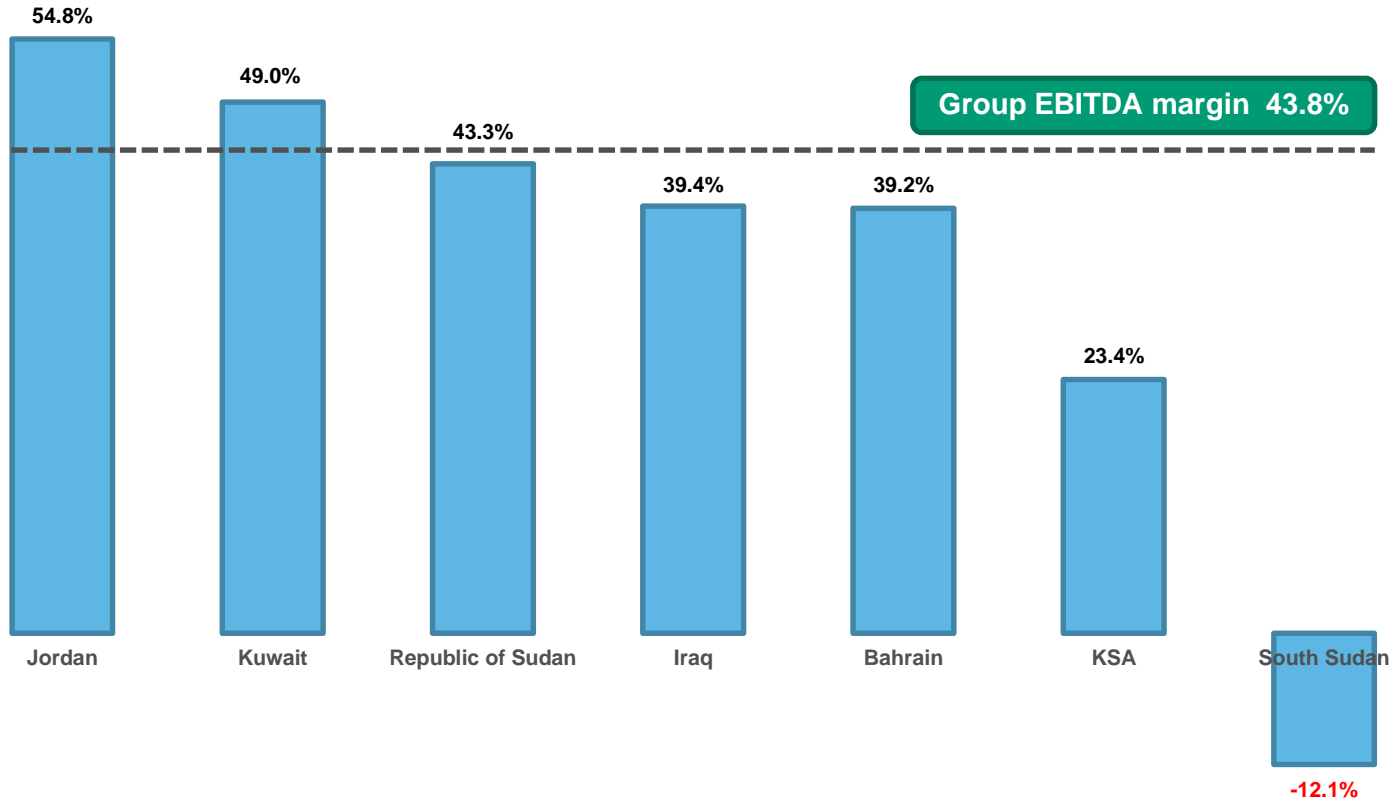
CASH DIVIDEND (USD M)



