



# ZAIN GROUP

## Financial Results Presentation

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*December 2013*

# Disclaimer



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# FINANCIAL RESULTS PRESENTATION

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- **Zain Group Overview**
  - Zain Operations Overview
  - Financial Statements
- 

# 3 Zain at a glance

## As of 31<sup>st</sup> December-2013

**46.1**

MILLION  
ACTIVE  
CUSTOMERS

**108**

MILLION PEOPLE  
UNDER  
LICENSE

**\$ 764**

MILLION IN NET  
INCOME

**15.9**

MILLION  
CUSTOMERS IN  
IRAQ

**11.7**

MILLION CUSTOMERS  
IN REPUBLIC  
OF SUDAN

**42.5**

MILLION + DAILY  
TOTAL SMS

**4G**

LONG TERM EVOLUTION  
(LTE) NETWORK IN  
KUWAIT, SAUDI  
ARABIA,BAHRAIN AND  
LEBANON

**141**

MILLION +  
TOTAL DAILY  
CALLS

**5.2**

MILLION KM2  
UNDER LICENSE

OVER

**6,600**

EMPLOYEES

**329**

TB OF DAILY  
DATA USAGE

**\$ 4.4**

BILLION  
IN REVENUES

**\$ 1.9**

BILLION  
IN EBITDA

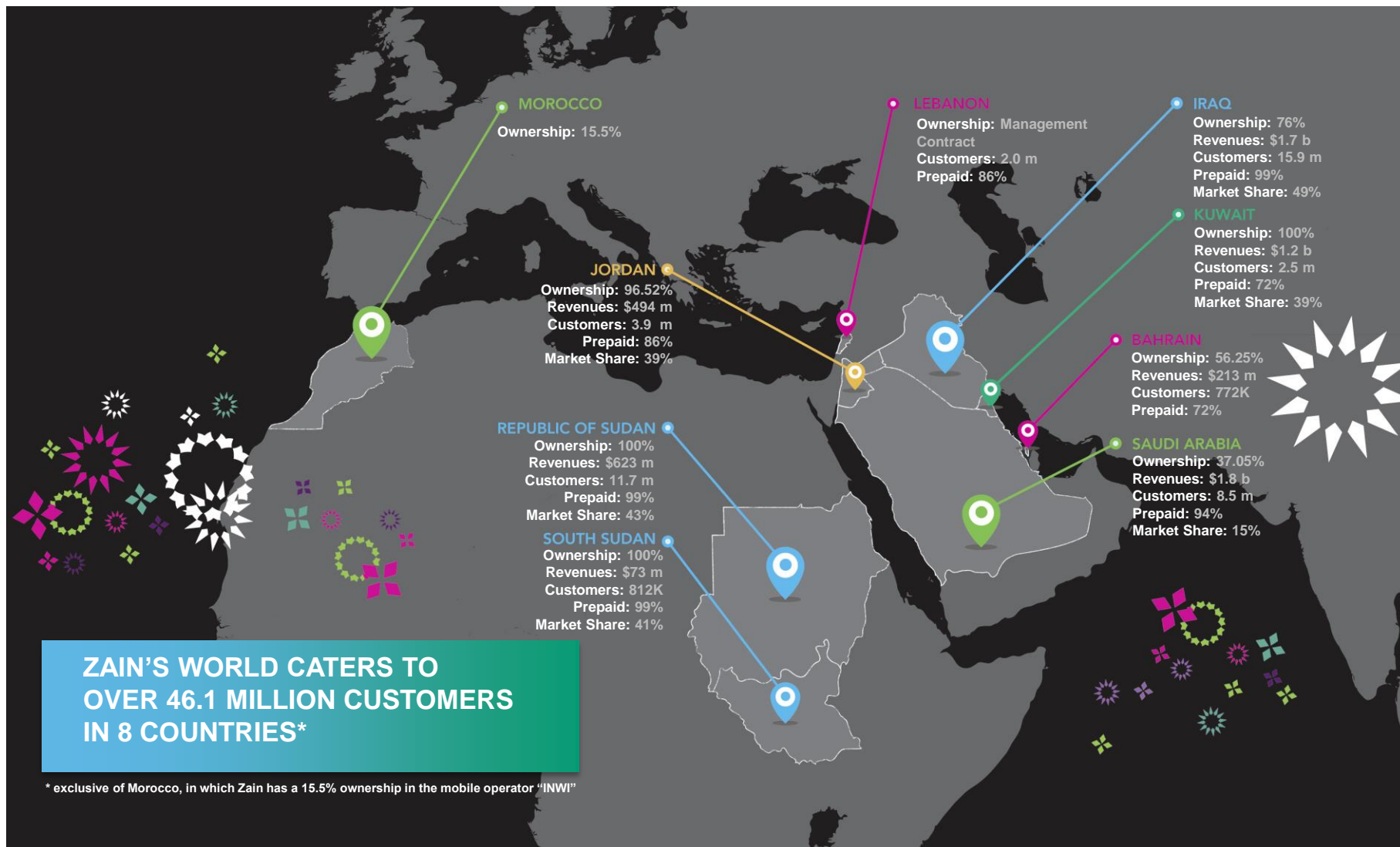
**MARKET  
LEADER**

IN KUWAIT,  
IRAQ, REPUBLIC OF  
SUDAN, S. SUDAN,  
JORDAN AND LEBANON



# The World of Zain

## As of 31<sup>st</sup> December-2013



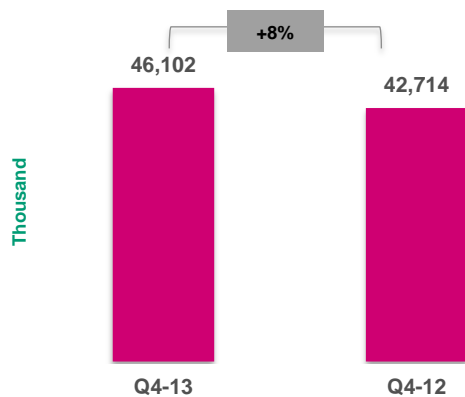
**ZAIN'S WORLD CATERS TO  
OVER 46.1 MILLION CUSTOMERS  
IN 8 COUNTRIES\***

\* exclusive of Morocco, in which Zain has a 15.5% ownership in the mobile operator "INWI"

