



ZAIN GROUP

Financial Results Presentation

9 Months-2013

Disclaimer



- ❑ Mobile Telecommunications Company KSC “Zain Group” has prepared this presentation to the best of its abilities, however, no warranty or representation, express or implied is made as to the adequacy, correctness, completeness or accuracy of any numbers, statements, opinions, estimates, or other information contained in this Presentation.
- ❑ Certain portions of this document contain “forward-looking statements”, which are based on current expectations and reasonable assumptions, we can however give no assurance they will be achieved.
- ❑ The information contained in this presentation is subject to change and we disclaim any obligation to update you of any such changes, particularly those pertaining to the forward-looking statements.
- ❑ Furthermore, it should be noted that there are a myriad potential risks, uncertainties and unforeseen factors that could cause the actual results to differ materially from the forward-looking statements made herein.
- ❑ Accordingly, this presentation does not constitute an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for, or otherwise acquire or dispose of, securities in any company within Zain Group.

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



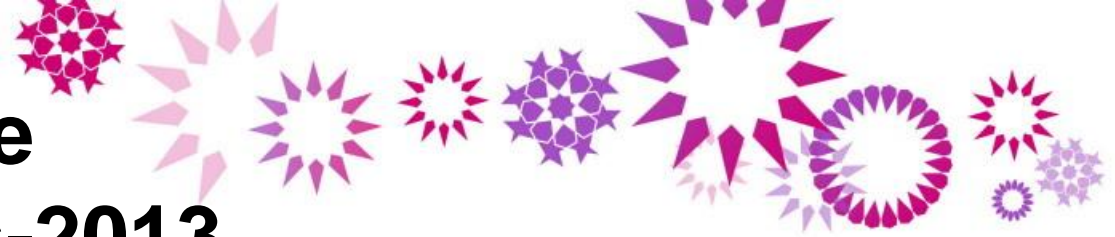
FINANCIAL RESULTS PRESENTATION

Contents

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

3

Zain at a glance As of 9 Months-2013



44.3

MILLION ACTIVE CUSTOMERS

108

MILLION PEOPLE UNDER LICENSE

\$ 584

MILLION IN NET INCOME

12.0

MILLION CUSTOMERS IN REPUBLIC OF SUDAN

14.5

MILLION CUSTOMERS IN IRAQ

44.6

MILLION + DAILY TOTAL SMS

4G

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

348.7

MILLION + TOTAL DAILY CALLS

5.2

MILLION KM2 UNDER LICENSE

OVER

6,600

EMPLOYEES

222

TB OF DAILY DATA USAGE

\$ 3.3

BILLION IN REVENUES

\$ 1.4

BILLION IN EBITDA

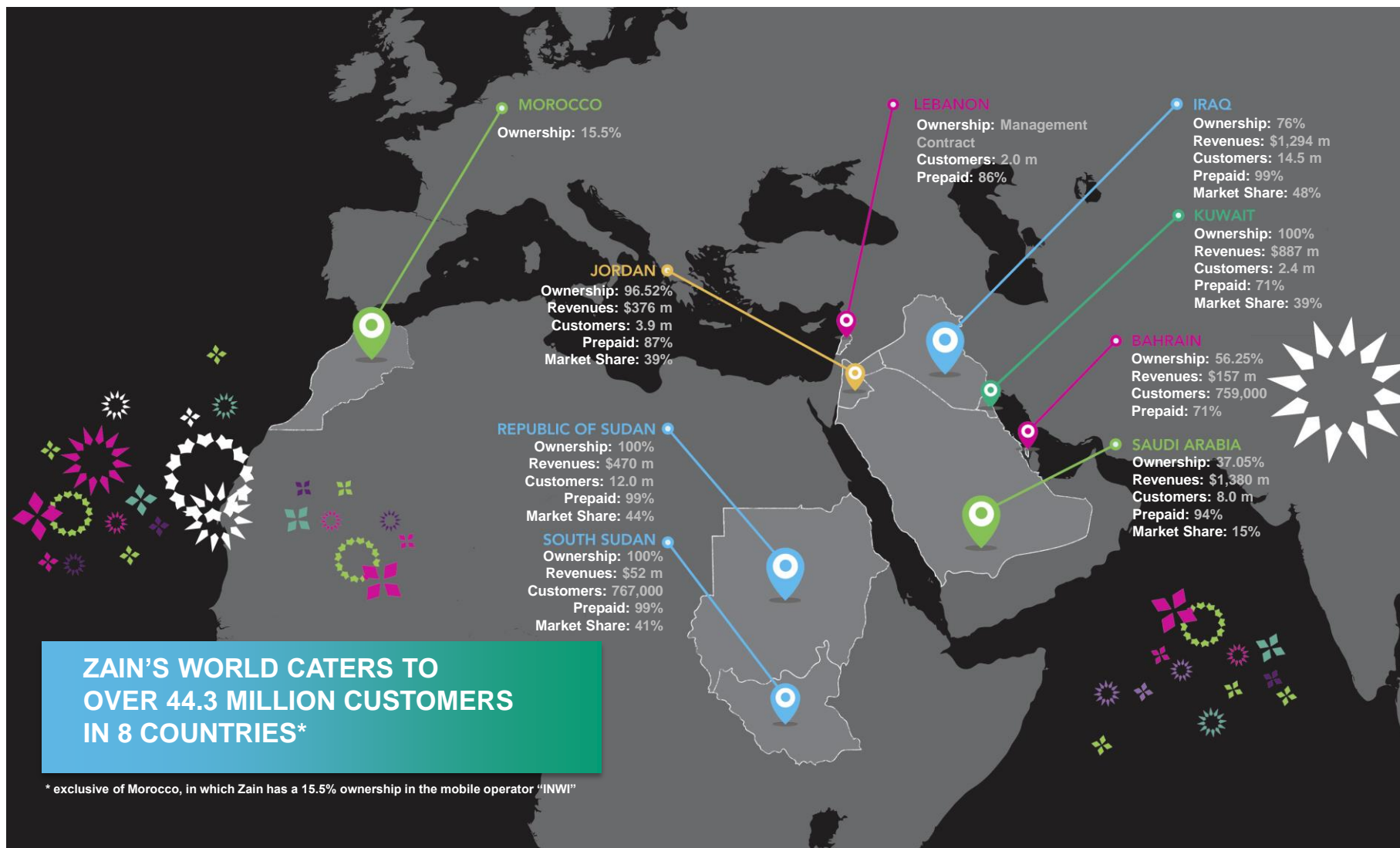
MARKET LEADER

IN KUWAIT, IRAQ, REPUBLIC OF SUDAN, S. SUDAN and JORDAN.



The World of Zain

As of 9 Months-2013

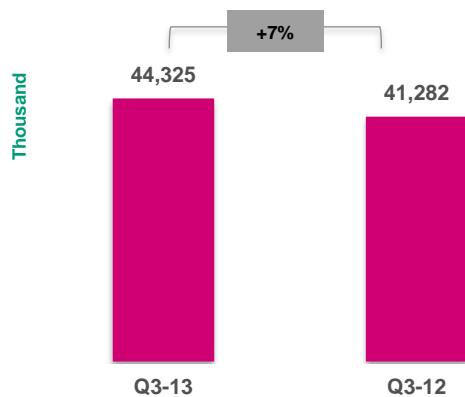


**ZAIN'S WORLD CATERS TO
OVER 44.3 MILLION CUSTOMERS
IN 8 COUNTRIES***

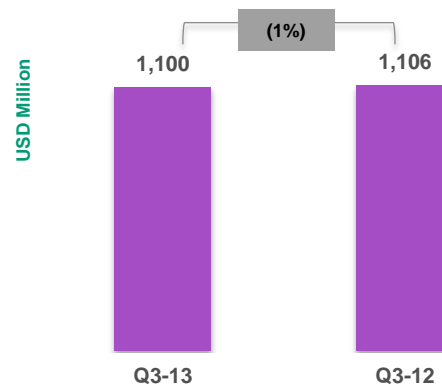
* exclusive of Morocco, in which Zain has a 15.5% ownership in the mobile operator "INWI"

