



ZAIN GROUP

Financial Results Presentation

H1-2013

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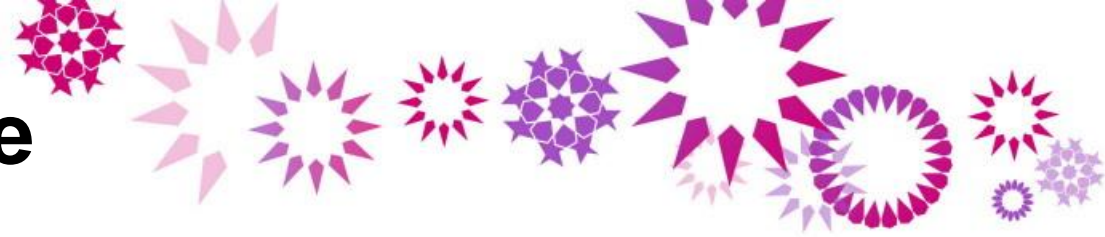
For further information about Zain Group, or the materials contained within this presentation, please direct your enquiries to our Investor Relations team by email at IR@zain.com.



FINANCIAL RESULTS PRESENTATION

Contents

- **Zain Group Overview**
 - Zain Operations Overview
 - Financial Statements
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Zain at a glance

As of H1-2013

44.4

MILLION ACTIVE CUSTOMERS

108

MILLION PEOPLE UNDER LICENSE

\$ 397

MILLION IN NET INCOME