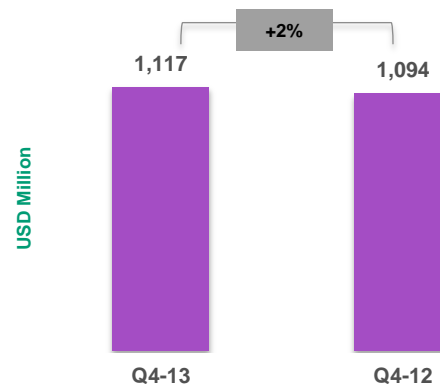
5

# Key Performance Indicators as of Q4-2013

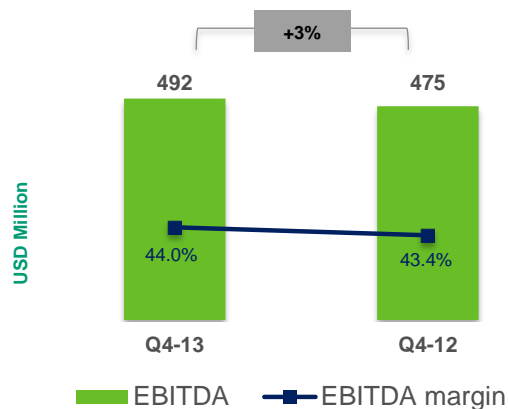
## Customers



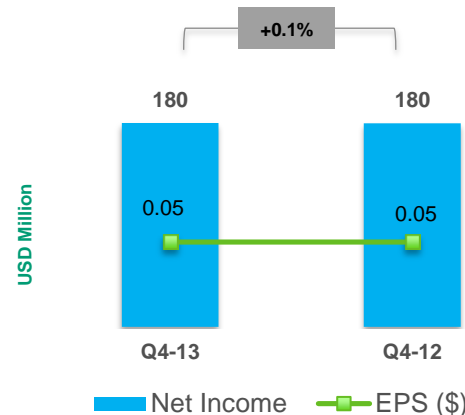
## Revenues



## EBITDA / Margin

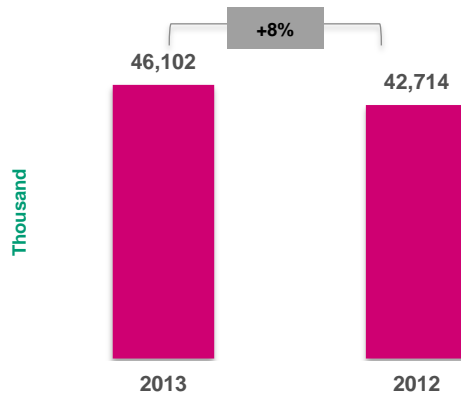


## Net Income / EPS

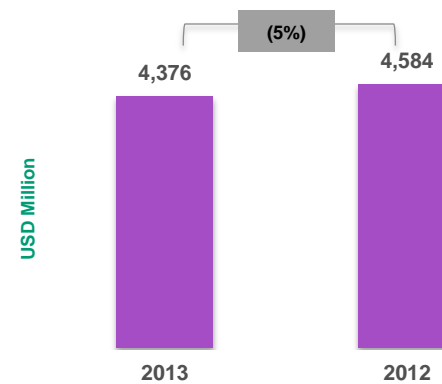


# Key Performance Indicators as of 31<sup>st</sup> December-2013

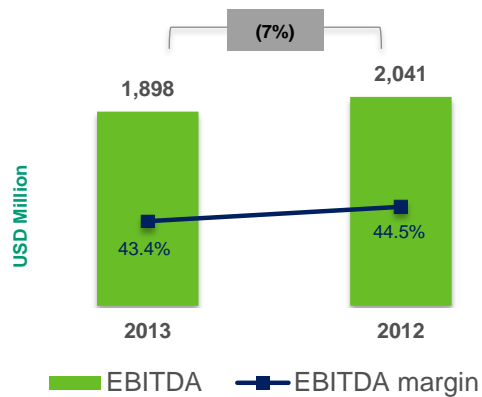
## Customers



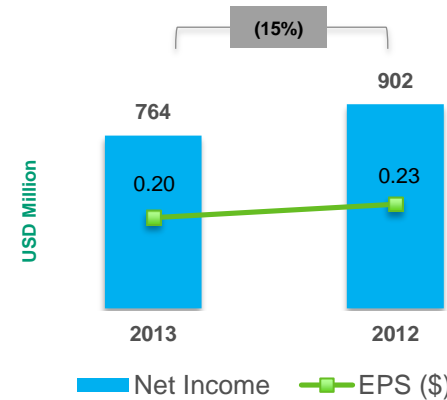
## Revenues



## EBITDA / Margin

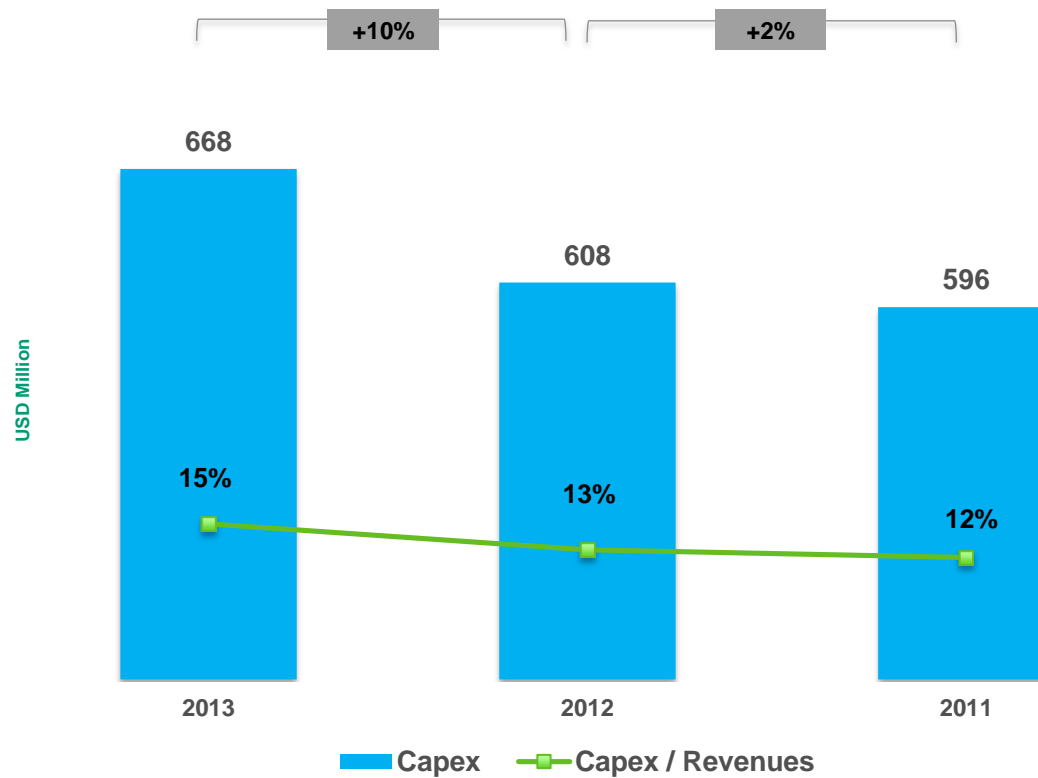


## Net Income / EPS



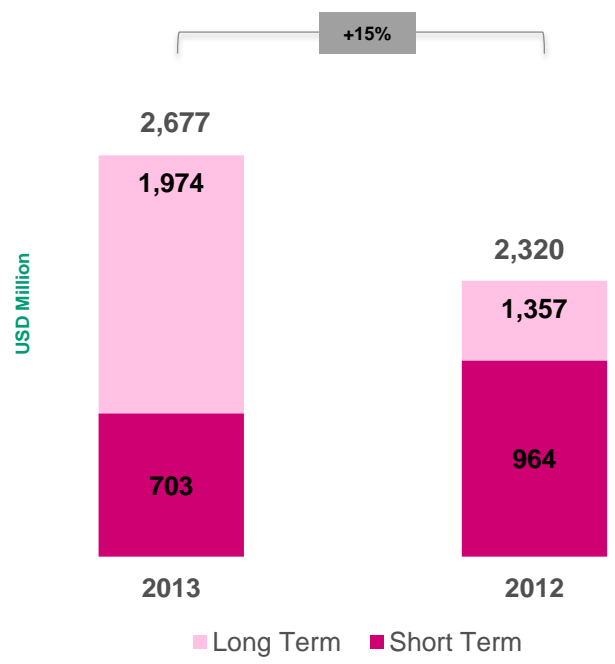
# 7 Key Performance Indicators

## Capex and Capex / Revenues

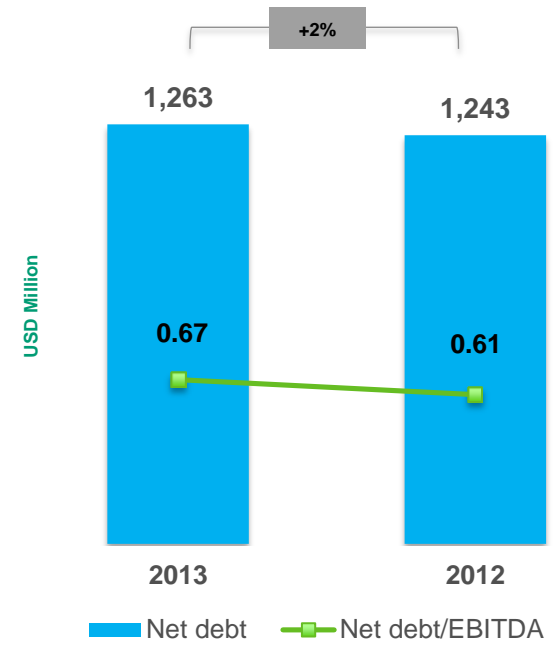


# Key Performance Indicators as of 31/12/2013

## Total Debt

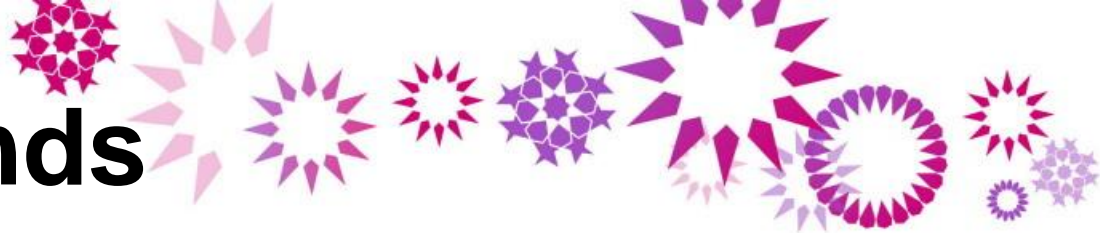


## Net Debt & Net Debt / EBITDA

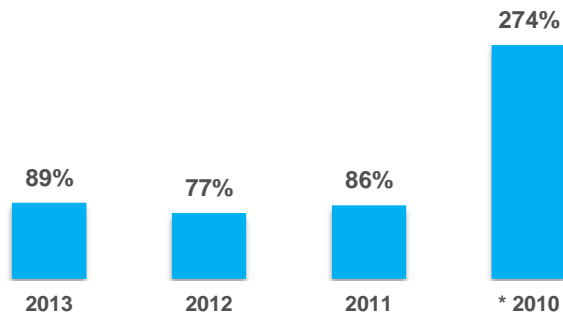


• Net Debt = Total interest bearing debts (excluding letter of guarantees) after deducting Cash and cash equivalent