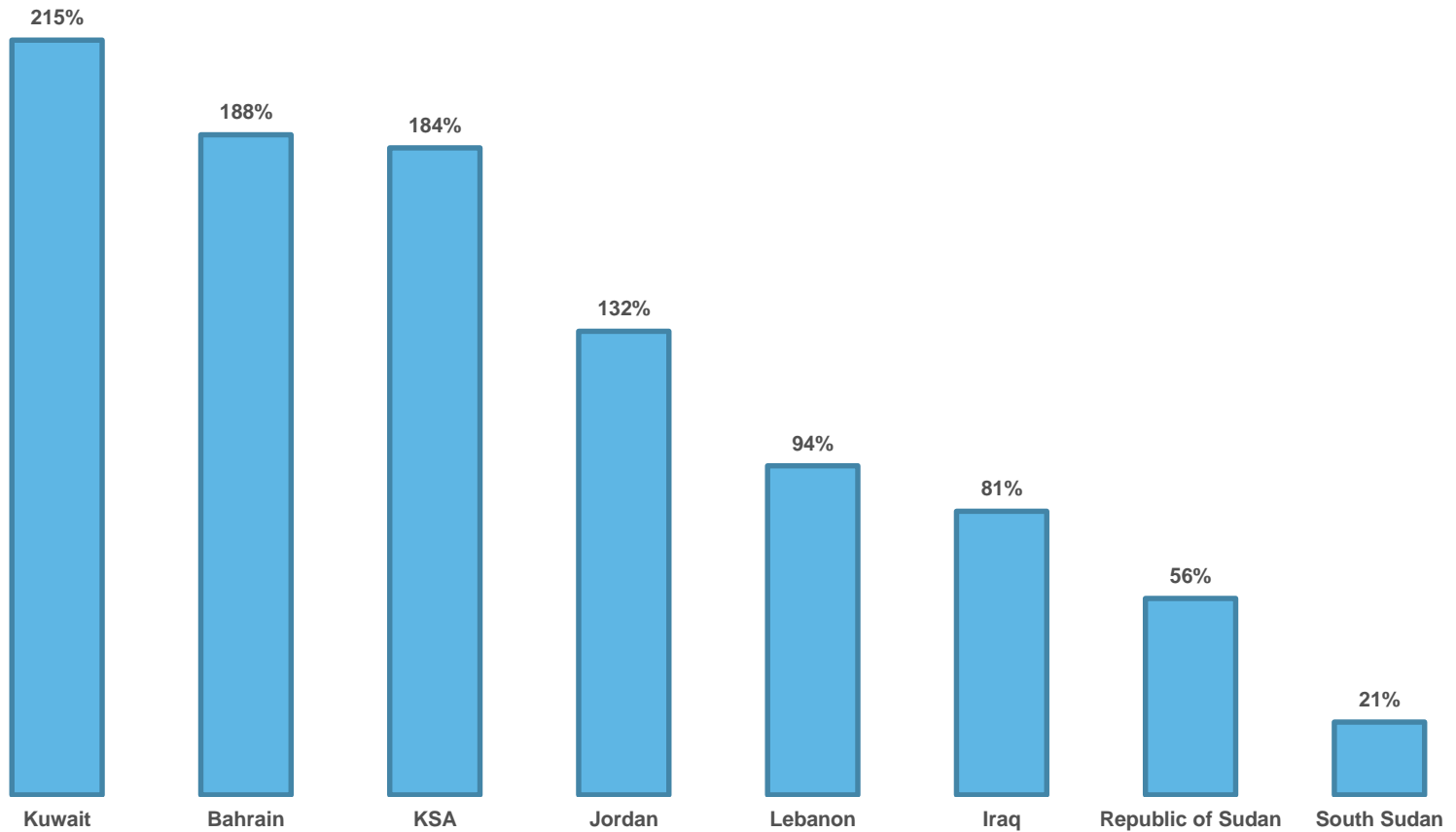
The Board proposed a cash dividends of 30 fils per share for the FY 2015, subject to AGM approval

* 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 FY 2015

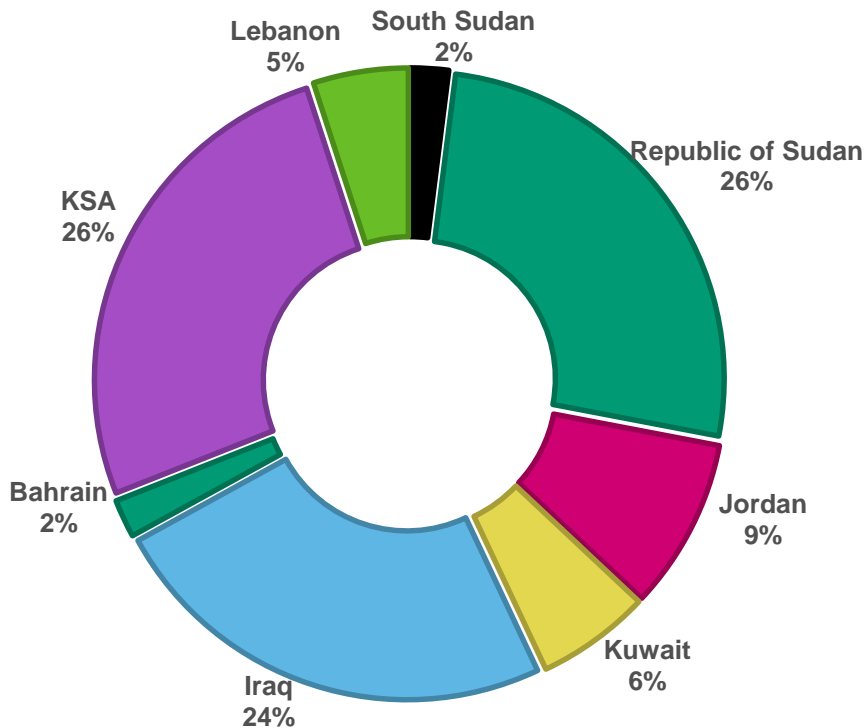


Market Penetration Rates

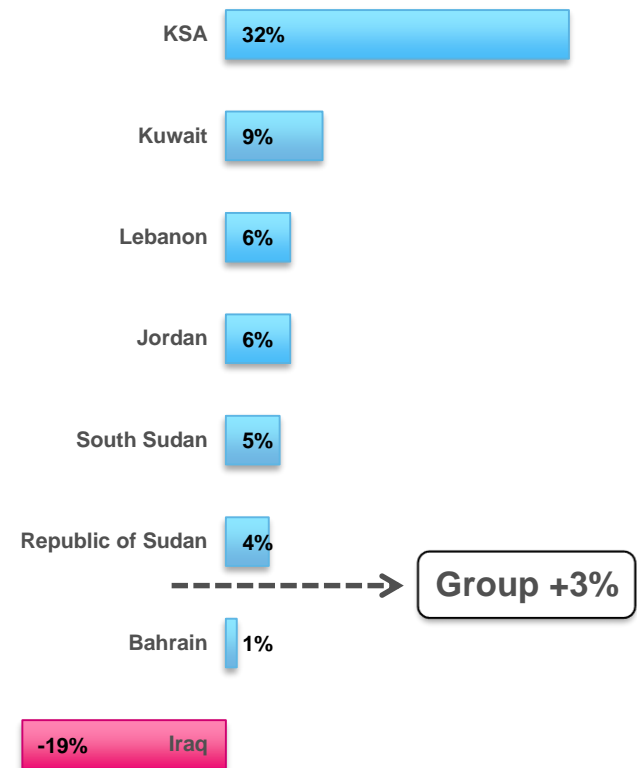


Source: World Cellular Information Services (WCIS).