12.5

MILLION CUSTOMERS IN REPUBLIC OF SUDAN

13.9

MILLION CUSTOMERS IN IRAQ

44.6

MILLION + DAILY TOTAL SMS

4G

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

348.7

MILLION + TOTAL DAILY CALLS

5.2

MILLION KM2 UNDER LICENSE

6,600

EMPLOYEES

222

TB OF DAILY DATA USAGE

\$ 2.2

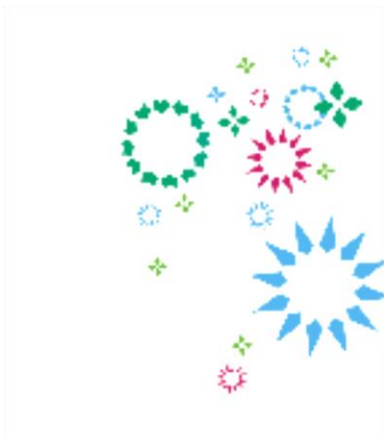
BILLION IN REVENUES

\$ 935

MILLION IN EBITDA

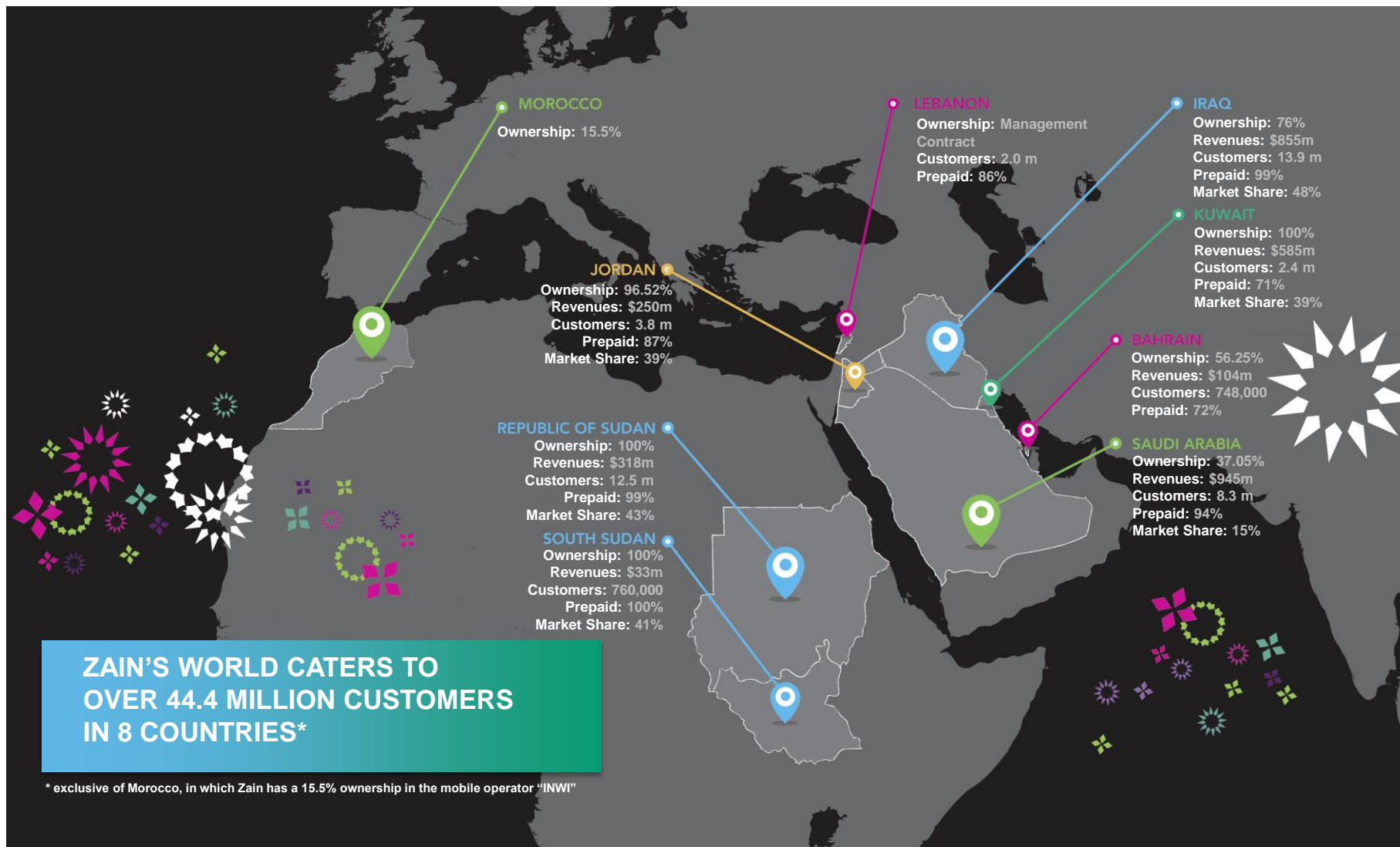
MARKET LEADER

IN KUWAIT, IRAQ, REPUBLIC OF SUDAN, SOUTH SUDAN and JORDAN



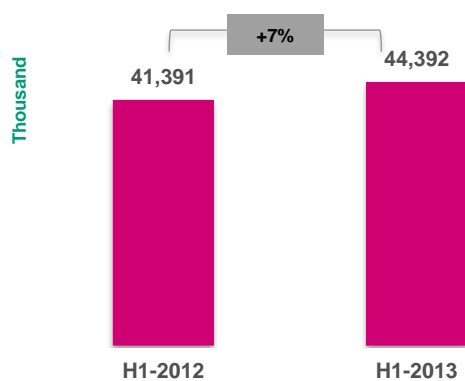
The World of Zain

As of H1-2013

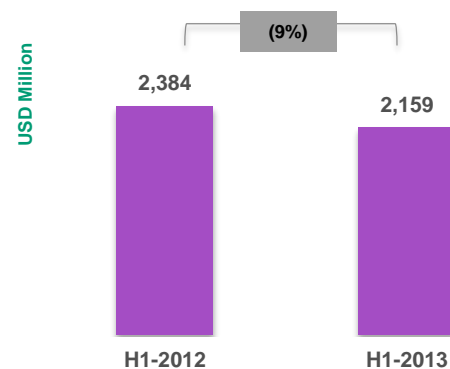