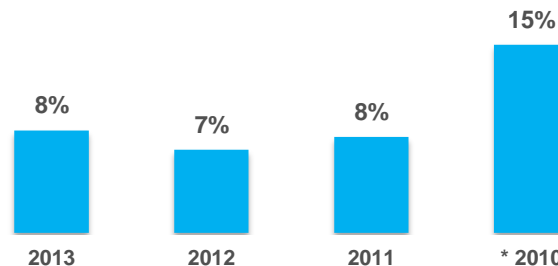
# Zain Dividends



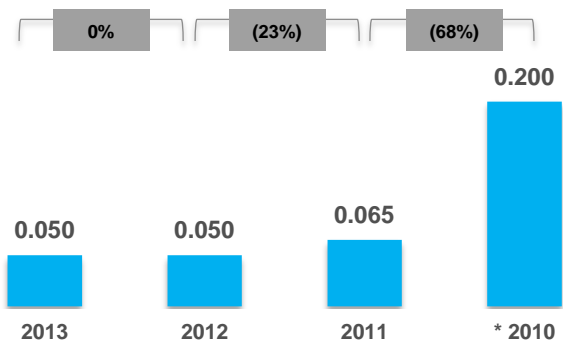
## Dividend Payout Ratio



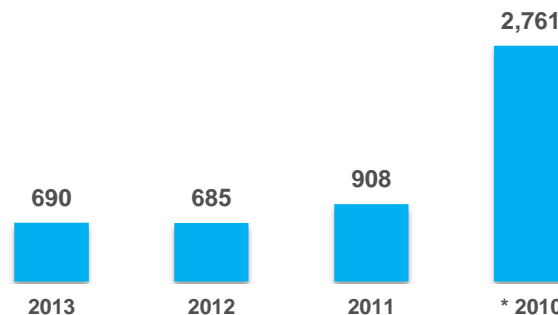
## Dividend Yield (%)



## Dividend Per Share (KWD)



## Cash Dividend (USD m)

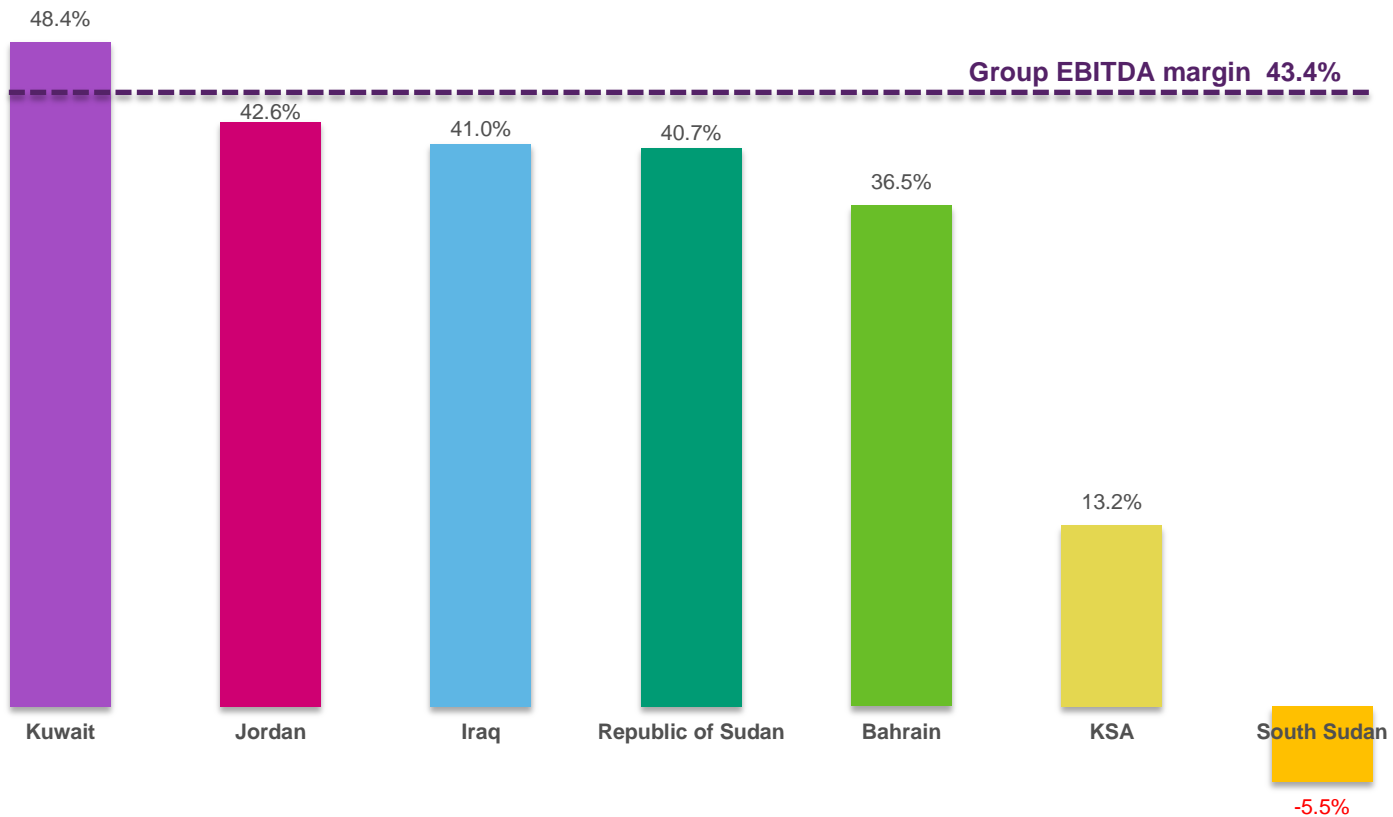


\* Zain Group distributed normal and exceptional dividends of fils 200 reflecting the distribution of proceeds of the sale of Zain Africa assets to Bharti Airtel. However the EPS is made up of Normal EPS = Fils 80, Exceptional EPS = Fils 195