Key Performance Indicators Q3-2013

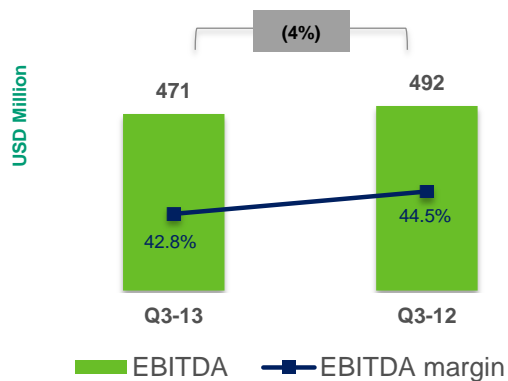
Customers



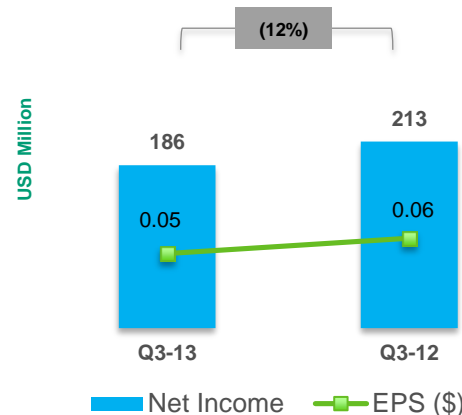
Revenues



EBITDA / Margin



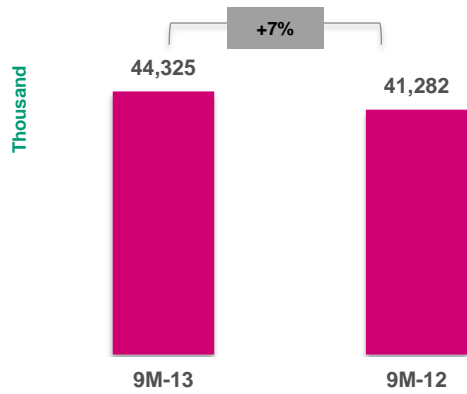
Net Income / EPS



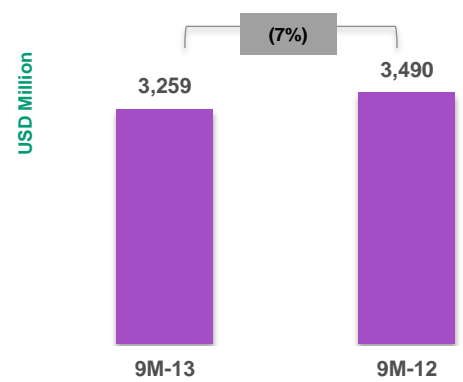
Key Performance Indicators 9 Months-2013