Key Performance Indicators H1-2013

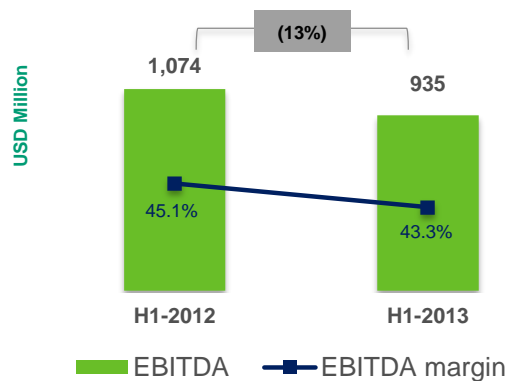
Customers



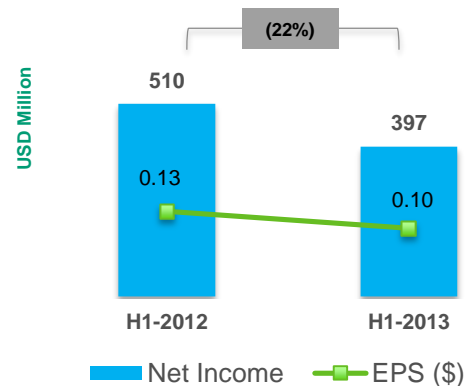
Revenues



EBITDA / Margin

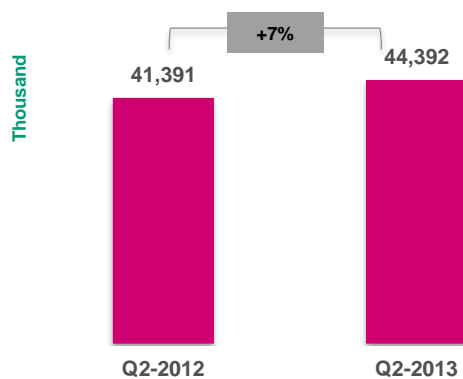


Net Income / EPS

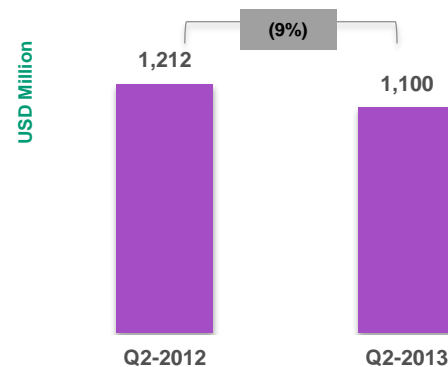


Key Performance Indicators Q2-2013

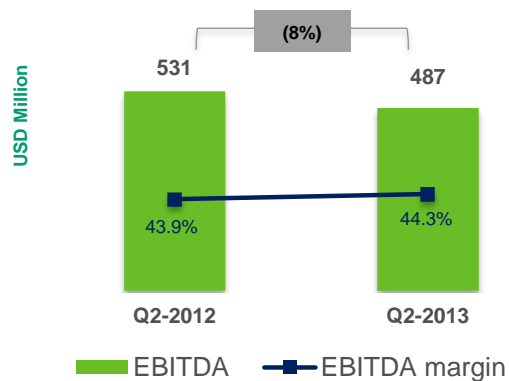
Customers



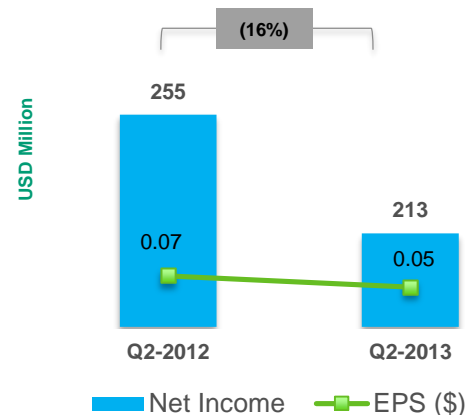
Revenues



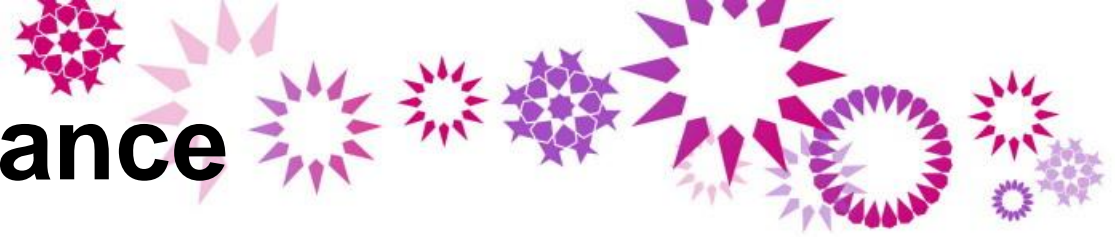
EBITDA / Margin



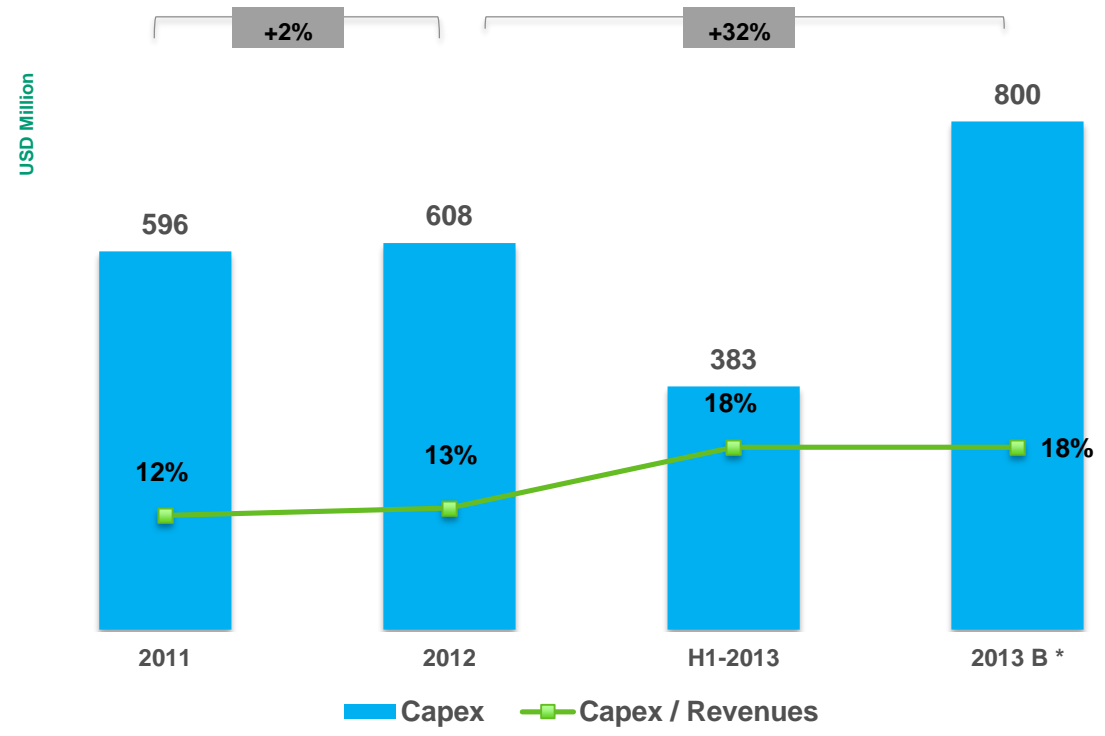
Net Income / EPS



Key Performance Indicators



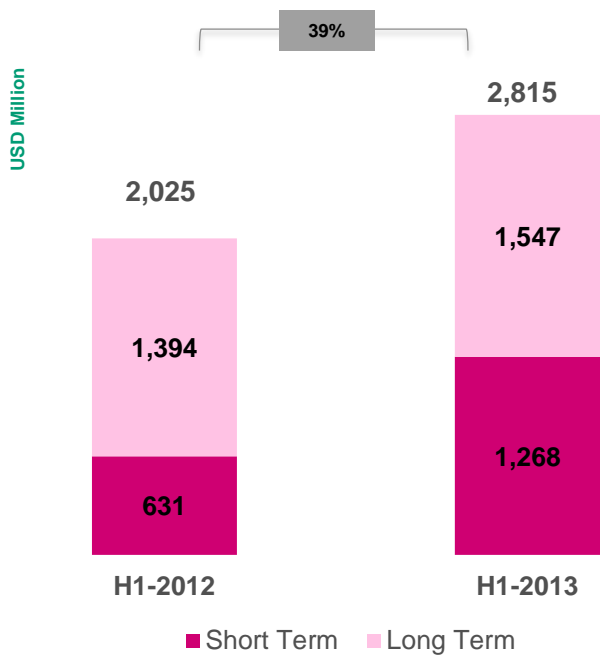
Capex and Capex / Revenue