10

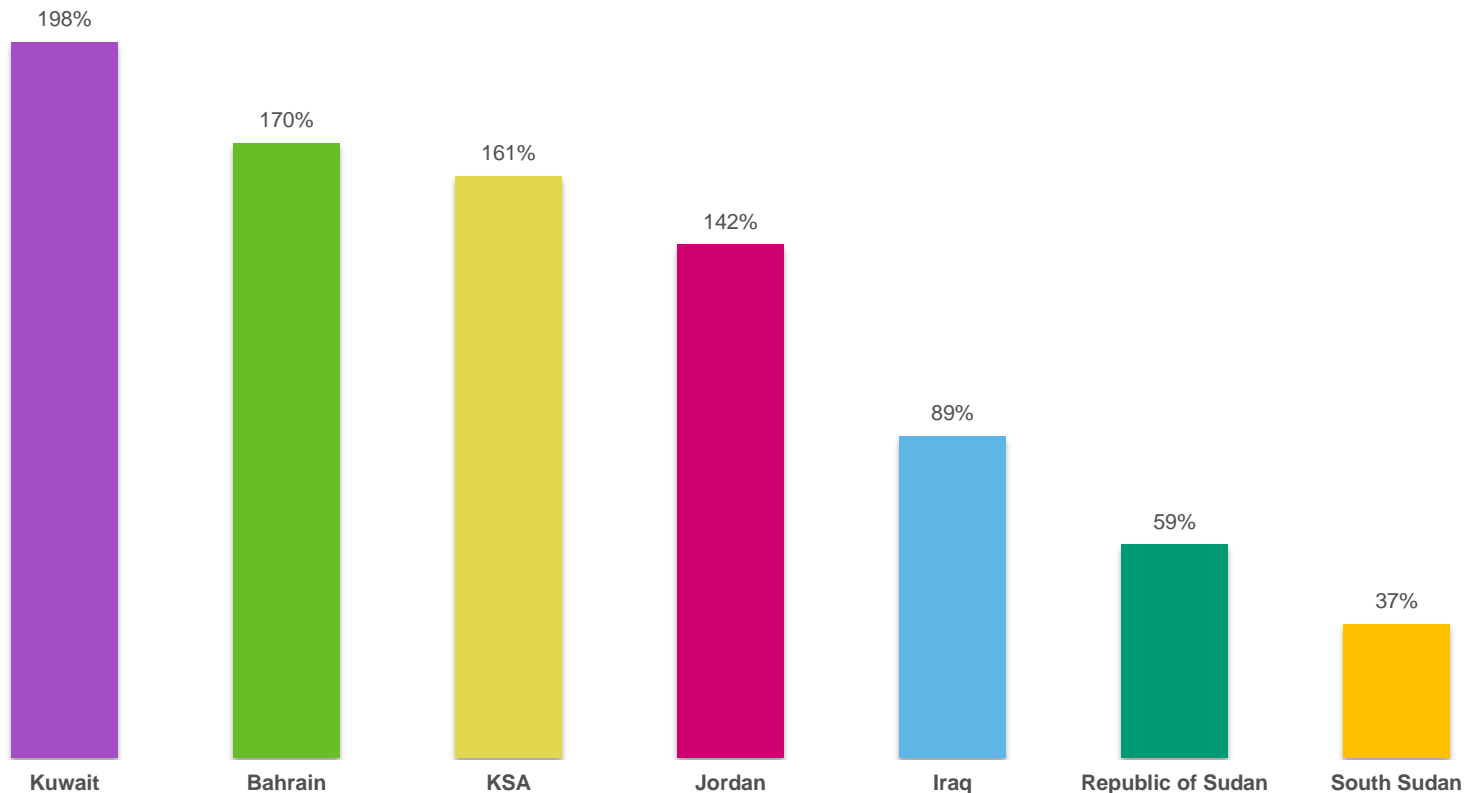
# EBITDA Margins

## As of 31<sup>st</sup> December-2013



# Penetration Rates

## As of 31<sup>st</sup> December-2013

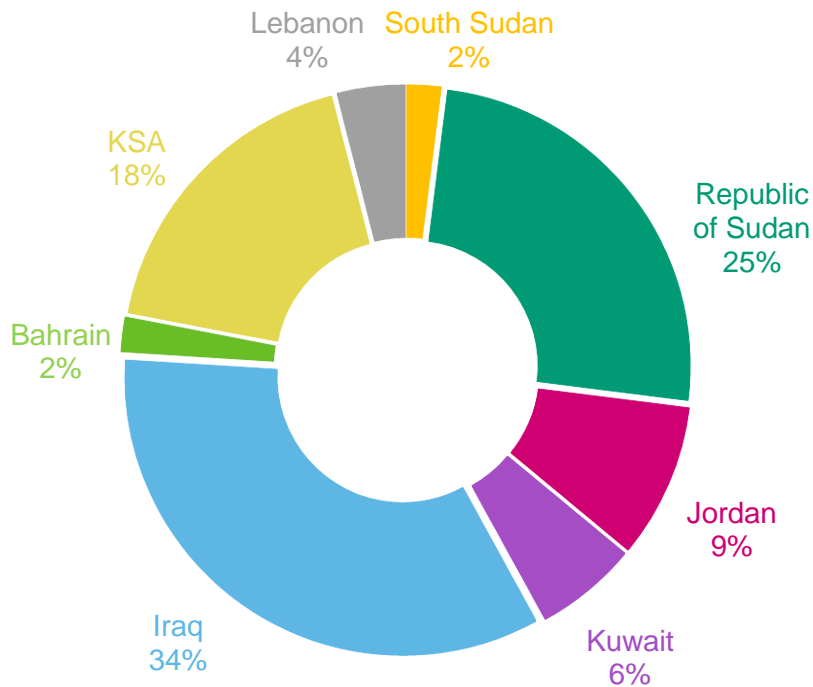


\* Source: World Cellular Information Services (WCIS).

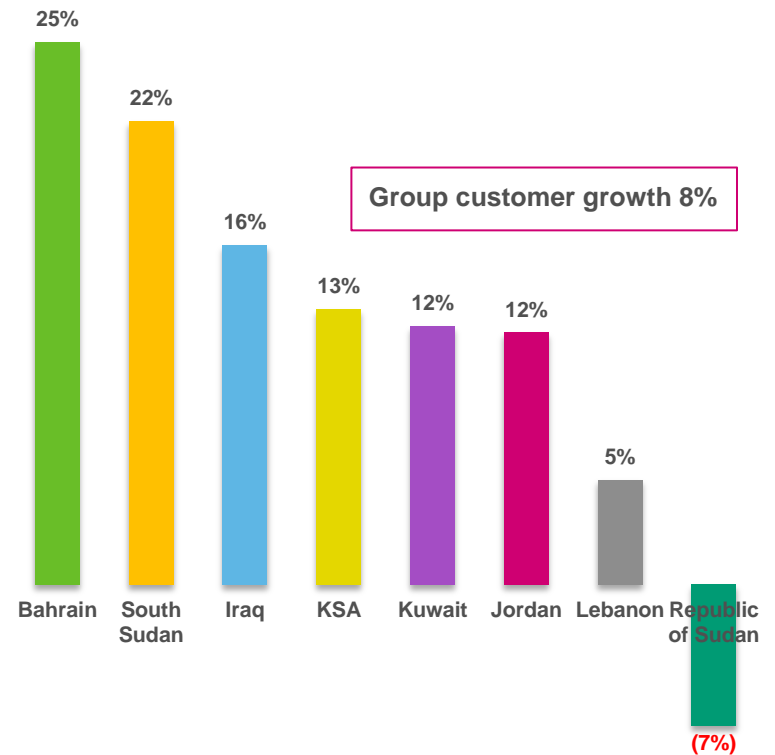
# Our Customers

## As of 31<sup>st</sup> December-2013

### Customers Contribution



### Customers Growth 2013 vs. 2012

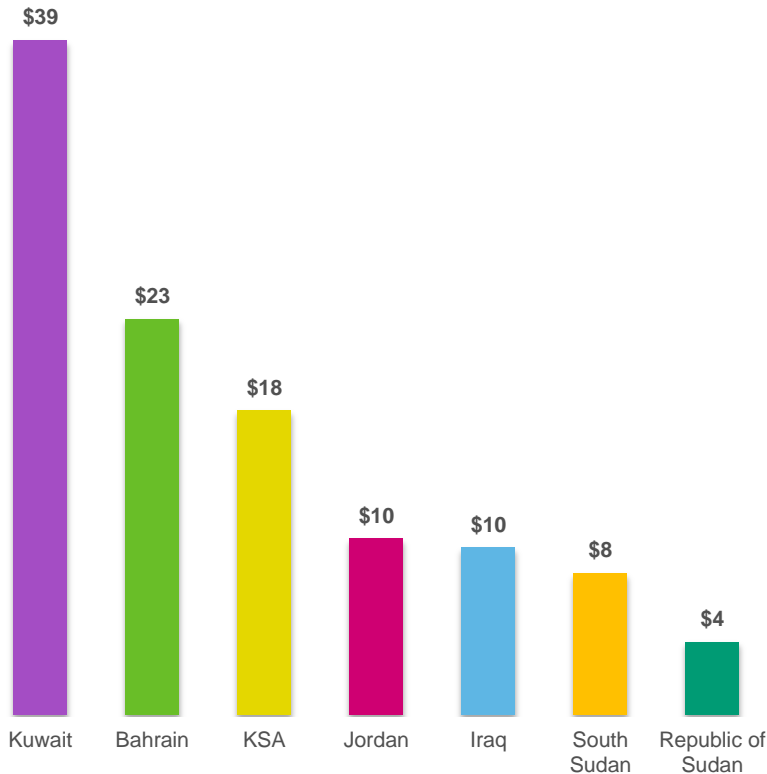


\* Customer base drop of 7% in Republic of Sudan is due to routine cleanup process, which was done in H1-2013 (eliminating zero ARPU customers).