Customers Contribution

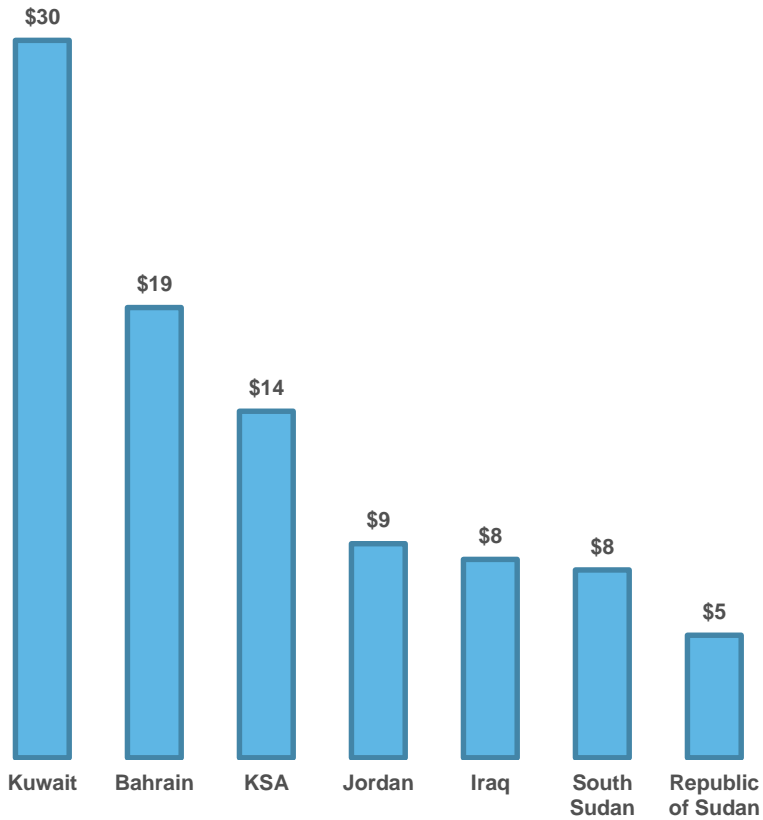


Customers Growth

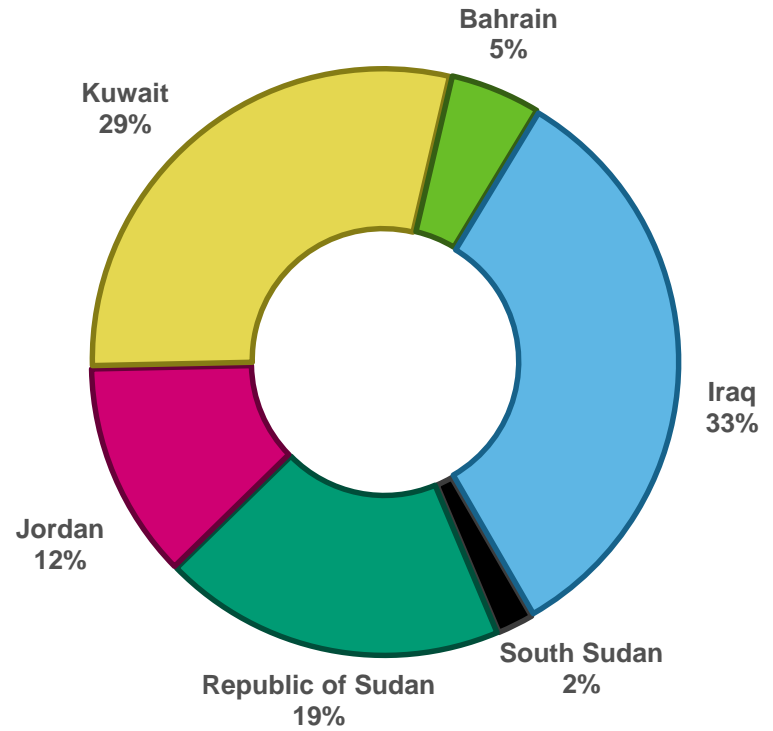


* Customer base decline is due to the new definition of an “active customer” implemented by the regulator in Iraq.