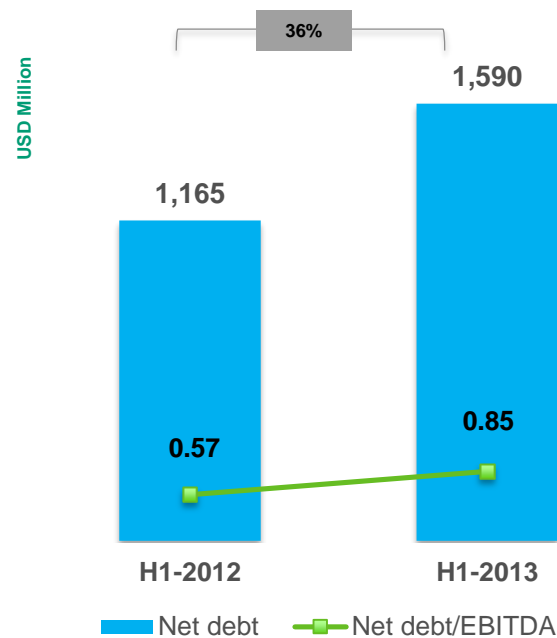
* B = Zain Group 2013 Budget

Key Performance Indicators as of 30/6/2013

Total Debt

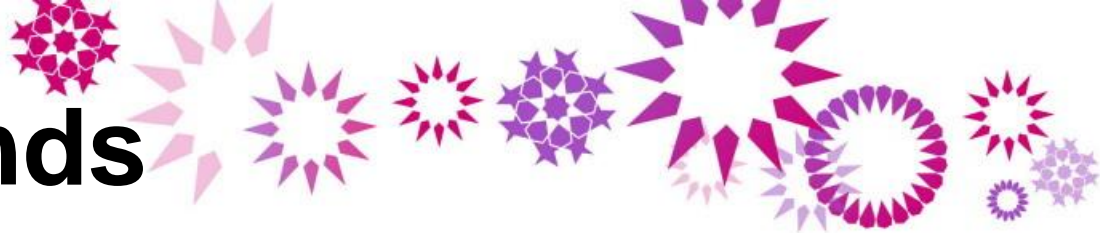


Net debt & net debt / EBITDA

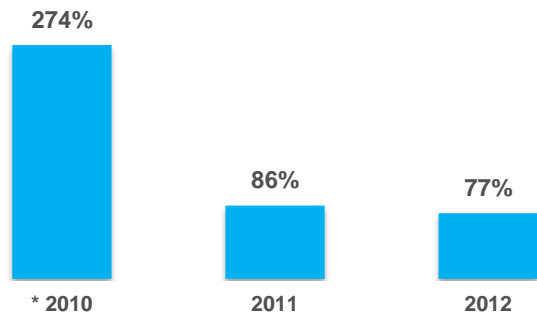


• Net Debt = Total interest bearing debts (excluding letter of guarantees) – Cash and cash equivalent

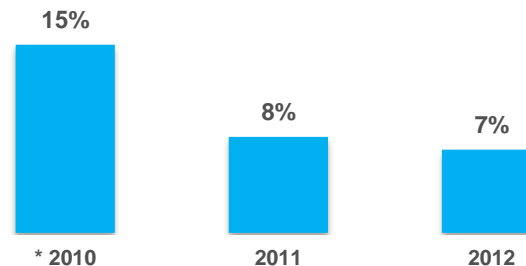
Zain Dividends



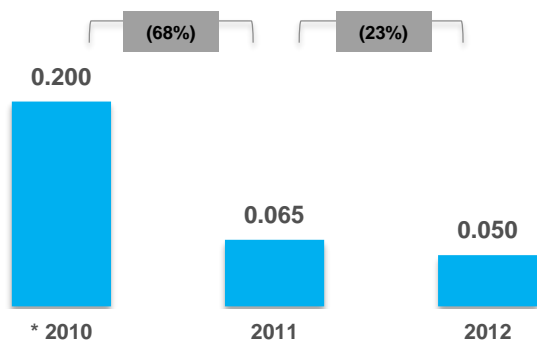
Dividend Payout Ratio



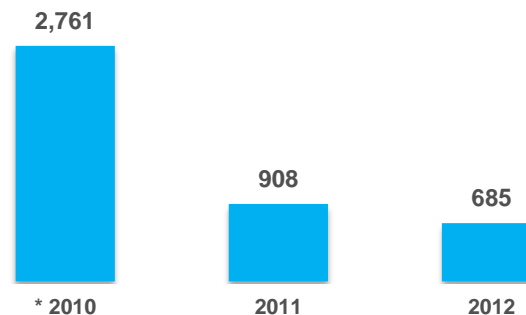
Dividend Yield (%)



Dividend Per Share (KWD)

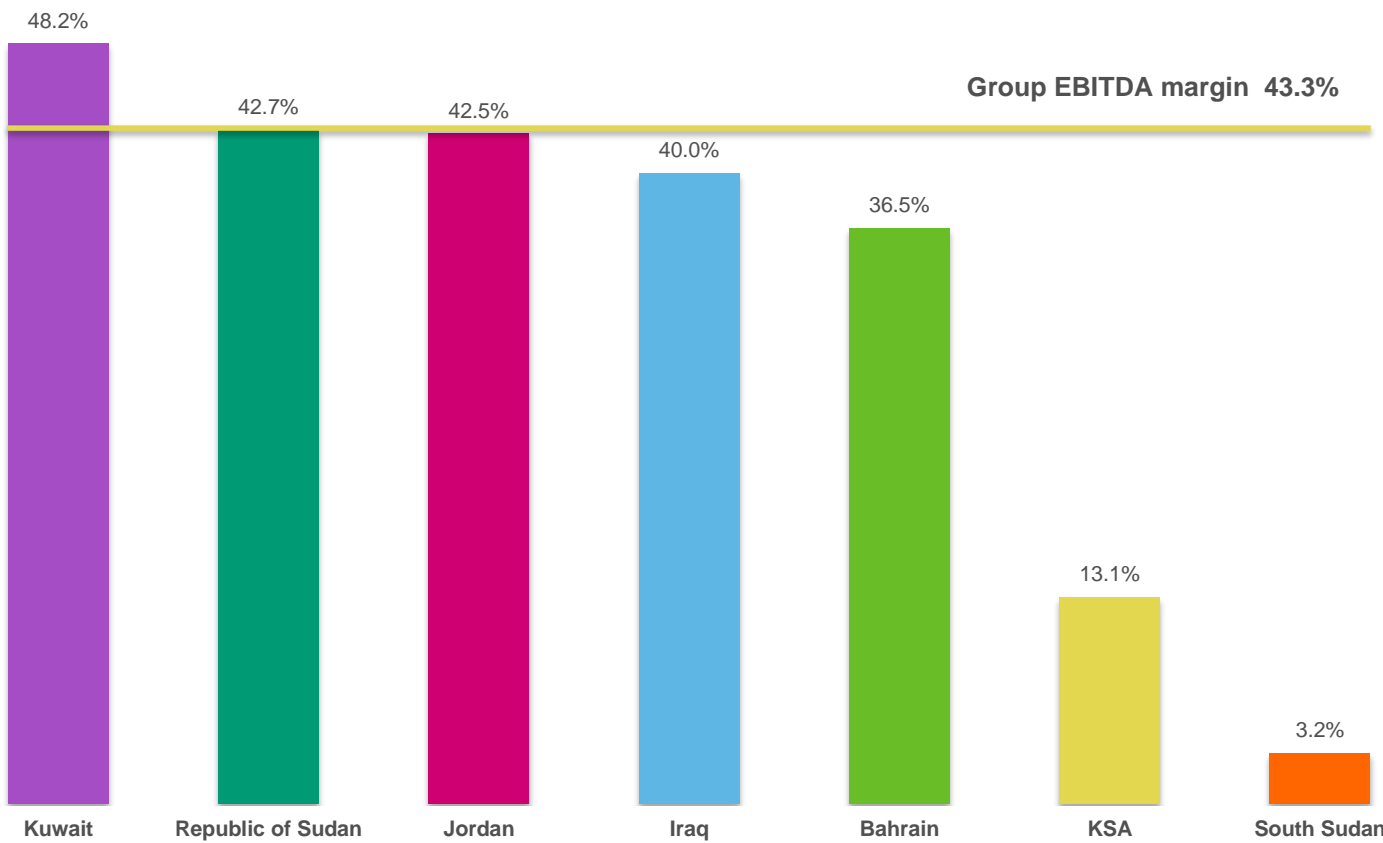
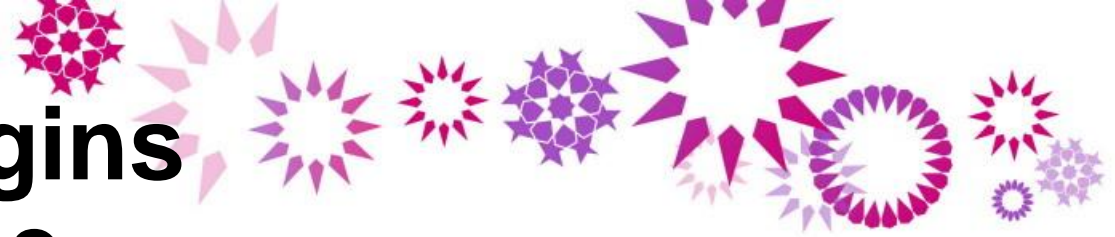