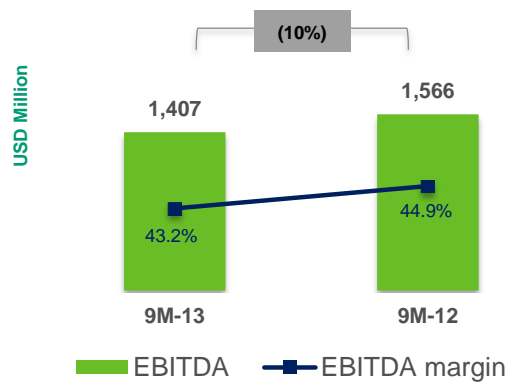
Customers



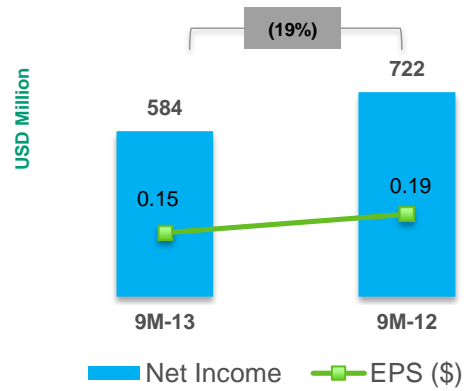
Revenues



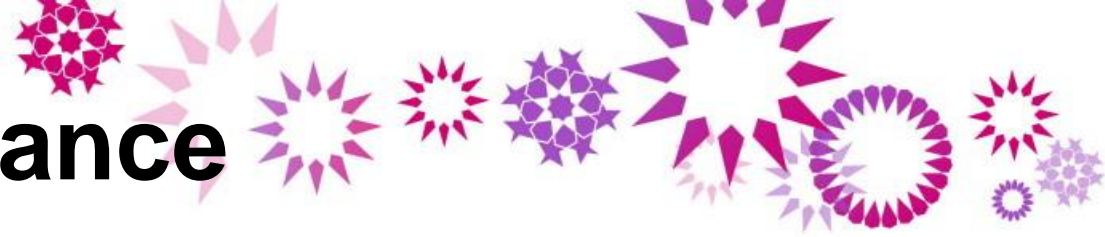
EBITDA / Margin



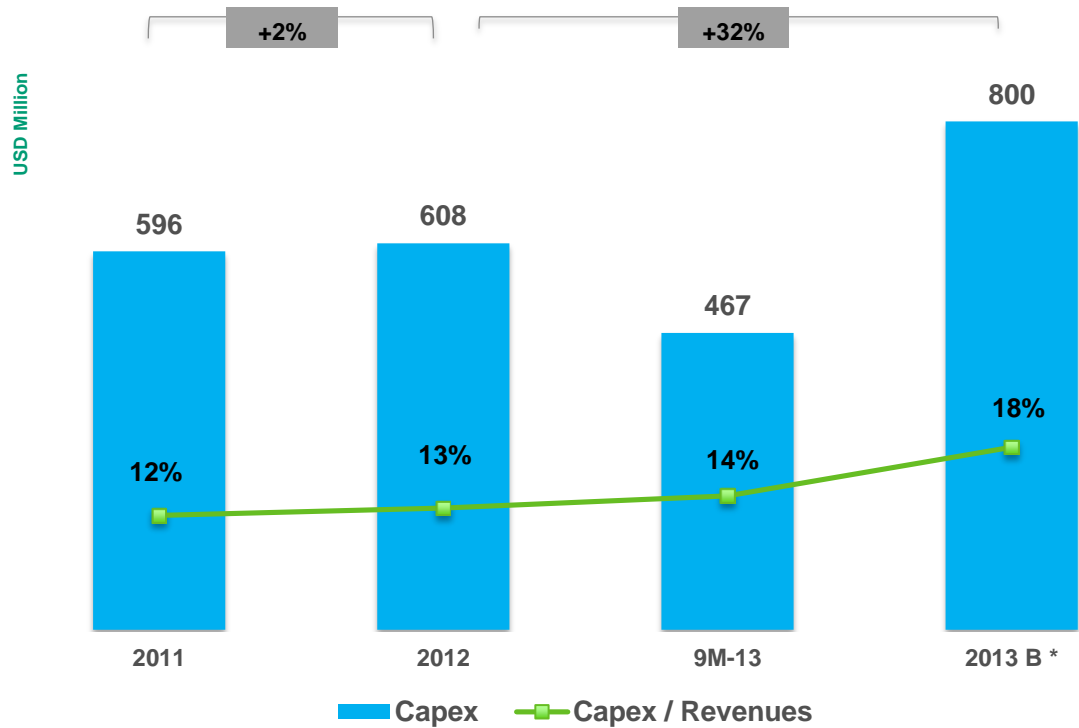
Net Income / EPS



Key Performance Indicators



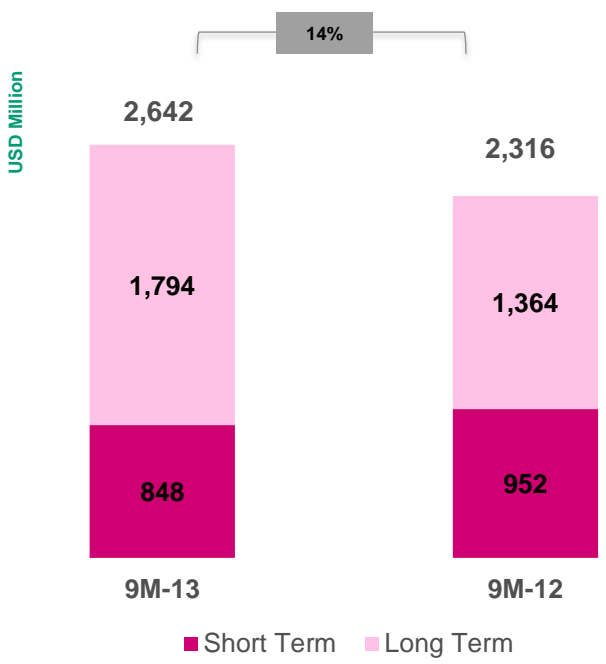
Capex and Capex / Revenue



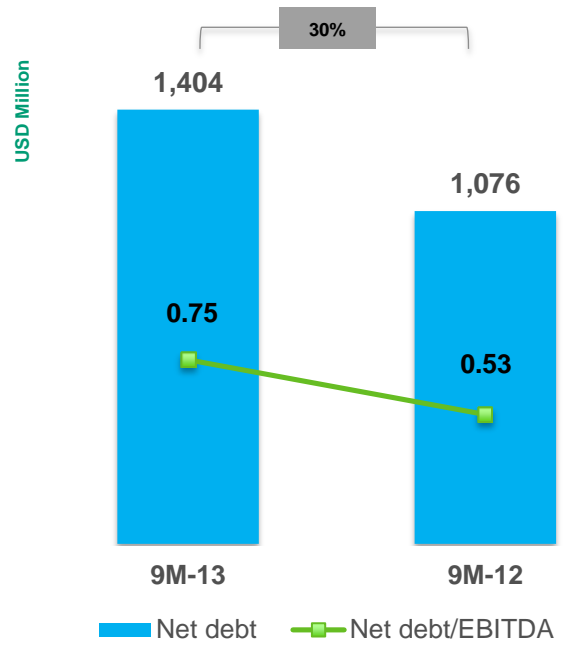
* B = Zain Group 2013 Budget

Key Performance Indicators as of 30/9/2013

Total Debt

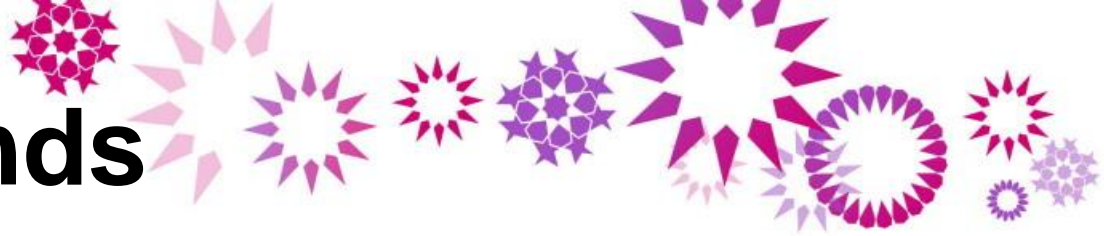


Net Debt & Net Debt / EBITDA

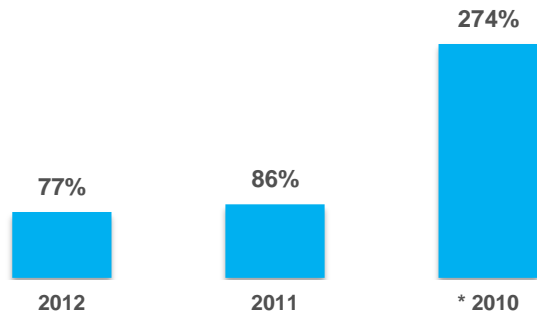


• Net Debt = Total interest bearing debts (excluding letter of guarantees) – Cash and cash equivalent

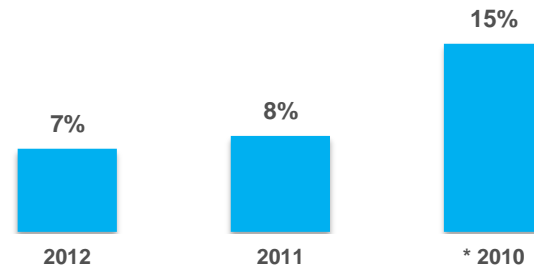
Zain Dividends



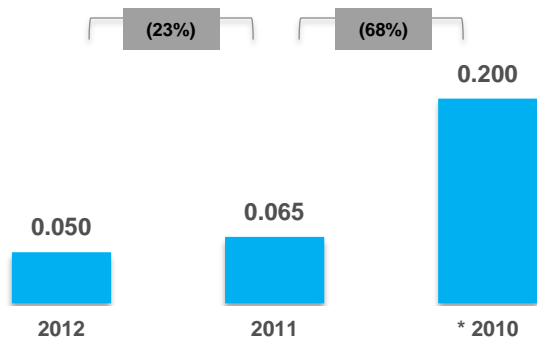
Dividend Payout Ratio



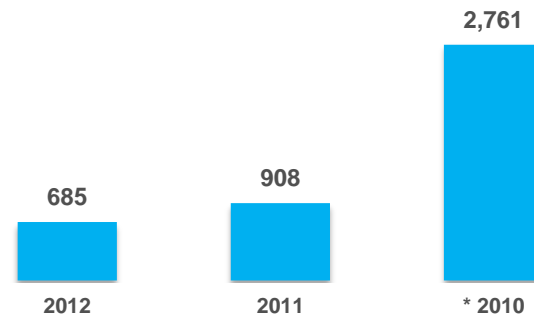
Dividend Yield (%)



Dividend Per Share (KWD)



Cash Dividend (USD m)

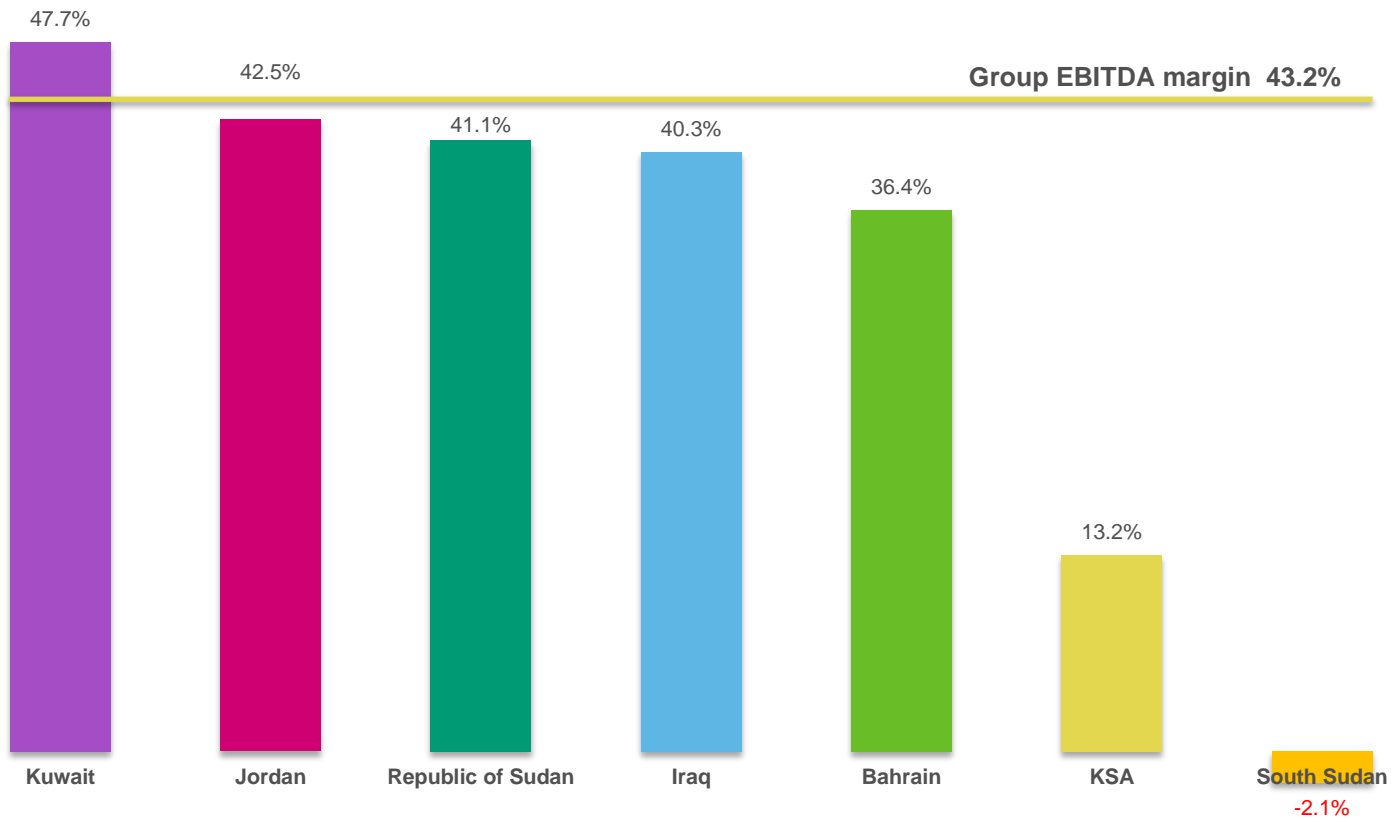


* Zain Group distributed normal and exceptional dividends of fils 200 reflecting the distribution of proceeds of the sale of Zain Africa assets to Bharti Airtel. However the EPS is made up of Normal EPS = Fils 80, Exceptional EPS = Fils 195