Blended ARPU



Revenue Contribution



ZAIN KUWAIT

MARKET SHARE

FINANCIALS



3.6 m
Population



\$72,200
GDP/Capita



215%
Penetration



1983
Year of launch



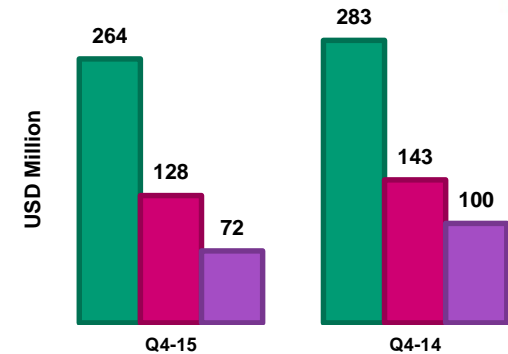
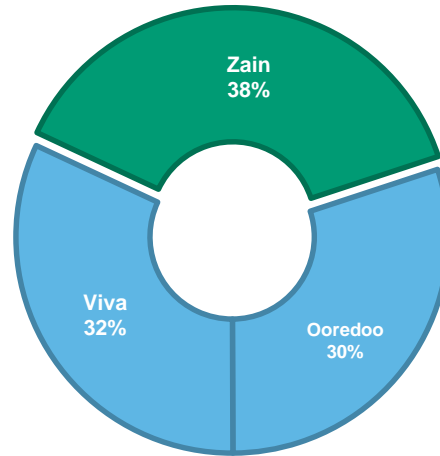
2.9 m
Customers



100%
Ownership

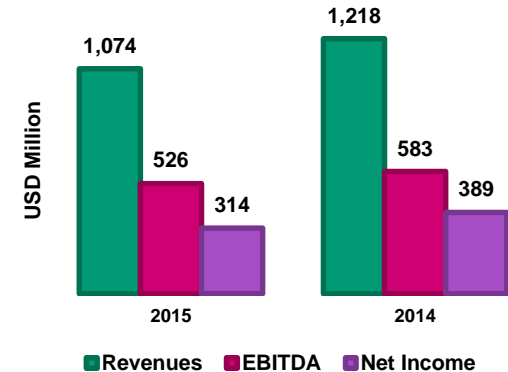


\$30
ARPU



Technology : **2G, 3G, 4G** - Number of Sites : **1,894** - 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 Fils 350 as of 31st December, 2015.
- In 2015 Zain Kuwait managed to increase its market share to a leading 38% up from 35% last year, serving more than 2.9 million customers, which grew by 9% Y-o-Y. The operator recorded KD 323 million (USD 1.1 billion) in revenues which decreased by 7% Y-o-Y, mainly due to the aggressive competition between the operators with lower revenues coming from the OTT impact. EBITDA for the period decreased by 5% to reach KD 158 million (USD 526 million). Net income for the period reached KD 94 million (USD 314 million) which represents a drop of 15%. The operator reported a healthy EBITDA margin of 49% for the FY 2015.
- Data revenues (excluding SMS & VAS) formed 36% of total revenues, reflecting an annual growth of 8% (up 2% in USD terms). Zain's nationwide 4G LTE network covered the entire population of Kuwait through a total of 1,894 network sites.



ZAIN IRAQ

MARKET SHARE

FINANCIALS

36.3 m
Population

\$15,500
GDP/Capita

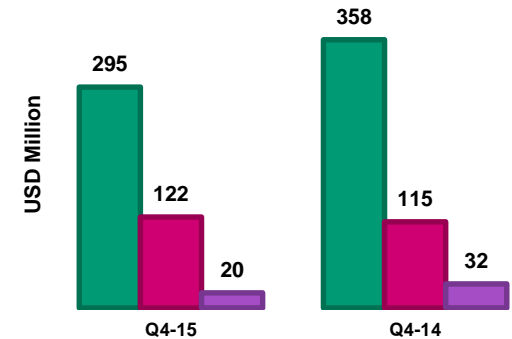
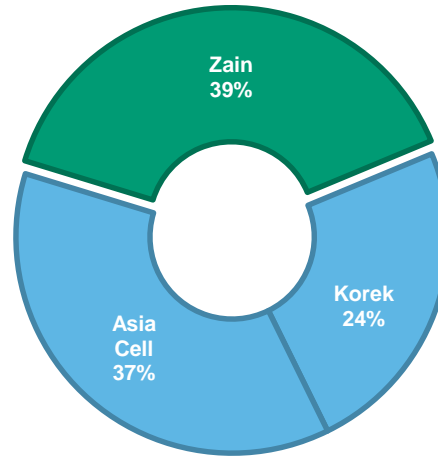
81%
Penetration

2003
Year of acquisition

11.1 m
Customers

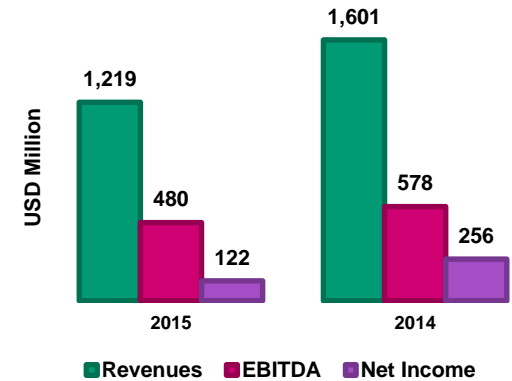
76%
Ownership

\$8
ARPU



Technology : **2G, 3G** - Number of sites : **4,280** - 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 December, 2015 Zain Iraq share price closed at IQD 3.1, with a market capitalization circa USD 5 billion.
- The continued political instability in Iraq during 2015 has seen several million people displaced internally with Zain Iraq enduring frequent temporary network interruptions and associated higher network operational costs. These unavoidable occurrences coupled with heightened levels of price competition and implementation of a new 20% sales tax on mobile services as well as wide-ranging tax increases on other sectors in Iraq that hit spending on mobile services, all contributed to a negative impact on Zain Iraq's key financial metrics. Revenues for the year reached USD 1.2 billion down from USD 1.6 billion last year. EBITDA reached USD 480 million, and net income amounted to USD 122 million.
- Data revenues (excluding SMS & VAS) formed only 7% of total revenues, reflecting an annual growth of 34%.