Cash Dividend (USD m)



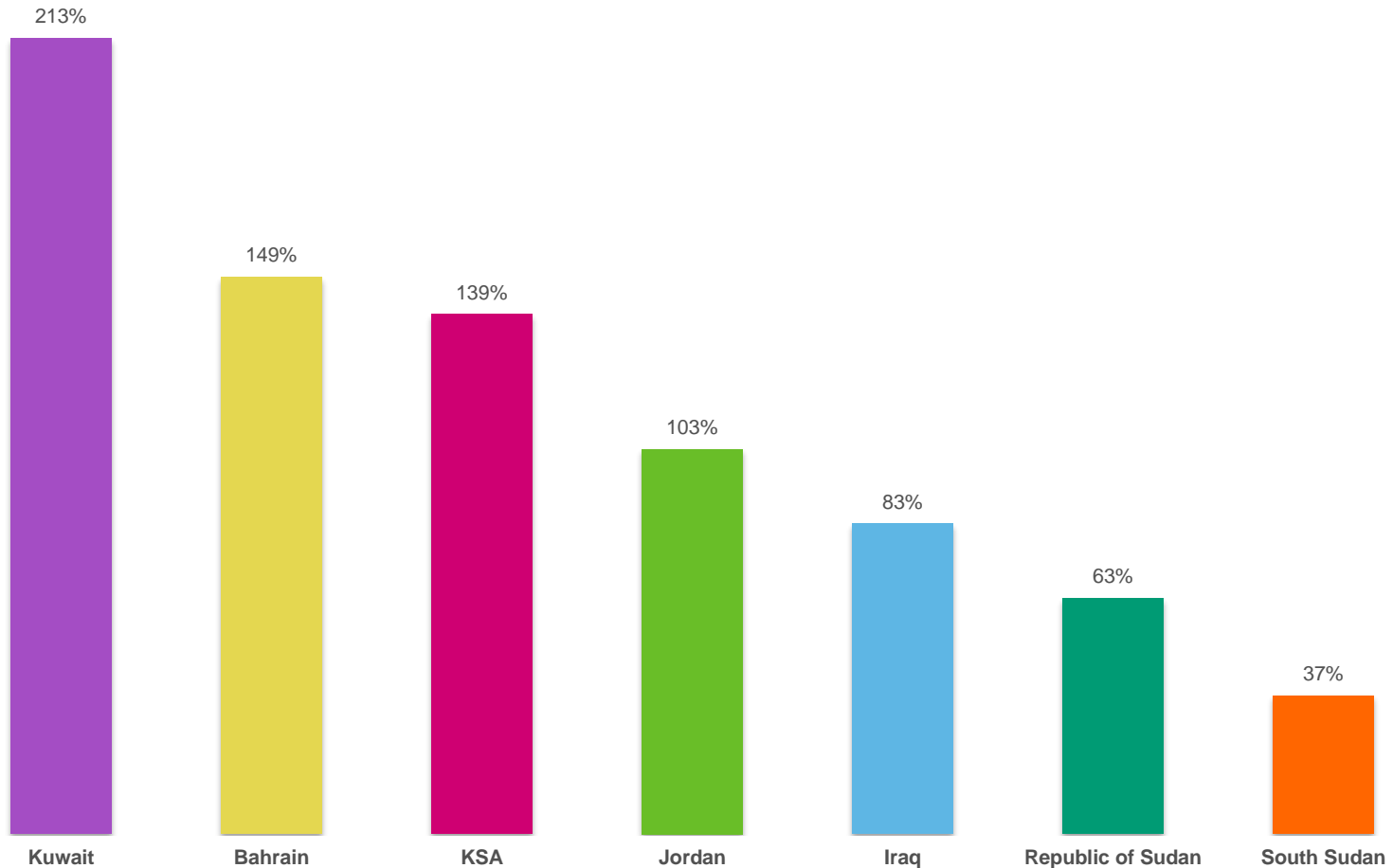
* Zain Group distributed normal and exceptional dividends of fils 200 reflecting the distribution of proceeds of the sale of Zain Africa assets to Bharti Airtel. However the EPS is made up of Normal EPS = Fils 80, Exceptional EPS = Fils 195