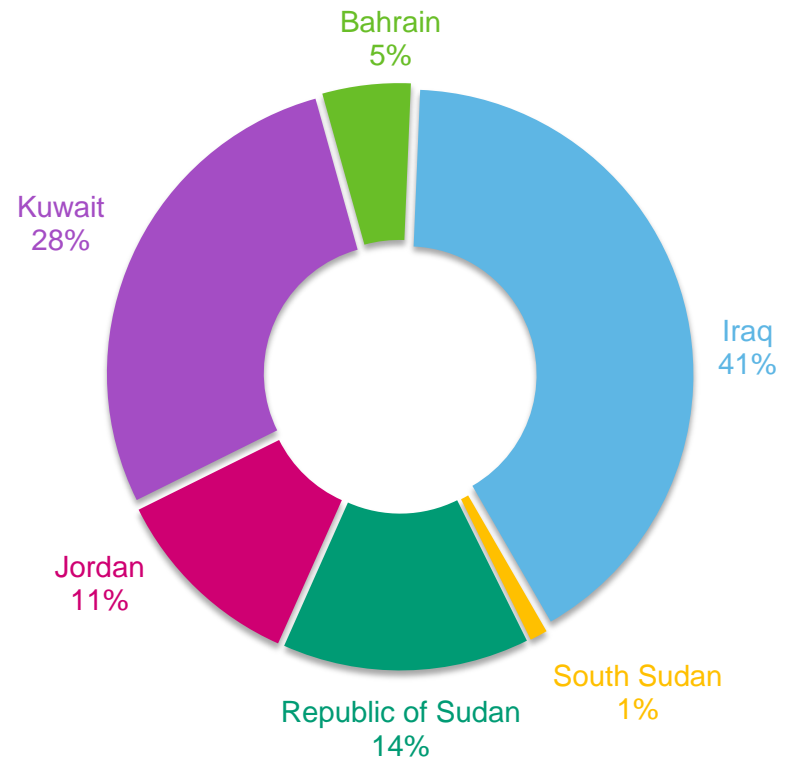
# Blended ARPU & Revenue Contribution

## Contribution as of 31<sup>st</sup> December-2013

### Blended ARPU




### Revenue Contribution



# FINANCIAL RESULTS PRESENTATION

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# State of Kuwait

## Key Statistics – Dec. 2013

**3.4 m**

Population

**\$42,089**

GDP/Capita

**198%**

Penetration

**1983**

Year of launch

**2.5 m**

Customers

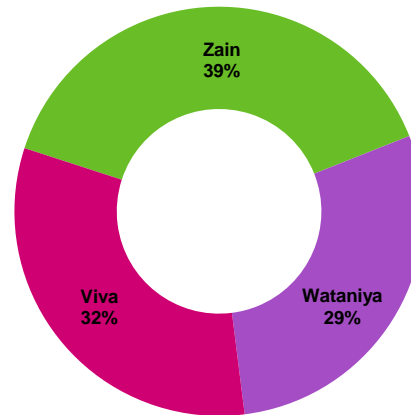
**100%**

Ownership

**\$39**

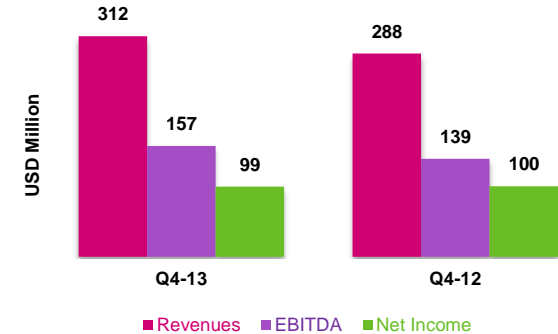
ARPU

## Market Share by Customers

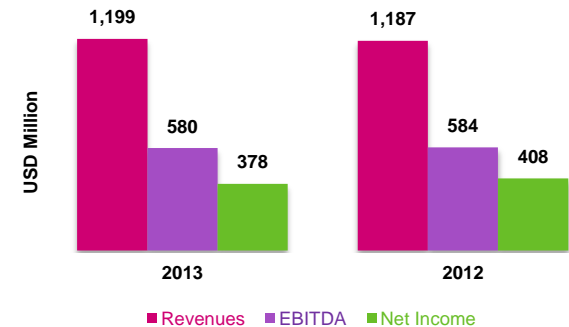


**Technology : 4G LTE Nationwide**  
**Number of sites : 1,740**  
**Coverage : 100%**

## Financials - Q4-13



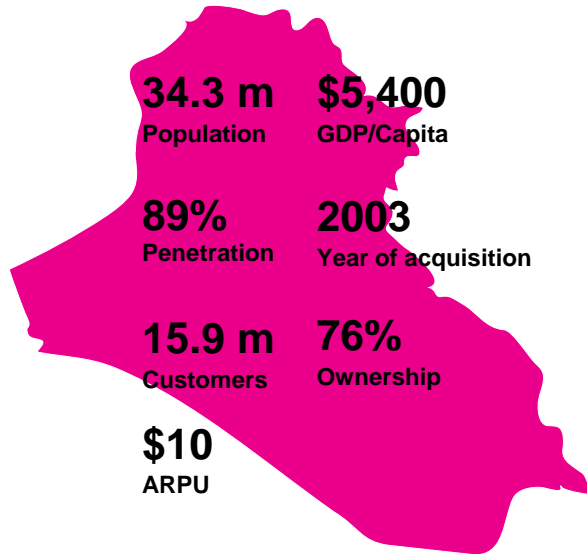
## Financials - 2013



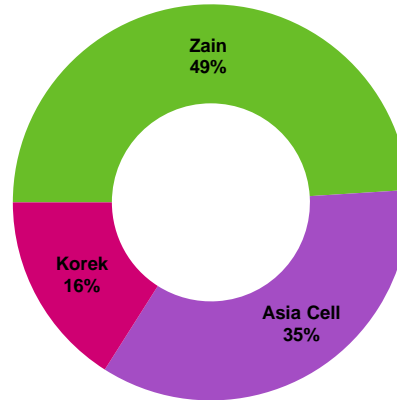
- The Group's flagship operation was established in 1983 and made history in 1994 by becoming the first telecom operator to launch commercial GSM service in the region. Zain has been listed on the Kuwait Stock Exchange since 1985 with a market capitalization circa USD 10 billion closing at Fils 670 as of February 2<sup>nd</sup>, 2014.
- Zain Kuwait has the highest ARPU of \$39 in the Group.
- The introduction of Mobile Number Portability (MNP) mid-way through the year had neutral effect on the operation's overall performance, quite uncommon for an incumbent operator, reflecting the appeal of the brand and the services provided.
- For the full year 2013, the operation reported revenues of USD 1.2 billion; reflecting a 1% increase Y-o-Y. EBITDA and net income for the period decreased by 1% and 7% respectively, mainly due to the increase in depreciation and amortization as compared with 2012. However, the operator reported a healthy EBITDA margin of 48.4% and net profit of USD 378 million as of year end 2013.
- Notably, data revenues (excluding SMS & VAS) formed 29% of total revenues, reflecting an annual growth of 21%. Zain's nationwide 4G LTE network covered the entire population of Kuwait through a total of 1,740 network sites.

# Republic of Iraq

## Key Statistics – Dec. 2013

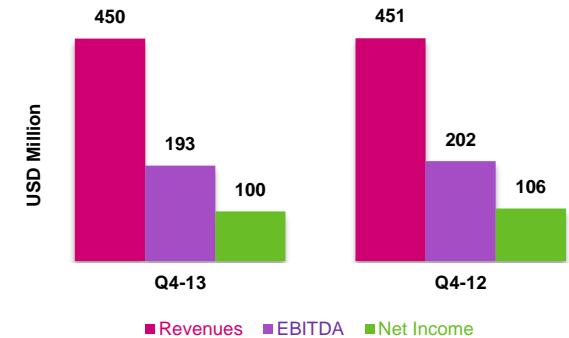


## Market Share by Customers

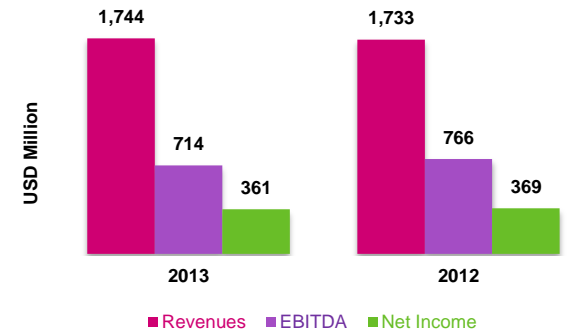


Technology : 2G  
 Number of sites : 3,882  
 Coverage : 98%  
 License : expires in 2022