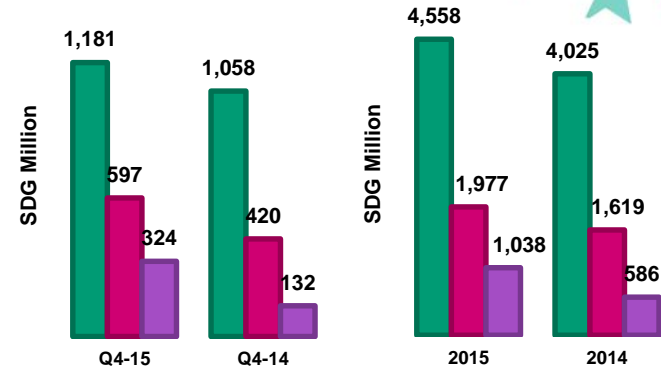
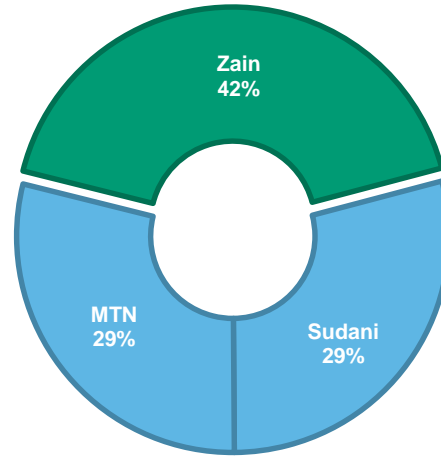
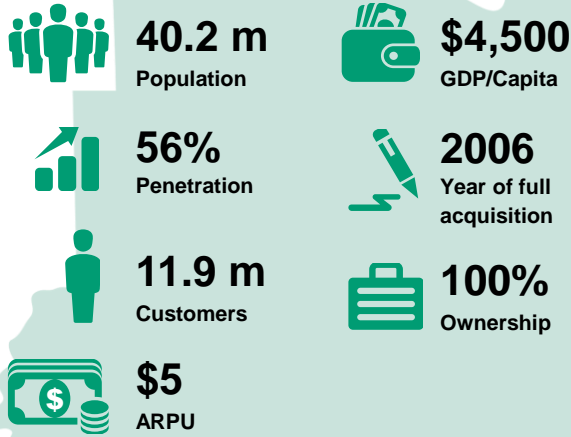


■ Revenues ■ EBITDA ■ Net Income

ZAIN SUDAN

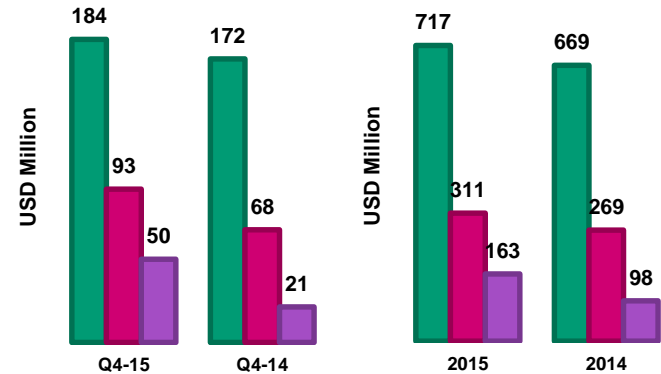
MARKET SHARE

FINANCIALS



Technology : **2G, 3G** - Number of sites : **2,494** - 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.
- For the full year 2015, the operation witnessed a significant growth in its KPIs where revenues grew by 7% to reach USD 717 million (up 13% in SDG terms) mainly due to the dramatic 91% increase in data revenues. EBITDA increased by 15% Y-o-Y to reach USD 311 million (up 22% in SDG terms) mainly on account of the healthy top line performance, with net income increasing 67% Y-o-Y to reach USD 163 million (up 77% in SDG terms) due to the positive EBITDA performance.
- The operator witnessed a 4% increase in its customers base to now serve 11.9 million customers through a total number of 2,494 network sites, with 89% population coverage. Data revenues (excluding SMS and VAS) formed only 11% of total revenues, with a remarkable growth of 91% Y-o-Y (up 102% in SDG terms).