EBITDA Margins As of H1-2013



10

Penetration Rates As of H1-2013

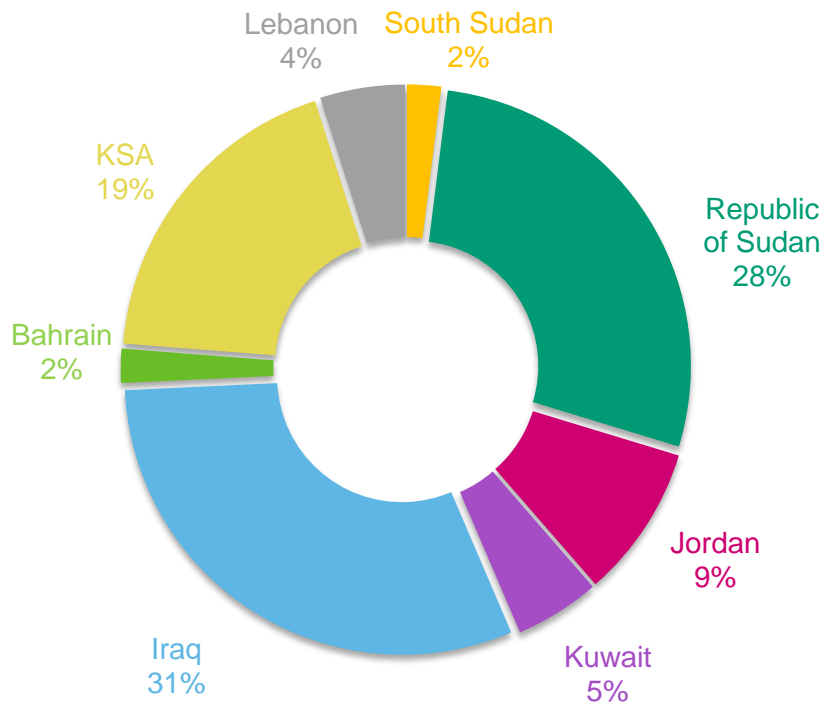


* Source: World Cellular Information Services (WCIS).