## Financials - Q4-13



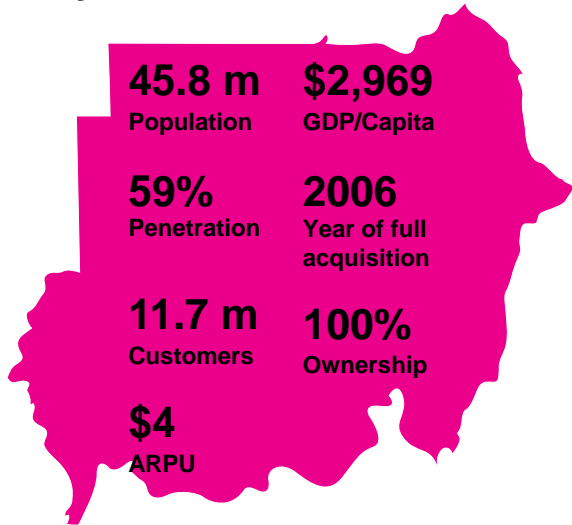
## Financials - 2013



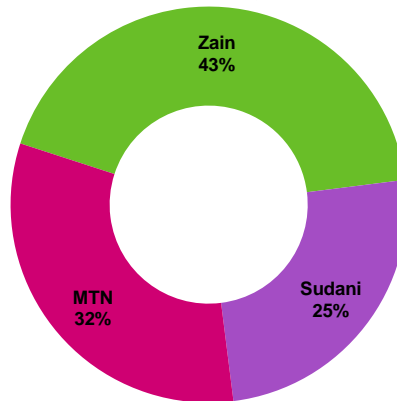
- Zain has been providing mobile services in Iraq since December 2003 and is the largest mobile operator in the country today. After securing a 15-year license in August 2007, Zain Group owns 76% of the mobile entity.
- At the end of 2013, the operator grew its customer base by 16% Y-o-Y, with revenues increasing 1% partially due to higher data revenues, which grew by 23% as compared with last year. EBITDA and net income decreased by 7% and 2% respectively, mainly due to foreign exchange impact.
- CAPEX for the year mainly increased as Zain Iraq upgraded its network to Single-Ran technology allowing it to offer 3G services promptly and effectively once spectrum is granted (expected in 2014) as well as expanding its network to the more affluent Northern Iraq region. As of 2013, the operator had a total of 3,882 network sites, covering 98% of the population.
- Zain Iraq is currently preparing to launch an initial public offering (IPO) to list the company shares on the Iraq Stock Exchange (ISX) as per the license requirements, which should take place in the near future subject to regulatory conditions being met.
- Data revenues (excluding SMS & VAS) represents only 3% of total revenues, reflecting an annual growth of 65%, leaving further room for expansion.

# 17 Republic of Sudan

## Key Statistics – Dec. 2013

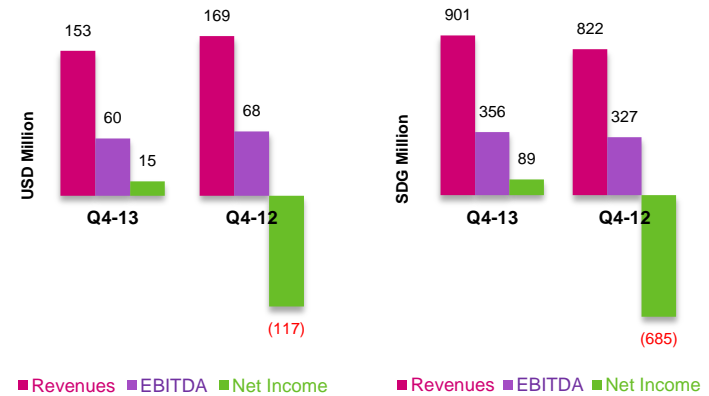


## Market Share by Customers

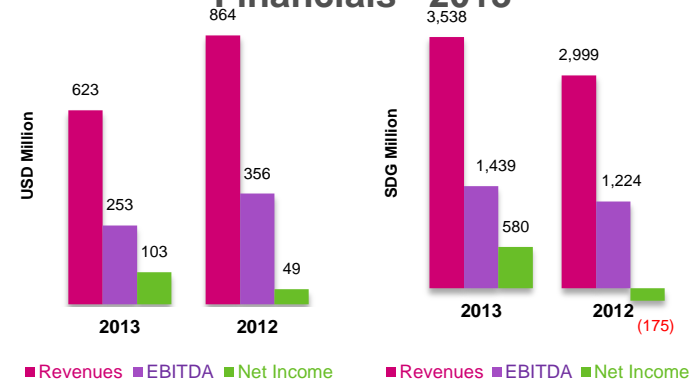


**Technology : 3G**  
**Number of sites : 2,260**  
**Coverage : 86%**  
**License : expires in 2029**

## Financials - Q4-13



## Financials - 2013

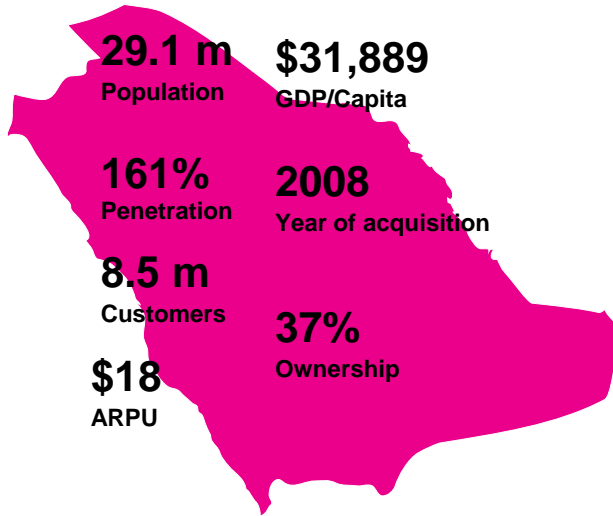


- In February 2006, Zain acquired the remaining 61% stake of Mobitel, Republic of Sudan's first mobile operator, in a deal valued at USD 1.3 billion, resulting in 100% ownership. The company was rebranded to Zain in September 2007 and subsequently renewed its license for a period of 20 years.
- In local currency (SDG) terms, the operation witnessed a significant increase in its KPIs where revenues and EBITDA both increased by 18% and net income reaching SDG 580 million in 2013 as compared with net loss of SDG 175 million in 2012 due to lower currency variance and the new tax benefit. Unfortunately, with the currency having depreciated 35% against the USD Y-o-Y, the foreign exchange translation effect on most financial indicators was adverse and considerable. Revenues and EBITDA in USD terms for the year decreased 28% and 29% respectively. (excluding the negative FX impact, revenue growth would have been 18% and EBITDA growth would have been 18%).
- A favorable telecom tax law was introduced in mid-June 2013 that saw a 2.5% levy on operators' revenues introduced for a period of three years replacing the 30% corporate income tax. This is set to enhance Zain Sudan's financial position for the coming three years, partially compensating for the losses incurred due to currency issues.
- The operation served 11.7 million customers as of December 2013 through a total number of 2,260 network sites, offering 86% population coverage. Overall data revenue amounted to 10% of total revenues. (Excluding SMS and VAS), data revenues amounted to 4% of total revenues, representing a 49% annual increase.

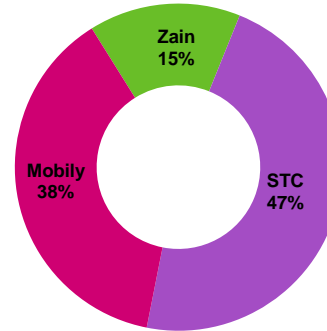


# 18 Kingdom of Saudi Arabia

## Key Statistics – Dec. 2013

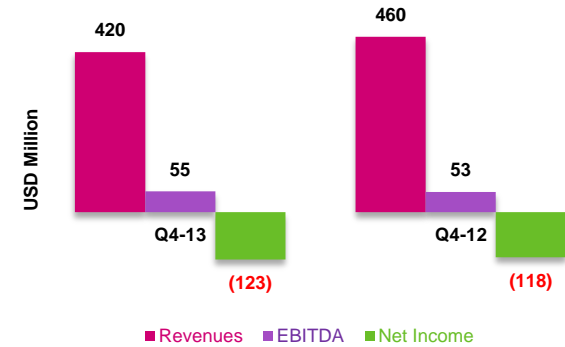


## Market Share by Customers



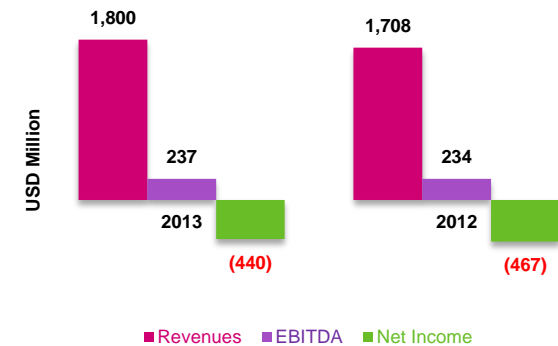
**Technology : 4G LTE**  
**Number of sites : 5,727**  
**Coverage : 93%**  
**License : expires in 2033**

## Financials - Q4-13



■ Revenues ■ EBITDA ■ Net Income

## Financials - 2013



■ Revenues ■ EBITDA ■ Net Income

- 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 3 billion (share price SAR 9.1) on February 2<sup>nd</sup>, 2014.
- Seasoned telecom executive Hassan Kabbani was appointed the new CEO of Zain KSA effective September 2013.
- For the year ended December 31st, 2013, Zain KSA recorded a 5% increase in revenues mainly due to the increase in international calls and mobile data usage that grew by 73% Y-o-Y predominantly due to the presence of the high-speed 4G LTE network. EBITDA increased by 1% Y-o-Y and net losses narrowed by 6% due to a lower financing cost.
- Three positive financial events took place during 2013, namely a government sanctioned seven-year deferment of annual dues and other obligations, as well as the renewal of two major loans, USD 600 million for three years and the extension of a USD 2.3 billion Murabaha facility for five years, both at favourable terms, will all provide the necessary cash flow and stimulus for the company to expand its network and roll-out customer enhancing services.
- Notably, as of December 2013, data revenues (excluding SMS & VAS) formed 12% of total revenues, reflecting an annual growth of 73%. Zain's 4G LTE network covered 93% of the population through a total of 5,727 network sites.