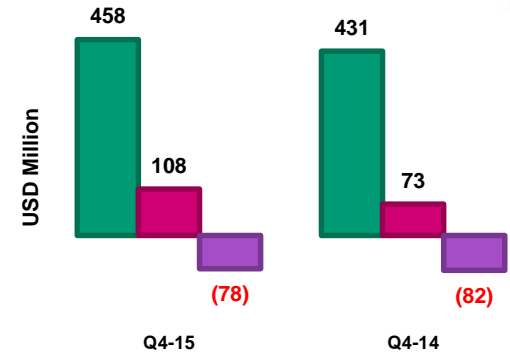
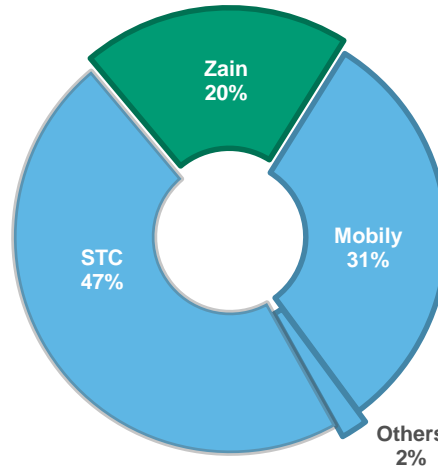
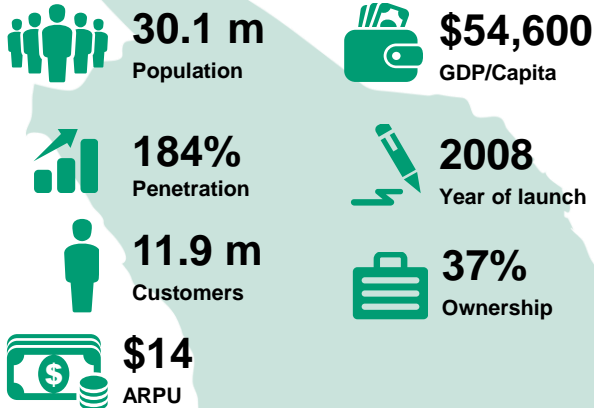


■ Revenues ■ EBITDA ■ Net Income

ZAIN KSA

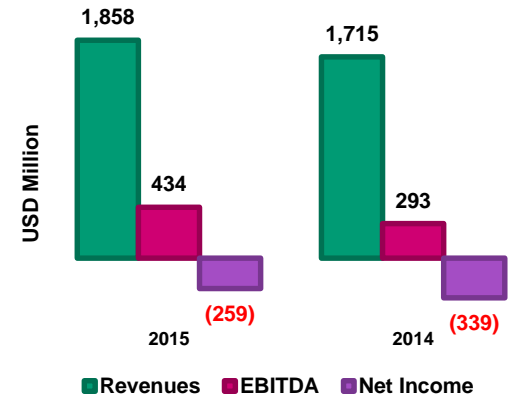
MARKET SHARE

FINANCIALS



Technology : **2G, 3G, 4G** - Number of sites : **6,861** - Coverage : **94%** - 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 1.3 billion (share price of SAR 8.4) as of December 31st, 2015.
- The operator witnessed the highest customer growth among the group with a remarkable 32% increase Y-o-Y to now serve around 11.9 million customers representing 26% of the total group customer base. For the full year 2015 Zain Saudi Arabia posted improved financial results, recording an 8% increase in revenues to reach USD 1.9 billion mainly due to the increase in device broad band revenues. EBITDA for the year jumped significantly by 48% to reach USD 434 million, with an EBITDA margin of 23% compared to 17% last year. Net losses for the year decreased by 23% to reach USD 259 million as compared with USD 339 million in 2014.
- The operator witnessed a noticeable 58% rise Y-o-Y in data revenues (excluding SMS & VAS) which represents 25% of total revenues as the company expands its state-of-the-art 4G LTE network that currently covers 94% of the population.

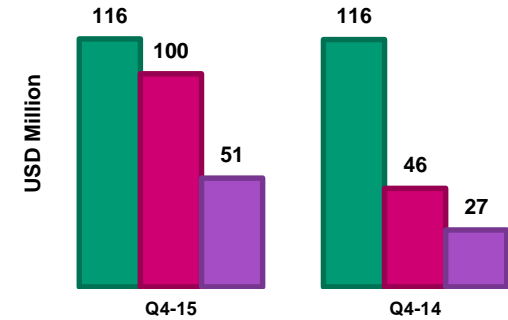
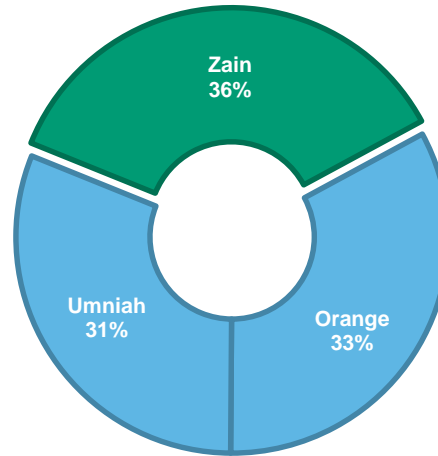


■ Revenues ■ EBITDA ■ Net Income

ZAIN JORDAN

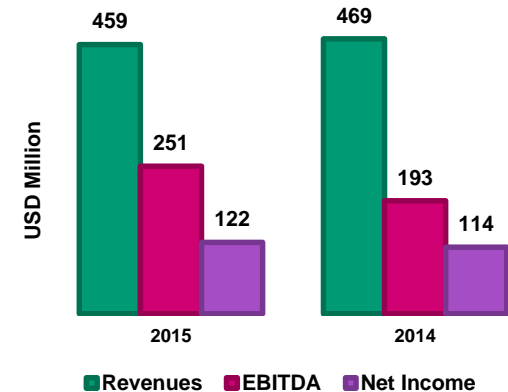
MARKET SHARE

FINANCIALS



Technology : **2G, 3G, 4G** - Number of sites : **2,672** - 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.
- Zain Jordan maintained its market leadership with a total market share of 36%, recording 6% increase in its customer base to now serve around 4.1 million customers as of December 2015. Full year revenues were slightly down by 2% affected by lower voice revenues. Remarkably, EBITDA and net income grew by 30% and 7% Y-o-Y to reach USD 251 million and USD 122 million respectively mainly due to improved gross margins.
- Data revenues (excluding SMS & VAS) represented 29% of total revenues, which grew by 18% as compared with the same period last year. The operator covers the entire population through its 2,672 network sites.