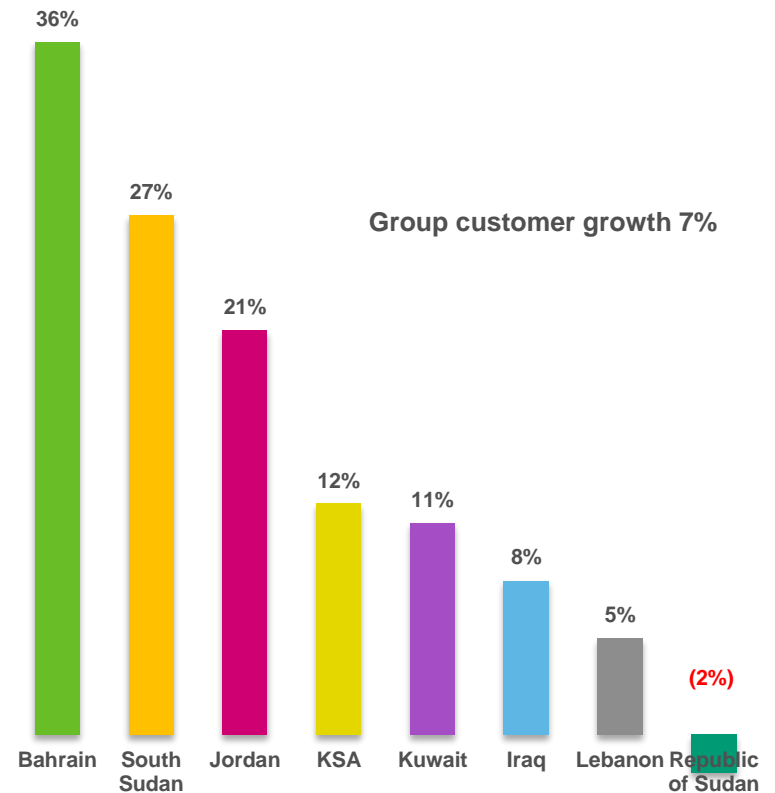


Our Customers As of H1-2013

Customers Contribution

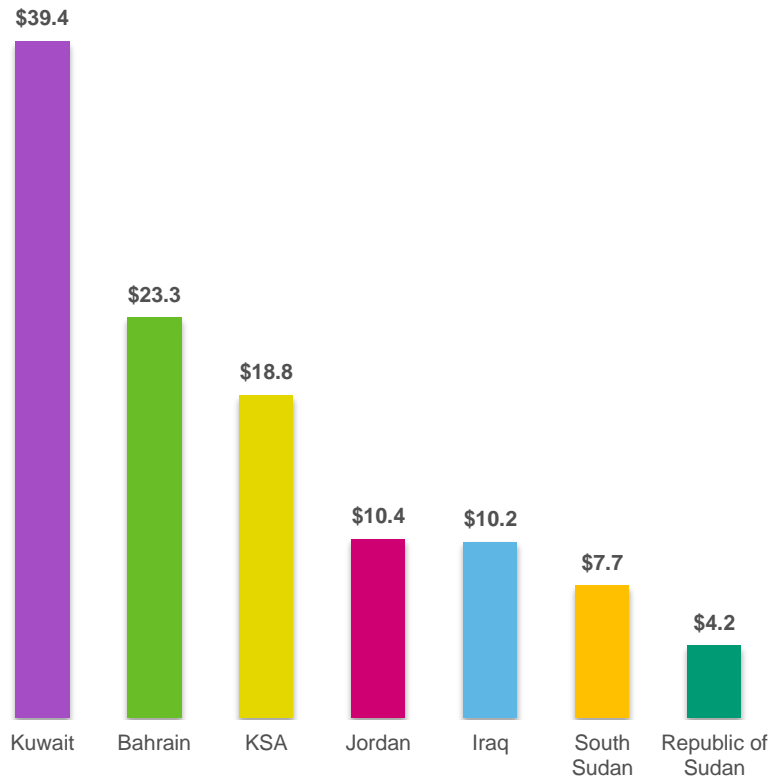


Customers Growth H1-13 vs. H1-12

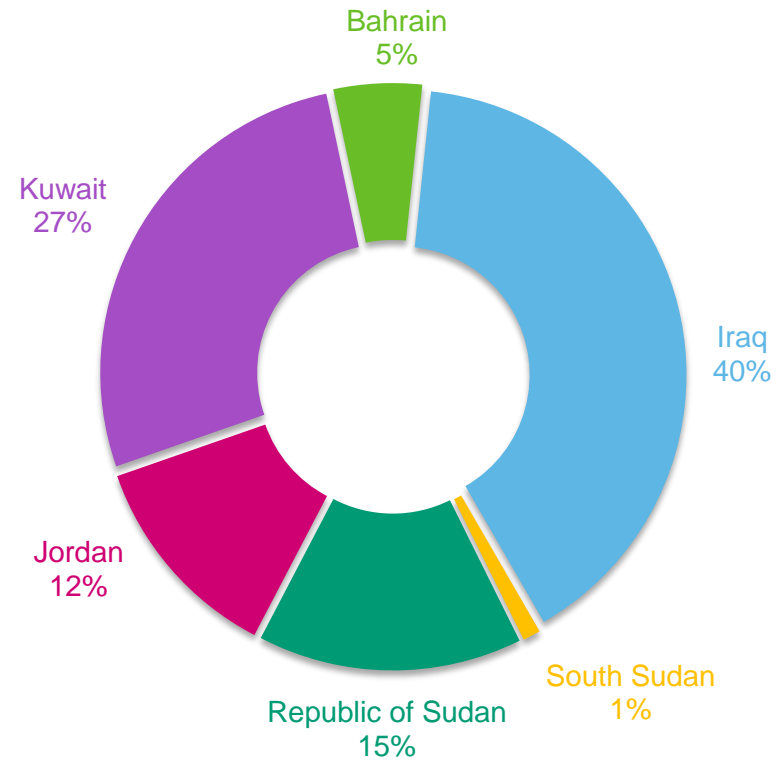


Blended ARPU and Revenue Contribution

Blended ARPU- As of H1-2013




Revenue Contribution- As of H1-2013



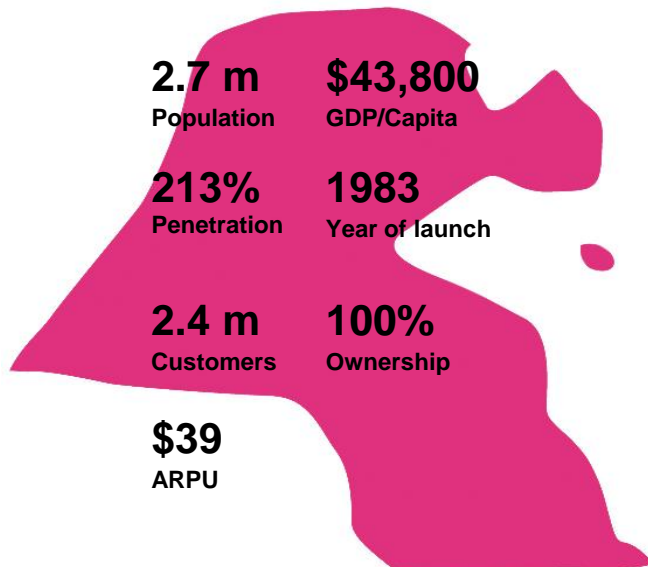
FINANCIAL RESULTS PRESENTATION

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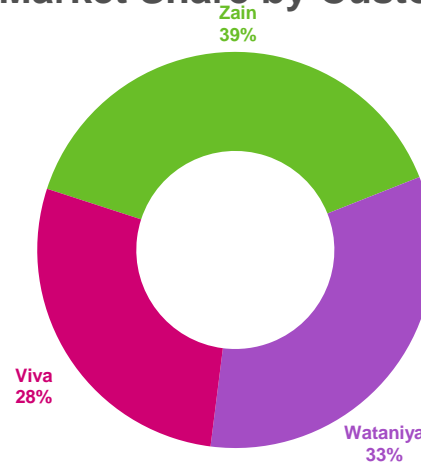
- Zain Group Overview
 - **Zain Operations Overview**
 - Financial Statements
- 



Key Statistics – June 2013

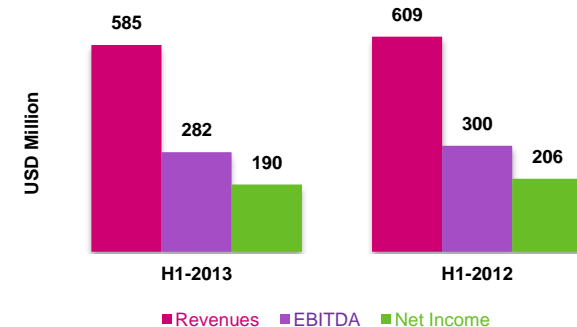
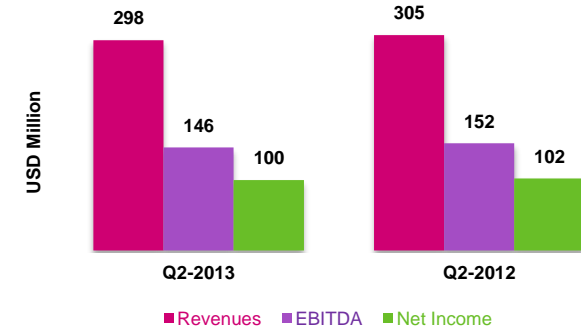