10

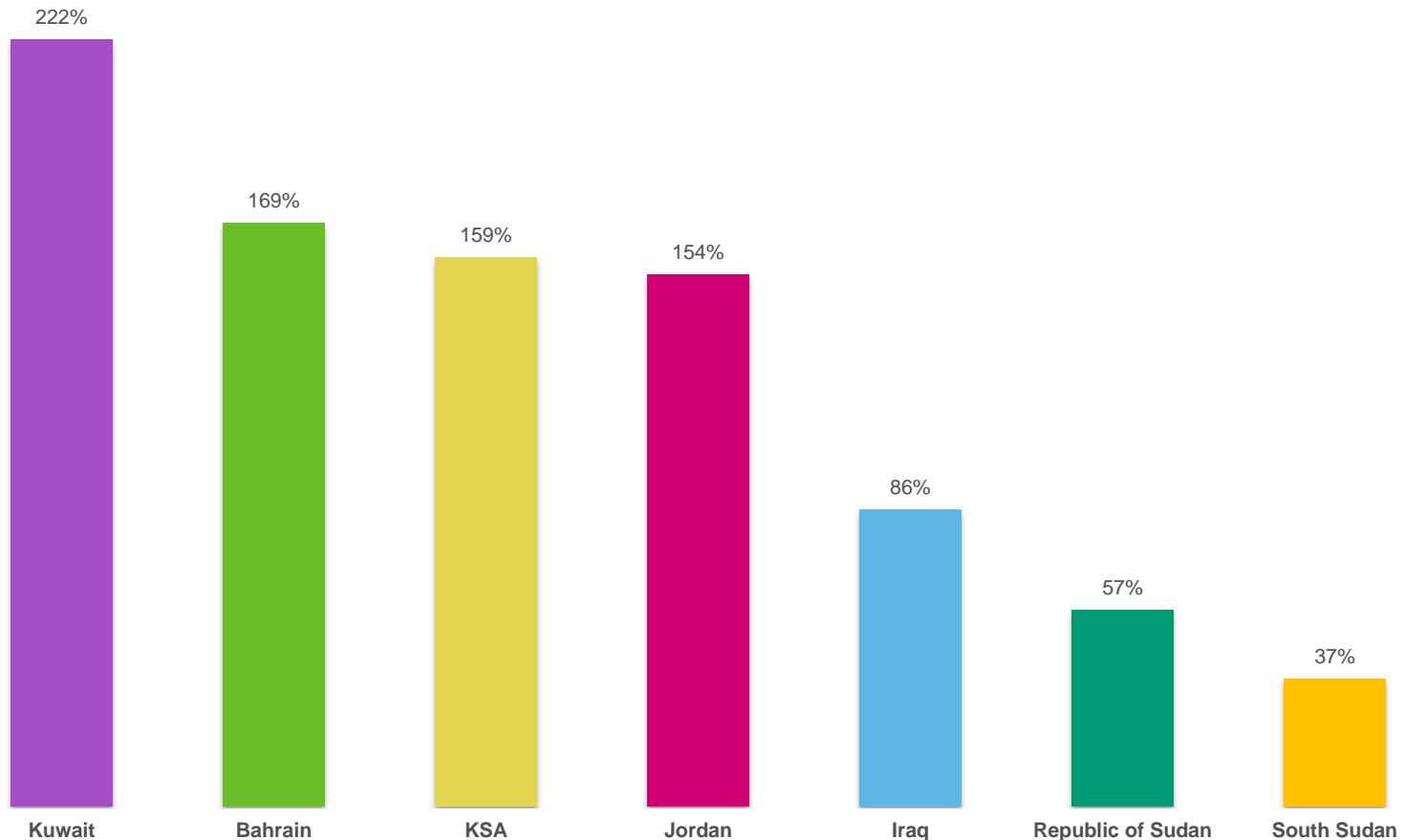
EBITDA Margins

As of 9 Months-2013



11

Penetration Rates As of 9 Months-2013

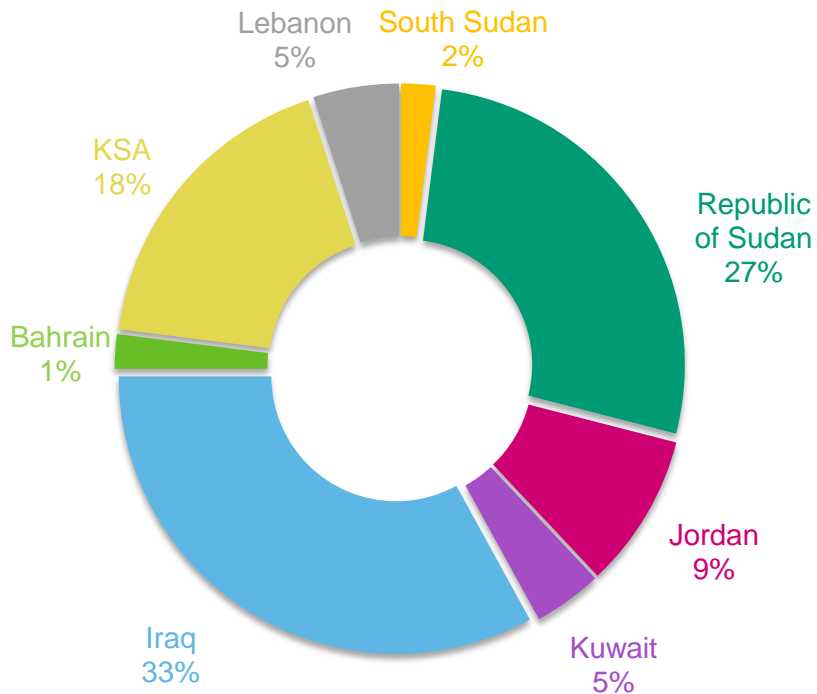


* Source: World Cellular Information Services (WCIS).