■ Revenues ■ EBITDA ■ Net Income

ZAIN BAHRAIN

FINANCIALS

 **1.4 m**
Population

 **\$51,200**
GDP/Capita

 **188%**
Penetration

 **2003**
Year of launch

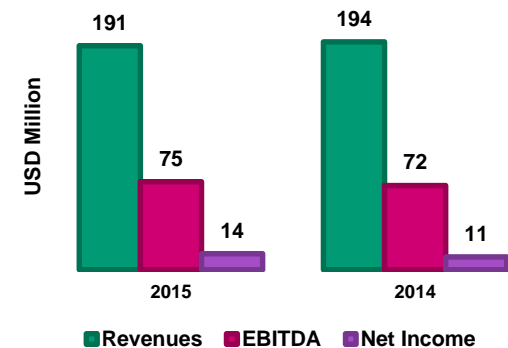
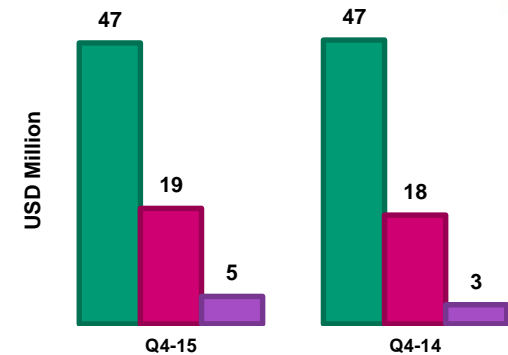
 **795**
Thousand Customers

 **54.78%**
Ownership

 **\$19**
ARPU

Technology : **2G, 3G, 4G** - Number of sites : **489** - 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 176 million (share price BD 0.180) on 31st December, 2015.
- With an ARPU of USD 19, Zain Bahrain has the second highest ARPU in the Group.
- Zain Bahrain revenues stands at USD 191 million, relatively stable as compared with last year, the operator witnessed 4% and 24% Y-o-Y increase in EBITDA and net income respectively mainly due to improved gross margins, reflecting a healthy EBITDA margin of 39.2%.
- Data revenues (excluding SMS & VAS) represented 33% of overall revenues, which grew by 11% as compared with last year.



■ Revenues ■ EBITDA ■ Net Income

ZAIN SOUTH SUDAN

FINANCIALS

 **12.7 m**
Population

 **\$2,000**
GDP/Capita

 **21%**
Penetration

 **2006**
Year of full
acquisition

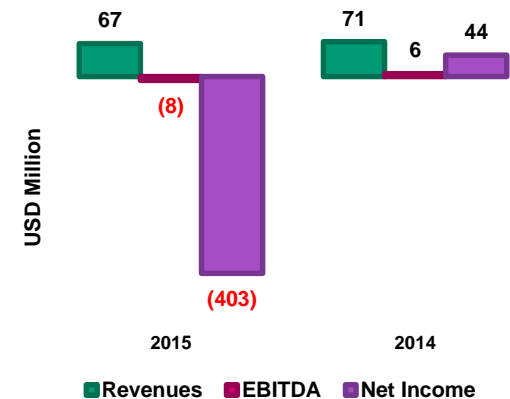
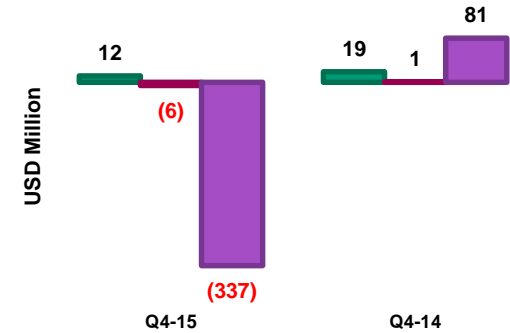
 **728**
Thousand
Customers

 **100%**
Ownership

 **\$8**
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 728 thousand customers through a total number of 288 network sites, with 50% population coverage.
- Data revenues (excluding SMS and VAS) formed only 17% of total revenues, with a remarkable growth of 61% Y-o-Y.




■ Revenues ■ EBITDA ■ Net Income

TOUCH MANAGED BY ZAIN

MARKET SHARE

 **5.0 m**
Population

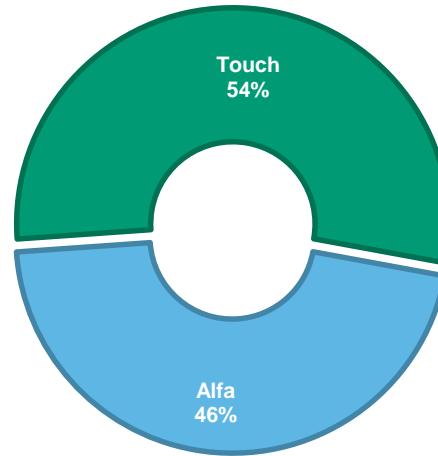
 **\$18,600**
GDP/Capita

 **94%**
Mobile
Penetration

 **2004**
Year of acquisition

 **2.3 m**
Customers

 **MC**
Ownership



Technology : **2G, 3G, 4G** - Number of sites : **1,292** - 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 1,292 network sites by the end of December 2015, covering 99% of the population.
- The operation currently serves around 2.3 million customers.