# Kingdom of Jordan

## Key Statistics – Dec. 2013

**7.3 m**

Population

**\$6,000**

GDP/Capita

**142%**

Penetration

**2003**

Year of acquisition

**3.9 m**

Customers

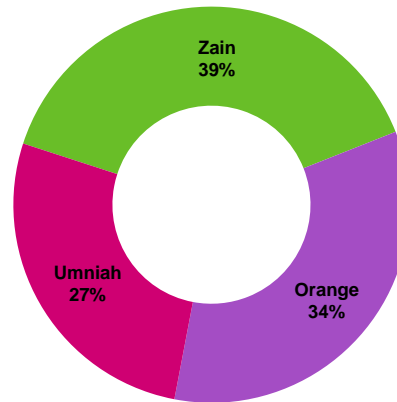
**96.52%**

Ownership

**\$10**

ARPU

## Market Share by Customers



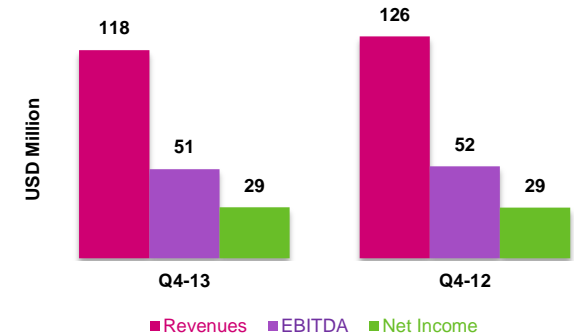
**Technology : 3G**

**Number of sites : 1,872**

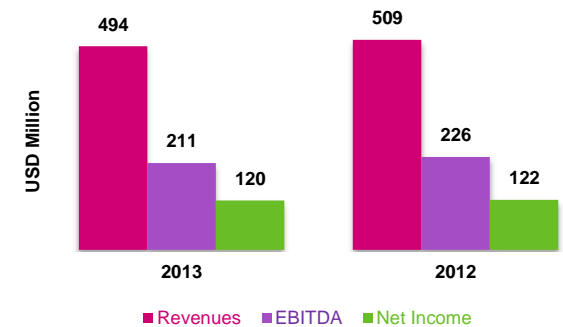
**Coverage : 100%**

**License : expires in 2026**

## Financials - Q4-13



## Financials - 2013



• 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 and has been acquired for USD 419 million and today remains the market leader.

• Despite the increased competition, the operation managed to increase its market share with 39% as of December 2013. For the full year 2013 the operation recorded a 3% decrease in revenues, due to the special tax law which was imposed on the telecom sector with mobile services tax rate increasing from 12% to 24% and mobile handsets tax rate increasing from 8% to 16%. These taxes have effectively acted as an impediment to the sustained growth of the telecom sector in the country in the short-term. EBITDA decreased by 7% due to higher opex (increase in utility and advertising expenses) and net income decreased by 2% coming from higher depreciation and amortization.

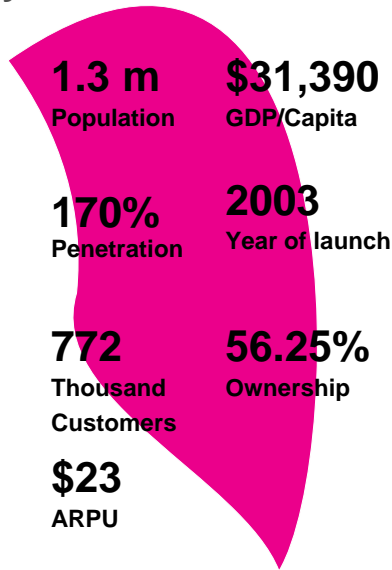
• Data revenues (excluding SMS & VAS) represented 20% of total revenues, which grew by 34% as compared with the same period last year.

• The operator covers the entire population through its 1,872 network sites.

# Kingdom of Bahrain

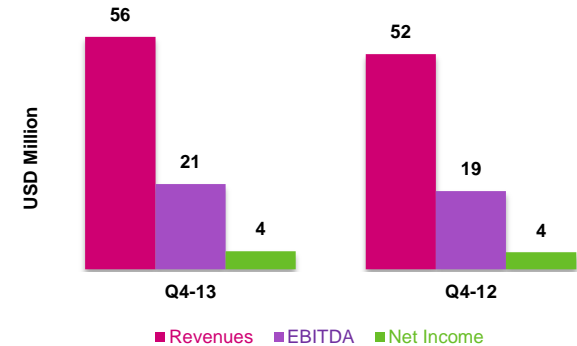


## Key Statistics – Dec. 2013

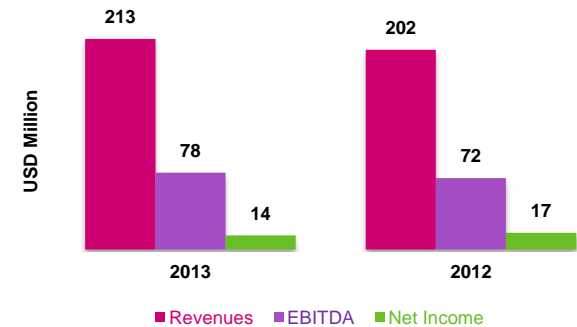


Technology : 4G LTE  
 Number of sites : 345  
 Coverage : 100%  
 License : expires in 2028

## Financials - Q4-13



## Financials - 2013



- 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, Zain has tapped into a rich seam of telecommunication records, placing it and Bahrain firmly on the global telecom map.
- With an ARPU of \$23, Zain Bahrain has the second highest ARPU in the Group.
- The operation's customer base grew by 25% Y-o-Y to now serve more than 772 thousand customers, recording the highest customer growth among the Group.
- The operator witnessed a 5% and 7% increase Y-o-Y in revenues and EBITDA respectively, driven by strong performance in mobile data, while net income dropped by 16% to reach USD 14 million compared with USD 17 million in 2012.
- Data revenues (excluding SMS & VAS) represented 27% of overall service revenues for the year 2013, which grew by 20% as compared with last year. The operation currently has a total of 345 network sites, covering the Kingdom's entire population.
- Zain Bahrain's mobile service license (IMTL) has been renewed for further 15 years, in which the new expiry term is till 2028. The mobile operator is currently preparing to launch an Initial Public Offering to list 15% of the company shares on the Bahrain Stock Exchange as per TRA requirements.