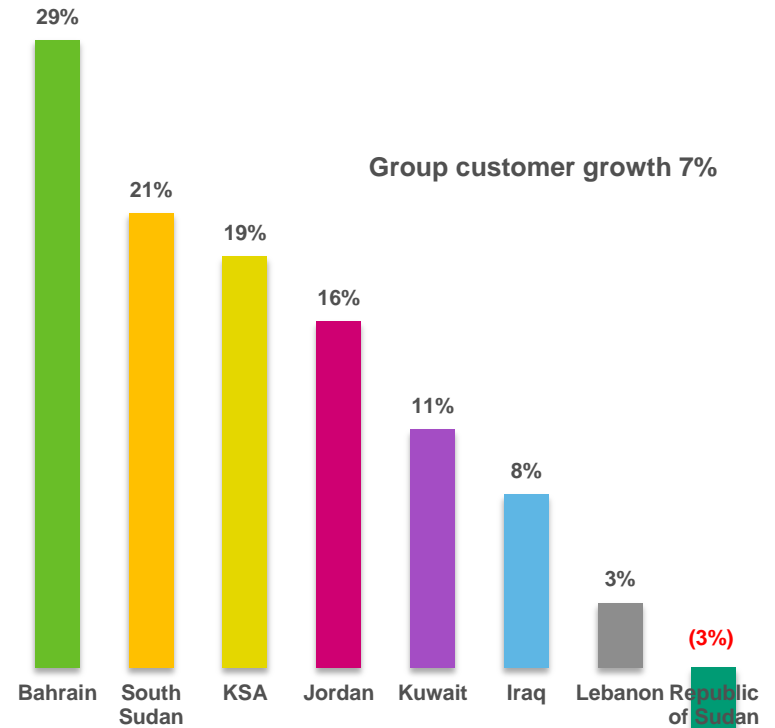


Our Customers As of 9 Months-2013

Customers Contribution

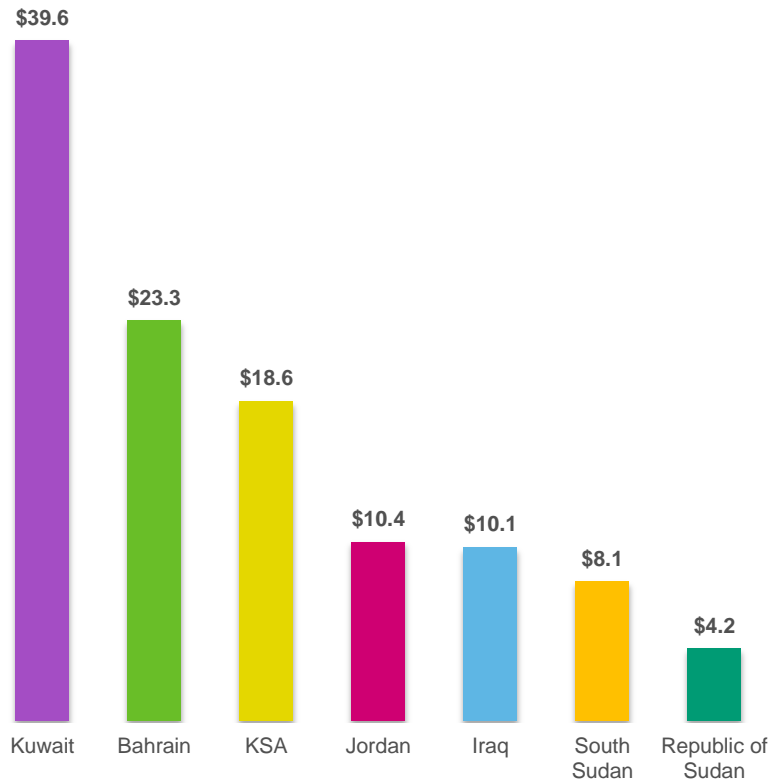


Customers Growth 9M-13 vs. 9M-12

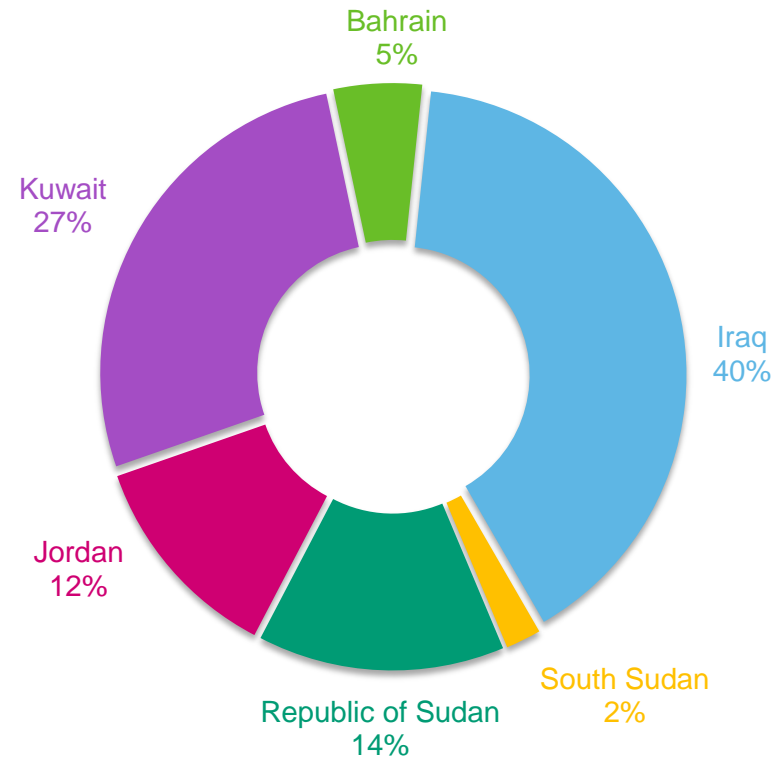


Blended ARPU and Revenue Contribution

Blended ARPU As of 9M-2013



Revenue Contribution- As of 9M-13



FINANCIAL RESULTS PRESENTATION

Contents

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

State of Kuwait

Key Statistics – Sep. 2013

2.7 m
Population

\$43,800
GDP/Capita

222%
Penetration

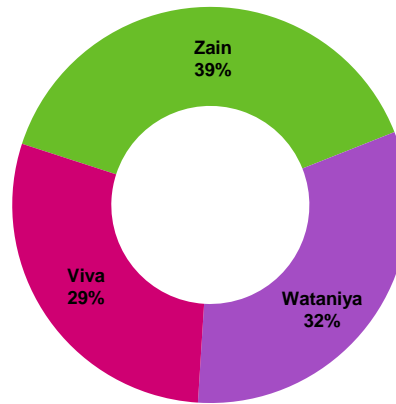
1983
Year of launch

2.4 m
Customers

100%
Ownership

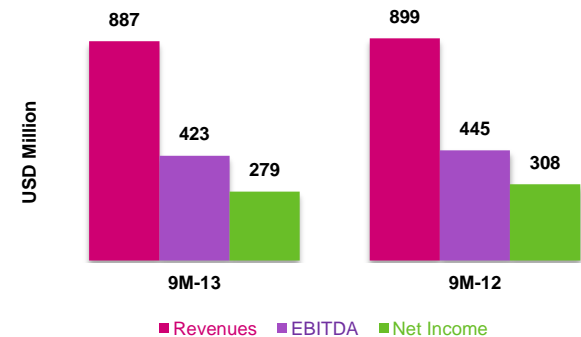
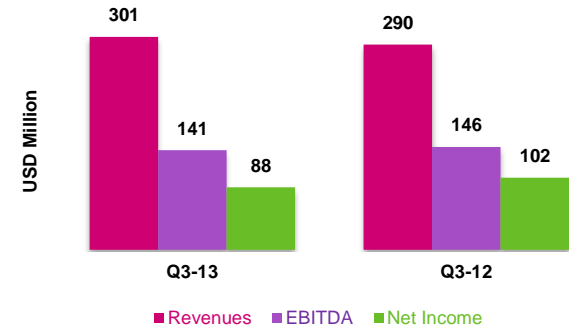
\$40
ARPU

Market Share by Customers



Technology : 4G LTE Nationwide
Number of sites : 1,826
Coverage : 100%

Financials



- 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 11 billion closing at Fils 690 as of November 20th, 2013.

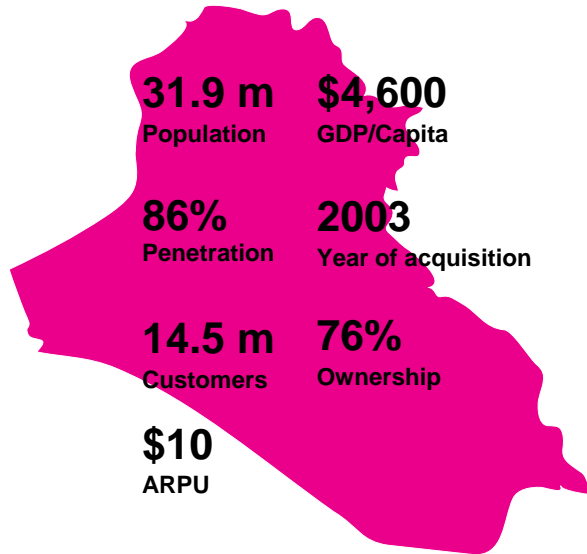
- Zain Kuwait has the highest ARPU of \$40 in the Group.

- For the first nine months of 2013, the operation reported revenues of USD 887 million; reflecting a 1% decrease Y-o-Y, mainly affected by USD 14 million FX translation impact. EBITDA and net income for the period decreased by 5% and 10% respectively, mainly due to the increase in OPEX (increased outsourcing and maintenance agreements) as well as increase in network depreciation (result of recent extensive investments in network and technology upgrades) as compared with the same period last year. However, the operator reported a healthy EBITDA margin of 47.7% and net profit of USD 279 million for the nine month period.

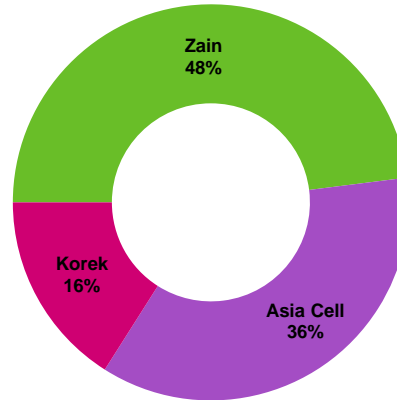
- Notably, for the nine months period, data revenues (excluding SMS & VAS) formed 28% of total revenues, reflecting an annual growth of 17%. Zain's nationwide 4G LTE network covered the entire population of Kuwait through a total of 1,826 network sites.