BALANCE SHEET

ASSETS	2015	2014	Liabilities and Equity	2015	2014
	KD '000			KD '000	
Current assets			Current liabilities		
Cash and bank balances	359,799	343,570	Trade and other payables	761,758	656,064
Trade and other receivables	406,581	358,377	Due to banks	213,310	171,616
Inventories	27,593	16,836		975,068	827,680
Investment securities at fair value through profit or loss	1,164	1,941	Non-current liabilities		
	795,137	720,724	Due to banks	751,569	616,645
Non-current assets			Other non-current liabilities	40,454	38,769
Investment securities available for sale	26,598	37,717		792,023	655,414
Investments in associates and joint ventures	219,902	238,977	Equity		
Dues from associates	350,673	309,298	Attributable to Company's shareholders		
Other assets	15,880	22,772	Share capital	432,706	432,706
Property and equipment	901,679	852,590	Share premium	1,707,164	1,707,164
Intangible assets and goodwill	1,185,312	1,094,985	Treasury shares	(567,834)	(567,834)
	2,700,044	2,556,339	Legal reserve	216,353	216,353
Total Assets	3,495,181	3,277,063	Foreign currency translation reserve	(756,643)	(677,007)
			Treasury shares reserve	1,967	1,967
			Investment fair valuation reserve	(1,446)	1,205
			Hedge reserve	(216)	(1,931)
			Retained earnings	510,641	512,780
				1,542,692	1,625,403
			Non-controlling interests	185,398	168,566
			Total equity	1,728,090	1,793,969
			Total Liabilities and Equity	3,495,181	3,277,063

INCOME STATEMENT

	2015	2014
	KD '000	
Revenue	1,137,547	1,213,229
Cost of sales	(288,065)	(336,029)
Gross profit	849,482	877,200
Operating and administrative expenses	(345,677)	(359,728)
Depreciation and amortization	(212,751)	(171,749)
Provision for impairment – trade and other receivables	(5,303)	(10,657)
Operating profit	285,751	335,066
Interest income	7,243	18,691
Investment income	(5,863)	(1,906)
Share of results of associates and joint ventures	(29,297)	(34,092)
Other (expense)/income	(4,832)	(3,200)
Finance costs	(29,029)	(26,283)
Loss from currency revaluation	(22,119)	(43,358)
Board of Directors' remuneration	(275)	(344)
Contribution to Kuwait Foundation for Advancement of Sciences	(715)	(1,296)
National Labour Support Tax and Zakat	(7,231)	(5,580)
Profit for the year before income tax	193,633	237,698
Income tax expenses	(27,515)	(23,543)
Profit for the year	166,118	214,155
Attributable to:		
Shareholders of the Company	154,314	194,301
Non-controlling interests	11,804	19,854
	166,118	214,155

Earnings per share (EPS)	2015	2014
Basic – Fils	40	50
Diluted – Fils	40	50

CASH FLOW STATEMENT

	2015	2014		2015	2014
	KD '000			KD '000	
Cash flows from operating activities			Cash flows from investing activities		
Profit for the year before income tax	193,633	237,698	Deposits maturing after three months and bank balances blocked	(8,984)	(5,994)
Adjustments for:			Investments in subsidiaries	(4,330)	(3,513)
Depreciation and amortization	212,751	171,749	Proceeds from sale of investment securities	3,302	4,888
Interest income	(7,243)	(18,691)	Investments in securities	(2,368)	(750)
Investment income	5,863	1,906	Acquisition of property and equipment (net)	(217,058)	(172,465)
Share of results of associates and joint ventures	29,297	34,092	Acquisition of intangible assets	(148,124)	(140,584)
Finance costs	29,029	26,283	Interest received	6,817	9,152
Loss from currency revaluation	22,119	43,358	Dividends received	1,111	608
Gain on sale of property and equipment	(290)	(2,788)	<i>Net cash used in investing activities</i>	<i>(369,634)</i>	<i>(308,658)</i>
Operating profit before working capital changes	485,159	493,607	Cash flows from financing activities		
Increase in trade and other receivables	(55,721)	(15,744)	Proceeds from bank borrowings	606,912	459,107
Increase in inventories	(11,844)	(1,549)	Repayment of bank borrowings	(462,320)	(455,050)
Provisions used (net)	(3,734)	(109)	Loan to associates	(23,300)	(22,876)
Increase in trade and other payables	44,547	14,828	Capital contribution including share premium – employees stock option	-	823
<i>Cash generated from operations</i>	<i>458,407</i>	<i>491,033</i>	Proceeds from share issue of a subsidiary (net)	-	5,985
<i>Payments:</i>			Dividends paid	(155,956)	(195,184)
Income tax	(14,874)	(14,532)	Dividends paid to non-controlling interests	(1,788)	(3,206)
Kuwait Foundation for Advancement of Sciences (KFAS)	(700)	(3,949)	Finance costs paid	(24,443)	(18,510)
National Labour Support Tax and Zakat	(3,403)	(3,807)	<i>Net cash used in financing activities</i>	<i>(60,895)</i>	<i>(228,911)</i>
<i>Net cash from operating activities</i>	<i>439,430</i>	<i>468,745</i>	Net increase/(decrease) in cash and cash equivalents	8,901	(68,824)
			Effects of exchange rate changes on cash and cash equivalents	(1,656)	7,158
			Cash and cash equivalents at beginning of year	221,021	282,687
			Cash and cash equivalents at end of year	228,266	221,021



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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