# 21 Republic of South Sudan

## Key Statistics – Dec2013

**11.1 m**  
Population

**\$900**  
GDP/Capita

**37%**  
Penetration

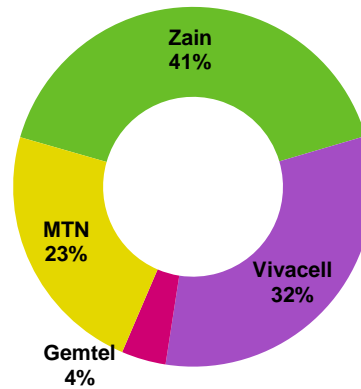
**2006**  
Year of full acquisition

**812**  
Thousand Customers

**100%**  
Ownership

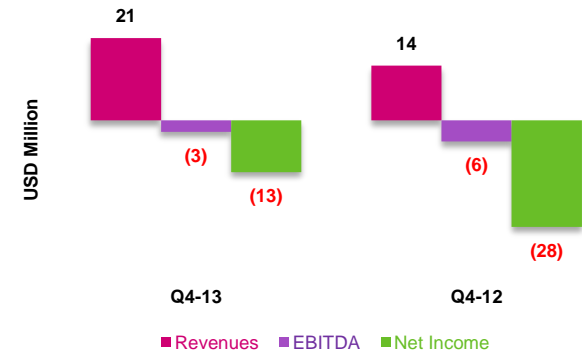
**\$8**  
ARPU

## Market Share by Customers

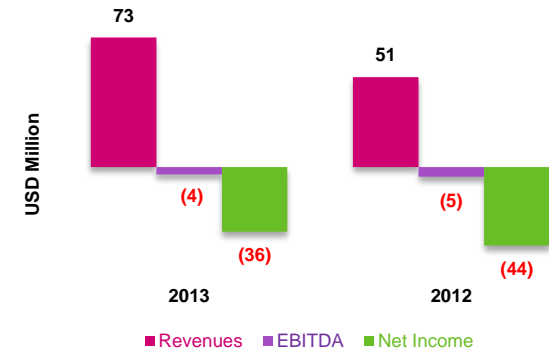


**Technology : 3G**  
**Number of sites : 303**  
**Coverage : 45%**  
**License : MOU**

## Financials - Q4-13



## Financials - 2013



- In June 2011, The Republic of Sudan and South Sudan successfully completed the separation process. Accordingly, Zain Group commenced separating the two entities by having different financial statements and organizational structures.
- With 13 years of telecommunications experience, Mr. Basel Manasrah was appointed CEO of Zain South Sudan with very strong credentials in commercial, technical and operational aspects, after holding several key senior positions within Zain Group since joining the company in 2000.
- The operation witnessed a remarkable growth in its customer base among the Group, by 22% from the previous year, reaching 812K customers as compared with 667K in 2012.
- Despite the fierce competition in the market, and challenging economic conditions, Zain South Sudan managed to increase its market share from 38% last year to 41% as of December 2013, due to the expansion of the network sites providing better and wider coverage for customers.
- The operator ended the year with a total of 303 network sites and is aggressively expanding its network across the country, covering 45% of the population with a total geographical coverage of 37%, the largest in the new born country.





## Key Statistics – Dec. 2013

**4.1 m**  
Population

**\$13,370**  
GDP/Capita

**72%**  
Mobile  
Penetration

**2004**  
Year of acquisition

**2.0 m**  
Customers

**MC**  
Ownership

**Technology : 4G LTE**

**Number of sites : 1,012**

**Coverage : 99%**

**License : Management Contract (MC) until March- 2014**

- 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 1,012 network sites as of December 2013, covering 99% of the population.
- The operation currently serves more than 2 million customers.
- The Network Management Agreement (NMA), has been extended for a period of three months commencing on 1<sup>st</sup> of January 2014 and ending on 31<sup>st</sup> March 2014.



# FINANCIAL RESULTS PRESENTATION

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- Zain Group Overview
- Zain Operations Overview
- **Financial Statements**

# Balance Sheet



	2013	2012		2013	2012
	KD '000			KD '000	
<b>ASSETS</b>			<b>LIABILITIES AND EQUITY</b>		
<b>Current assets</b>			<b>Current liabilities</b>		
Cash and bank balances	399,242	302,609	Trade and other payables	542,566	535,114
Trade and other receivables	350,300	319,109	Due to banks	198,402	270,656
Inventories	14,922	11,906		<b>740,968</b>	<b>805,770</b>
Investment securities at fair value through profit or loss	1,930	2,693	<b>Non-current liabilities</b>		
	<b>766,394</b>	<b>636,317</b>	Due to banks	557,319	381,136
<b>Non-current assets</b>			Other non-current liabilities	35,451	33,331
Investment securities available for sale	46,363	48,659		<b>592,770</b>	<b>414,467</b>
Investments in associates and joint ventures	265,197	300,842	<b>Equity</b>		
Dues from associates	271,952	231,875	<b>Attributable to Parent Company's shareholders</b>		
Other assets	18,726	16,186	Share capital	432,268	431,527
Property and equipment	734,641	699,030	Share premium	1,706,779	1,705,387
Intangible assets	993,667	998,082	Treasury shares	(567,834)	(567,834)
	<b>2,330,546</b>	<b>2,294,674</b>	Legal reserve	216,134	215,764
<b>Total Assets</b>	<b>3,096,940</b>	<b>2,930,991</b>	Foreign currency translation reserve	(684,716)	(694,184)
			Treasury shares reserve	1,967	1,967
			Investment fair valuation reserve	2,445	(987)
			Share based compensation reserve	5,482	8,808
			Hedge reserve	(1,164)	-
			Retained earnings	509,296	490,189
				<b>1,620,657</b>	<b>1,590,637</b>
			<b>Non-controlling interests</b>	142,545	120,117
			<b>Total equity</b>	<b>1,763,202</b>	<b>1,710,754</b>
			<b>Total Liabilities and Equity</b>	<b>3,096,940</b>	<b>2,930,991</b>

# Income Statement

	2013	2012		2013	2012
	KD '000			KD '000	
Revenue	1,240,035	1,281,903	<b>Attributable to:</b>		
Cost of sales	(351,569)	(365,783)		Shareholders of the Parent Company	216,445
<b>Gross profit</b>	888,466	916,120	Non-controlling interests	27,496	28,047
Operating and administrative expenses	(342,923)	(337,191)		<b>243,941</b>	<b>280,192</b>
Depreciation and amortization	(194,566)	(193,047)	<b>Earnings per share (EPS)</b>		
Provision for impairment – trade and other receivables	(7,722)	(8,187)	Basic – Fils	56	65
<b>Operating profit</b>	343,255	377,695	Diluted – Fils	56	65
Interest income	18,095	16,994			
Investment income	1,972	(8,811)			
Share of results of associates and joint ventures	(36,159)	(31,574)			
Other (expense)/income	(7,860)	14,588			
Finance costs	(23,548)	(26,384)			
Loss from currency revaluation	(24,911)	(8,517)			
Board of Directors' remuneration	(430)	(430)			
Contribution to Kuwait Foundation for Advancement of Sciences	(1,467)	(2,611)			
National Labour Support Tax and Zakat	(7,250)	(10,151)			
Profit for the year before income tax	261,697	320,799			
Income tax expenses	(17,756)	(40,607)			
<b>Profit for the year</b>	243,941	280,192			

# Cash flow statement

	2013	2012
	KD '000	
<b>Cash flows from operating activities</b>		
Profit for the year before income tax	261,697	320,799
Adjustments for:		
Depreciation and amortization	194,566	193,047
Interest income	(18,095)	(16,994)
Investment income	(1,972)	8,811
Share of results of associates and joint ventures	36,159	31,574
Finance costs	23,548	26,384
Loss from currency revaluation	24,911	8,517
Gain on sale of property and equipment	(432)	(457)
<i>Operating profit before working capital changes</i>	520,382	571,681
Increase in trade and other receivables	(28,945)	(69,785)
(Increase)/decrease in inventories	(3,235)	5,181
Provisions used	(12,832)	(7,524)
Increase in trade and other payables	15,252	34,895
<i>Cash generated from operations</i>	490,622	534,448
<i>Payments:</i>		
Income tax	(14,098)	(36,419)
Board of Directors' remuneration	(430)	(430)
Kuwait Foundation for Advancement of Sciences (KFAS)	(5,058)	(5,058)
National Labour Support Tax and Zakat	(4,646)	(4,983)
<i>Net cash from operating activities</i>	466,390	487,558

	2013	2012
	KD '000	
<b>Cash flows from investing activities</b>		
Deposits maturing after three months and bank balances blocked	(2,867)	(95,071)
Investments in subsidiaries	-	(28,531)
Proceeds from sale of investment securities	6,443	21,063
Investments in securities	(545)	(4,753)
Investments in associates/joint ventures	-	(97,696)
Acquisition of property and equipment (net)	(171,078)	(161,532)
Acquisition of intangible assets	(55,450)	(28,422)
Interest received	5,358	16,994
Dividends received	539	1,288
<i>Net cash used in investing activities</i>	(217,600)	(376,660)
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	596,069	484,060
Repayment of bank borrowings	(494,578)	(380,949)
Loan to associates	(24,230)	(70,883)
Capital contribution including share premium – employees stock option	2,025	2,809
Dividends paid	(194,005)	(252,884)
Dividends paid to non-controlling interests	(3,274)	(18,838)
Finance costs paid	(36,597)	(20,774)
<i>Net cash used in financing activities</i>	(154,590)	(257,459)
<b>Net increase/(decrease) in cash and cash equivalents</b>	94,200	(146,561)
Effects of exchange rate changes on cash and cash equivalents	(434)	(50,665)
Cash and cash equivalents at beginning of year	188,921	386,147
Cash and cash equivalents at end of year	282,687	188,921



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# Q&A

*For More Information Please Contact ZAIN Group Investor Relations Team ([IR@zain .com](mailto:IR@zain.com))*

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**Note:** All population, GDP per Capita and Mobile Penetration figures are sourced from EIU, WCIS and CIA Fact Book.

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