Republic of Iraq

Key Statistics – Sep. 2013

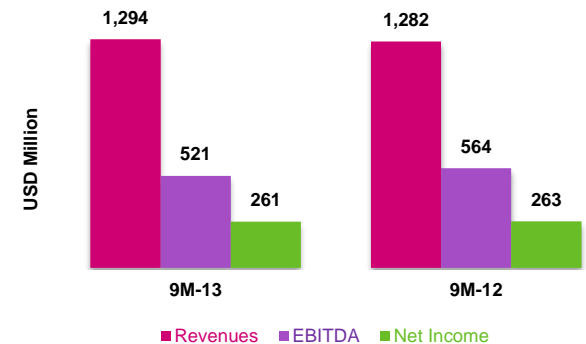
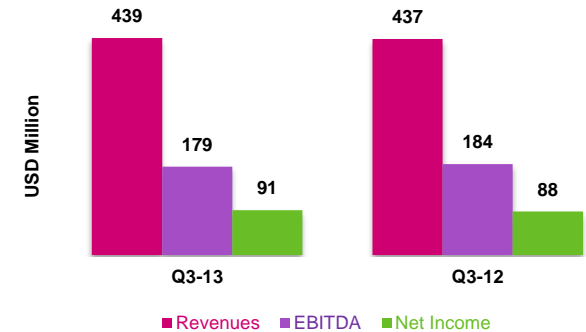


Market Share by Customers



Technology : 2G
Number of sites : 3,794
Coverage : 98%
License : expires in 2022

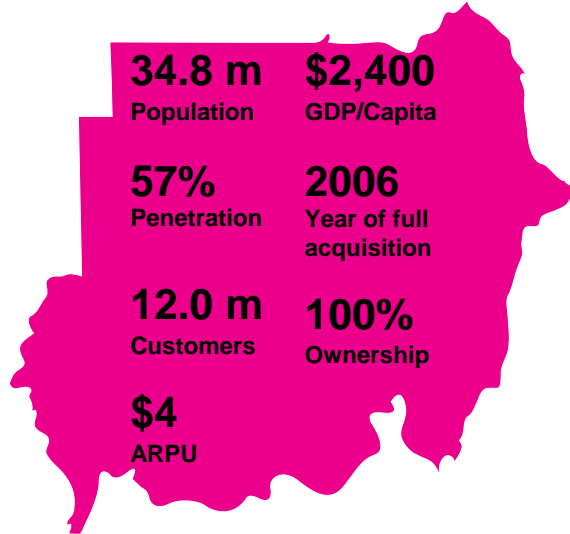
Financials



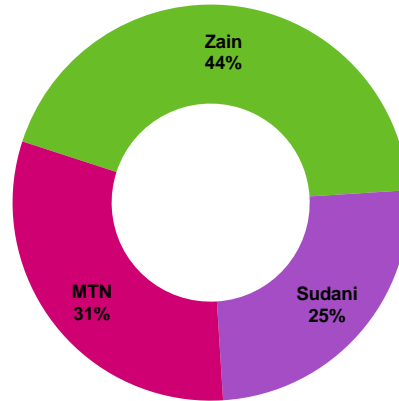
- Zain has been providing mobile services in Iraq since December 2003 and is the largest mobile operator in the country today. After securing a 15-year license in August 2007, Zain Group owns 76% of the mobile entity.
- For the first 9 months 2013, Zain Iraq grew its customer base by 8% Y-o-Y, with revenues increasing 1% partially due to higher data revenues, which grew by 24% as compared with the same period last year. EBITDA and net income decreased by 8% and 1% respectively, mainly due to foreign exchange impact and the ongoing IPO delay penalty.
- Zain Iraq's capex reached USD 233 million in the 9 months-2013 up from USD 97 million in the same period last year, mainly due to efforts to modernize the network (single-RAN), investment in 3G infrastructure and network expansion in the northern region of Iraq.
- In September 2013, Zain Iraq witnessed a major milestone post the establishment of the Joint Stock Company (JSC) in Iraq, whereby 'Al-Khatem Company for Communications, held its first Annual General Meeting (AGM) and thereafter elected its Chairman and appointed its Managing Director, to facilitate its upcoming IPO in 2014.

17 Republic of Sudan

Key Statistics – Sep. 2013

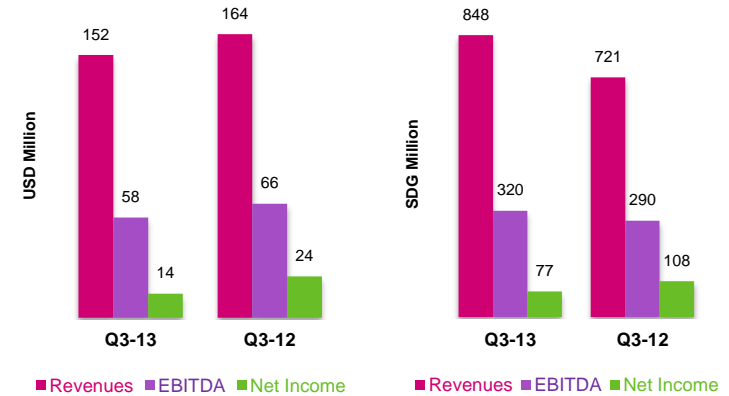


Market Share by Customers

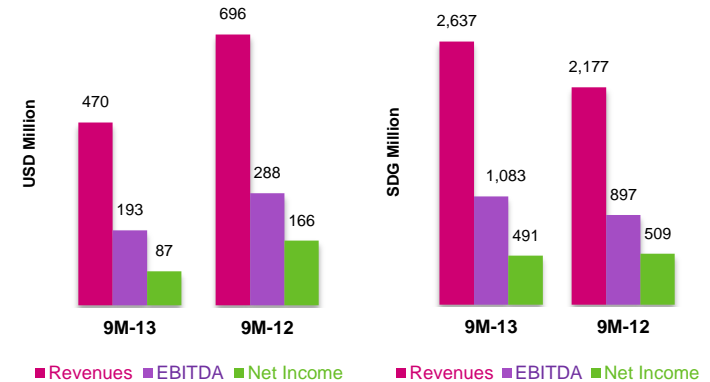


Technology : 3G
Number of sites : 2,251
Coverage : 86%
License : expires in 2029

Financials



■ Revenues ■ EBITDA ■ Net Income



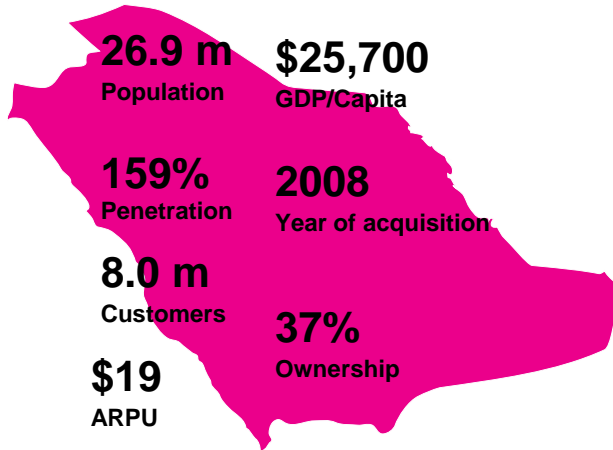
■ Revenues ■ EBITDA ■ Net Income

- 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 to 100% ownership. The company was rebranded to Zain in September 2007 and subsequently renewed its license for a period of 20 years.
- For the first 9 months 2013, in local currency (SDG) terms, the operation's revenue and EBITDA both increased by 21%. Unfortunately, with the currency having depreciated 41% against the USD Y-o-Y, the foreign exchange translation effect on most key financial indicators was adverse and considerable. Revenues in USD terms for the first nine months decreased 32% to reach USD 470 million (excluding the negative FX impact, revenue growth would have been 21%). EBITDA decreased by 33% Y-o-Y (excluding the FX translation, EBITDA growth would have been 21%), and net income decrease by 47% to reach USD 87 million down from 166 million last year.
- The operation served 12 million customers as of September 2013 through a total number of 2,251 network sites, offering 86% population coverage and 35% geographical coverage. In SDG terms, overall data revenue amounted to 9% of total revenues. (Excluding SMS and VAS), data revenues amounted to 4% of total revenues, representing a 41% annual increase.

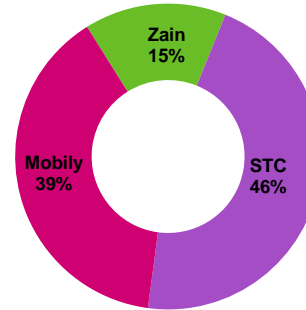


18 Kingdom of Saudi Arabia

Key Statistics – Sep. 2013

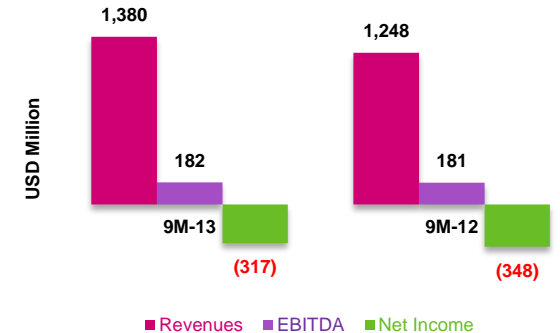
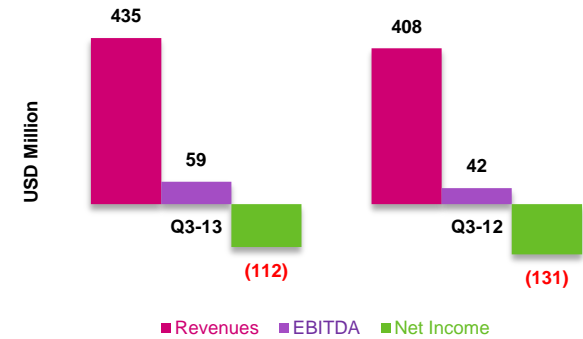


Market Share by Customers



Technology : 4G LTE
Number of sites : 5,513
Coverage : 93%
License : expires in 2033

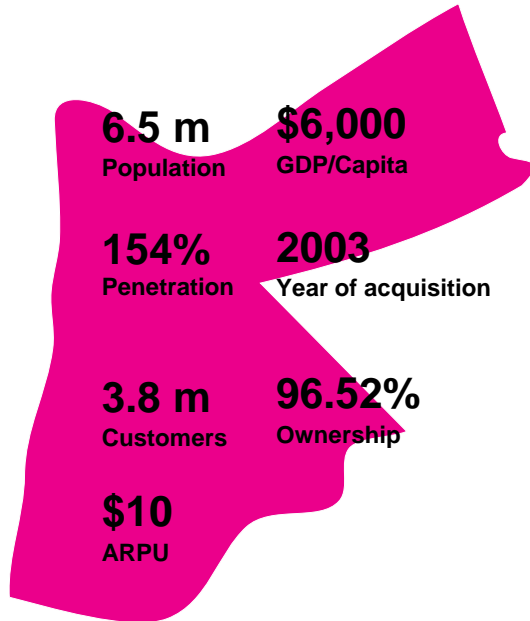
Financials



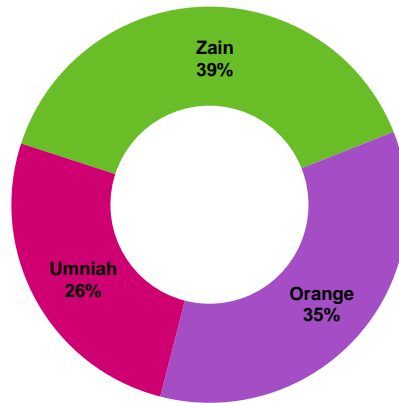
- Zain launched commercial operations in the Kingdom on August 2008. The Group holds a 37% equity stake, a Saudi consortium owns 21%, and the remaining 42% are free float. Zain KSA is listed on the Saudi Stock Exchange (MTC KSA, 7030) with a market capitalization circa USD 3 billion (share price SAR 9.25) on November 17, 2013. Seasoned telecom executive Hassan Kabbani was appointed the new CEO of Zain KSA effective September 2013.
- The operator recorded a favorable 11% growth in revenues during the first 9 months of 2013, mainly due to the increase in international call usage due to the agreement between all the operators, and the mobile Internet usage growth of 99% Y-o-Y. EBITDA increased by 1% Y-o-Y with net losses narrowing by 9%, due to a result of lower financing cost.
- The financial highlight for the third quarter was the successful extension of the SAR 9 billion senior Murabaha facility which matured during the period. The facility now has a lower profit rate, a five year final maturity, with a 3 year principal grace period. The company now has just SAR 200 million of bank financing due in the next 12 months and a greatly enhanced liquidity position.

Kingdom of Jordan

Key Statistics – Sep. 2013

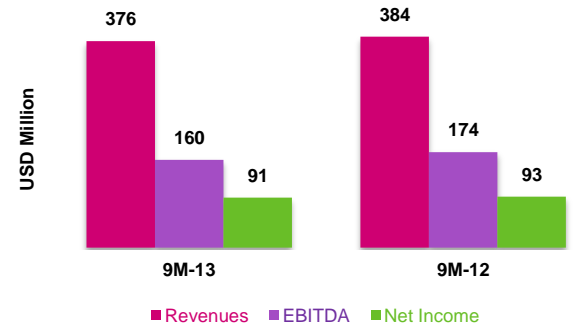
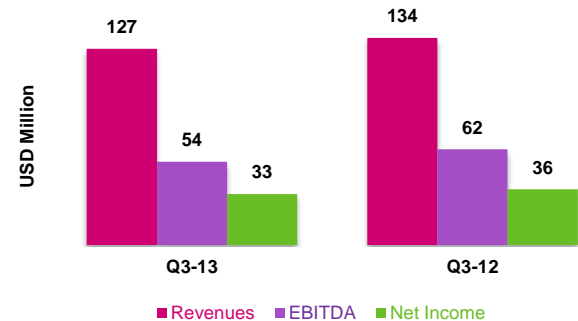


Market Share by Customers



Technology : 3G
Number of sites : 1,794
Coverage : 100%
License : expires in 2026

Financials

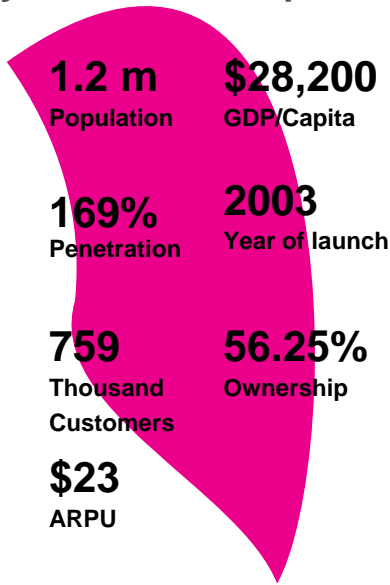


- In 1994, Zain Jordan, formerly Fastlink, revolutionized the telecom sector in the Kingdom by being the first to introduce mobile services in the country. In 2003, it was the first to join what is now Zain Group's Middle East portfolio and has been acquired for USD 419 million and today remains the market leader.
- Despite the increased competition, the operation managed to increase its market share to 39% as compared with 38% in the same period last year. For the first nine months 2013 the operation recorded a 2% decrease in revenues, due to the tax increase on customers from 12% to 24% in July, which impacted the prepaid segment. EBITDA decreased by 8% due to higher opex (increase in utility charges).
- Data revenues (excluding SMS & VAS) represented 19% of total revenues, which grew by 36% as compared with the same period last year.

Kingdom of Bahrain



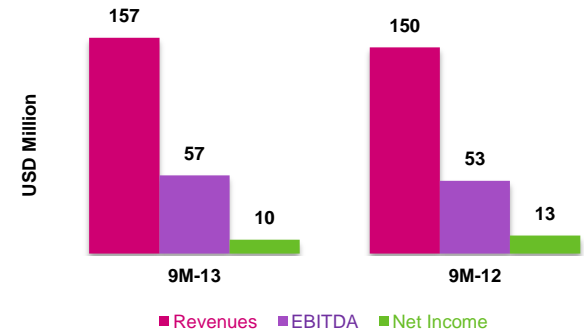
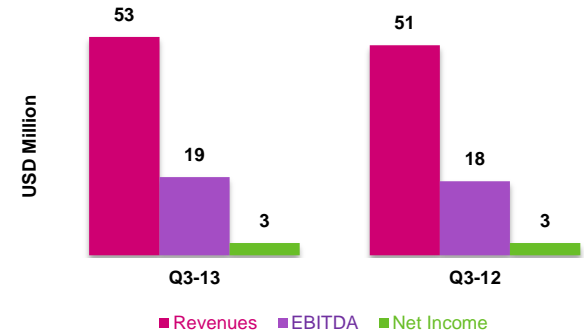
Key Statistics – Sep. 2013



Technology : 4G LTE
 Number of sites : 341
 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, 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 29% Y-o-Y, recording the highest customer growth among the Group.
- Data revenues (excluding SMS & VAS) represented 27% of overall service revenues for 9 months 2013, which grew by 23% as compared with the same period last year. The operation currently has a total of 341 network sites, covering the Kingdom's entire population.

Financials



21 Republic of South Sudan

Key Statistics – Sep 2013

11.1 m
Population

\$900
GDP/Capita

37%
Penetration

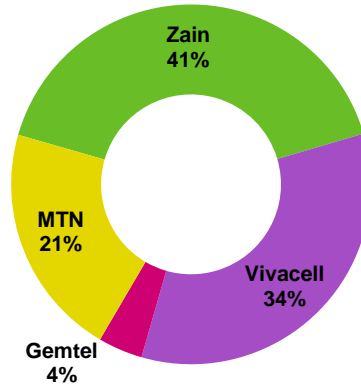
2006
Year of full acquisition

767
Thousand Customers

100%
Ownership

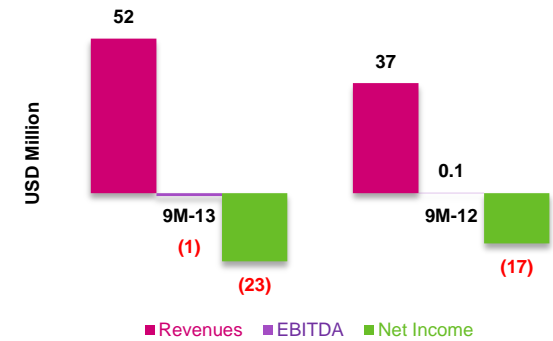
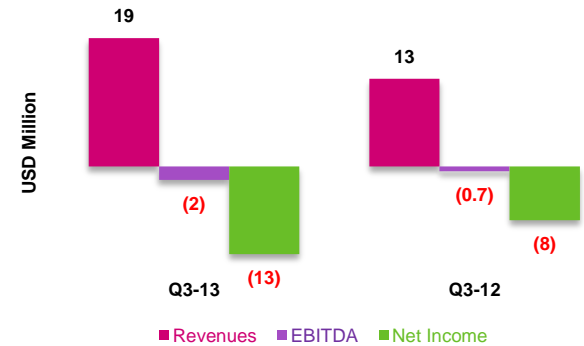
\$8
ARPU

Market Share by Customers



Technology : 3G
Number of sites : 303
License : Temporary license until December - 2013

Financials



- 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.
- The operation witnessed a remarkable growth in its customer base among the Group by 21% from the previous year, reaching 767,000 customers as compared with 635,000 in September 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% in Q3-2013 due to the expansion of the network sites providing better and wider coverage for customers.
- As of Q3-2013, the operation had a total of 303 network sites and is aggressively expanding its network across the country, covering 47% of the population with a total geographical coverage of 30%, the largest in the new born country.



Key Statistics – Sep. 2013

4.1 m

Population

\$15,900

GDP/Capita

105%

Mobile
Penetration

2004

Year of acquisition

2.0 m

Customers

MC

Ownership

Technology : 3G

Number of sites : 945

Coverage : 99%

License : Management Contract (MC) until December- 2013

- 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 to reach 945 network sites as of September 2013, covering 99% of the population.
- The operation currently serves more than 2 million customers.
- The Network Management Agreement (NMA), which expired in September 2013, was subsequently renewed until the end of December 2013.



FINANCIAL RESULTS PRESENTATION

Contents

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

Balance Sheet



	Unaudited	Audited	Unaudited
	30-Sep-13	31-Dec-12	30-Sep-12
	KD '000		
Assets			
Current assets			
Cash and bank balances	349,261	302,609	347,792
Trade and other receivables	337,241	319,109	324,024
Inventories	15,052	11,906	10,571
Investment securities- at fair value through profit or loss	2,014	2,693	3,252
	703,568	636,317	685,639
Non-current assets			
Investment securities – available for sale	46,539	48,659	52,847
Investments in associates	213,880	246,023	258,108
Interest in a jointly controlled entity	63,761	54,819	52,587
Loans to associates	168,970	145,832	77,431
Property and equipment	725,001	699,030	705,316
Intangible assets	1,002,958	998,082	1,075,237
Other assets	115,249	102,229	93,940
	2,336,358	2,294,674	2,315,466
Total Assets	3,039,926	2,930,991	3,001,105

	Unaudited	Audited	Unaudited
	30-Sep-13	31-Dec-12	30-Sep-12
	KD '000		
Liabilities and Equity			
Current liabilities			
Trade and other payables	537,312	535,114	515,140
Due to banks	239,140	270,656	267,036
	776,452	805,770	782,176
Non-current liabilities			
Due to banks	506,025	381,136	382,521
Other non-current liabilities	34,468	33,331	35,337
	540,493	414,467	417,858
Equity			
Attributable to the Parent Company's shareholders			
Share capital	432,149	431,527	431,356
Share premium	1,706,674	1,705,387	1,705,158
Treasury shares	(567,834)	(567,834)	(567,834)
Legal reserve	215,764	215,764	215,377
Foreign currency translation reserve	(669,160)	(694,184)	(547,392)
Treasury shares reserve	1,967	1,967	1,967
Equity issue transaction costs	-	-	(5,442)
Investment fair valuation reserve	2,492	(987)	(10,013)
Share based compensation reserve	4,558	8,808	4,335
Retained earnings	460,948	490,189	445,655
	1,587,558	1,590,637	1,673,167
Non-controlling interests	135,423	120,117	127,904
Total equity	1,722,981	1,710,754	1,801,071
Total Liabilities and Equity	3,039,926	2,930,991	3,001,105

Income Statement

Nine months ended

30-Sep

2013 2012

KD'000

Nine months ended

30-Sep

2013 2012

KD'000

Revenue	924,687	974,623
Cost of sales	(262,939)	(275,783)
Gross profit	661,748	698,840
Operating and administrative expenses	(257,670)	(255,177)
Depreciation and amortization	(143,758)	(144,688)
Provision for impairment – trade and other receivables	(5,011)	(6,390)
Operating profit	255,309	292,585
Interest income	13,334	13,635
Investment income	2,062	(378)
Share of loss of associates	(33,313)	(28,772)
Share of profit of a jointly controlled entity	8,166	7,855
Other income/(expense)	(8,309)	10,239
Finance costs	(17,518)	(19,112)
(Loss)/gain from currency revaluation	(15,253)	739
Board of Directors' remuneration	(323)	(323)
Contribution to Kuwait Foundation for Advancement of Sciences	(1,709)	(2,077)
National Labour Support Tax and Zakat	(5,302)	(6,900)
Profit for the period before income tax	197,144	267,491
Income tax expenses	(11,633)	(45,756)
Profit for the period	185,511	221,735

Attributable to:

Shareholders of the Parent Company

Non-controlling interests

165,623 201,630

19,888 20,105

185,511 221,735

Earnings per share

Basic – Fils

Diluted – Fils

43 52

43 52

Cash flow statement

	Nine months ended		Nine months ended	
	30-Sep		30-Sep	
	2013	2012	2013	2012
	KD'000		KD'000	
Cash flows from operating activities				
Profit for the period before income tax	197,144	267,491		
Adjustments for:				
Depreciation and amortization	143,758	144,688		
Interest income	(13,334)	(13,635)		
Investment income	(2,062)	378		
Share of loss of associates	33,313	28,772		
Share of profit of a jointly controlled entity	(8,166)	(7,855)		
Finance costs	17,518	19,112		
Loss/(gain) from currency revaluation	15,253	(739)		
Operating profit before working capital changes	383,424	438,212		
Increase in trade and other receivables	(23,108)	(35,134)		
(Increase)/decrease in inventories	(3,371)	7,560		
Increase/(decrease) in trade and other payables	8,483	(10,865)		
Cash generated from operations	365,428	399,773		
Board of Directors' remuneration paid	(430)	(430)		
Paid to Kuwait Foundation for Advancement of Sciences	(5,058)	(5,058)		
National Labour Support Tax and Zakat paid	(4,646)	(4,983)		
Income tax paid	(12,367)	(35,071)		
<i>Net cash from operating activities</i>	342,927	354,231		
Cash flows from investing activities				
Deposits maturing after three months and bank balances blocked			(3,278)	(75,490)
Investment in a subsidiary			-	(28,531)
Purchase of investments			(545)	(3,253)
Investments in an associate			-	(97,696)
Proceeds from sale of investments			6,332	14,247
Acquisition of property and equipment (net)			(113,646)	(87,229)
Acquisition of intangible assets			(38,730)	(21,081)
Interest received			4,141	12,826
Dividend received			539	1,288
<i>Net cash used in investing activities</i>			(145,187)	(284,919)
Cash flows from financing activities				
Proceeds from bank borrowings			555,074	427,045
Repayment of bank borrowings			(463,316)	(325,289)
Loans to an associate			(22,866)	(2,522)
Capital contribution including share premium – employees stock option			1,801	2,409
Dividends paid to Parent Company's shareholders			(193,000)	(252,225)
Dividends paid to minority shareholders of subsidiaries			(3,302)	(4,846)
Finance costs paid			(30,819)	(15,325)
<i>Net cash used in financing activities</i>			(156,428)	(170,753)
Net increase/(decrease) in cash and cash equivalents			41,312	(101,441)
Effect of foreign currency translation			2,062	(31,021)
Cash and cash equivalents at beginning of period			188,921	386,147
Cash and cash equivalents at end of period			232,295	253,685



Q&A



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

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

Zain Group
Head Office Building
P.O. Box 22244, 13083 Safat,
Kuwait City, Kuwait
Tel: +965 2464 4444
Fax: +965 2464 1111
www.zain.com