Market Share by Customers



Technology : 4G LTE Nationwide
 Number of sites : 1,828
 Coverage : 100%

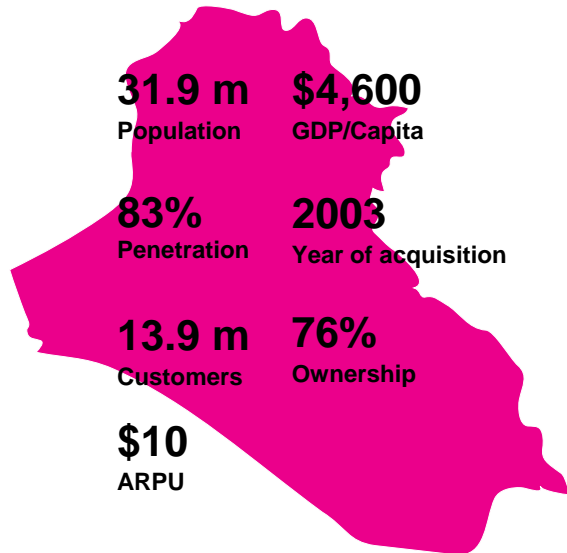
Financials



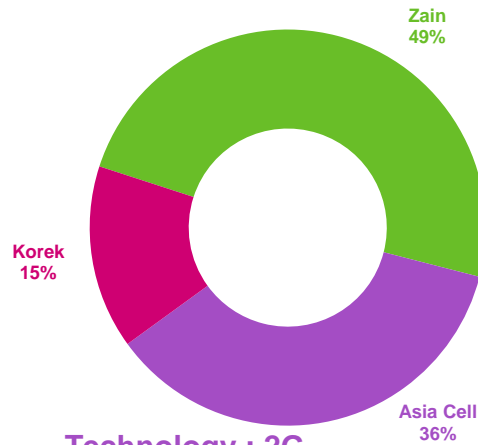
- The Group's flagship operation was established in 1983 and made history in 1994 by becoming the first telecom operator to launch a commercial GSM service in the region. Zain has been listed on the Kuwait Stock Exchange since 1985 with a market capitalization of USD 10.6 billion closing at Fils 700 as of July 21st, 2013.
- Zain Kuwait celebrates its 30th anniversary this year. Highlighting the occasion, the operator provided one full day of free calls to all Zain customers, which witnessed a 37% increase in traffic.
- MNP was introduced in mid June-13 leading to great customer choice with Zain. Initial indications show net additions for Zain.
- Zain Kuwait has the highest ARPU of \$39 in the Group.
- The operation reported USD 585 million in revenues in H1-2013; reflecting a 4% decrease as compared with H1-2012, mainly due to the decline in voice revenues, a direct consequence of the growth of OTT applications. EBITDA (USD 282 million) and net income (USD 190 million) decreased by 6% and 8% respectively for the same period, mainly due to the increase in OPEX and depreciation as compared with same period last year.
- Notably, data revenues (excluding SMS & VAS) grew by 13% as compared with H1-2012, representing 28% of Zain Kuwait's total revenue.

Republic of Iraq

Key Statistics – June 2013

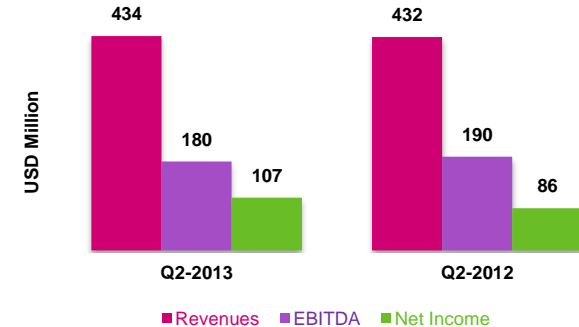


Market Share by Customers

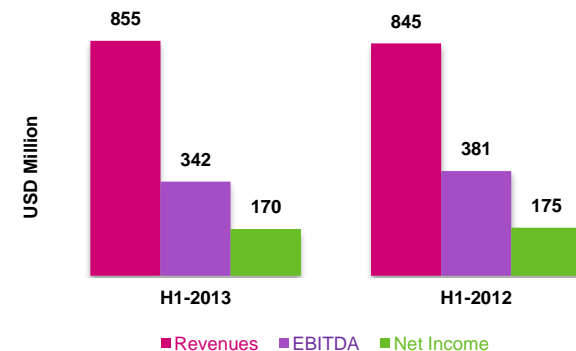


Technology : 2G
Number of sites : 3,773
Coverage : 98%
License : expires in 2022

Financials



Financials



- After acquiring a 15-year nationwide license for USD 1.25 billion in August 2007 and acquiring rival operator Iraqna for USD 1.2 billion in December 2007, Zain became the largest mobile operator in Iraq.
- Zain Iraq grew its customer base by 8% YoY during H1-2013. The operation reported a 1% rise in its revenues partially due to increased data revenues, which grew by 21% YoY, while EBITDA and net income decreased by 10% and 3% respectively, mainly due to the increase in OPEX and foreign exchange loss variances.
- Zain Iraq's capex reached USD 205 million in H1-2013 up from USD 66 million in H1-2012, mainly due to efforts to modernize the network (single-RAN) and investment in 3G infrastructure in the northern region of Iraq, specifically the Kurdistan region. The operation is ready to offer nationwide 3G data services when the authorities release the spectrum
- Zain Iraq is set to be floated on the Iraq Stock Exchange and in preparation of this development, a process to establish a new Iraqi joint stock company under the name of "Al Khatem" was initiated. Al Khatem is to hold the assets of Zain Iraq ahead of the initial public offering (IPO), and once this process is finalized, the new holding company will receive the necessary approvals to commence the IPO, expected in early 2014.
- By the end of H1-2013 the operation had a total of 3,773 network sites, with a population coverage of 98%.

Republic of Sudan

Key Statistics – June 2013

34.8 m
Population

\$2,400
GDP/Capita

67%
Penetration

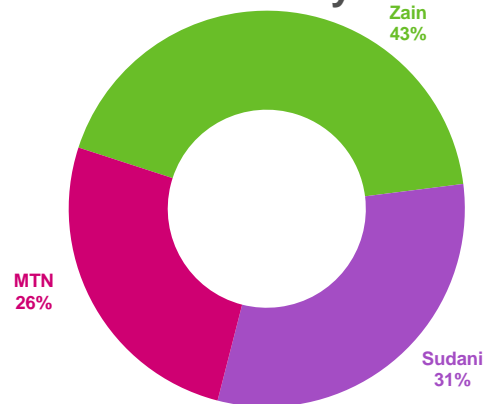
2006
Year of full acquisition

12.5 m
Customers

100%
Ownership

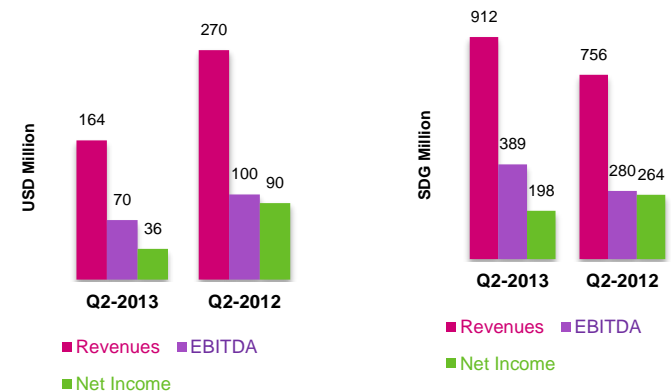
\$4
ARPU

Market Share by Customers

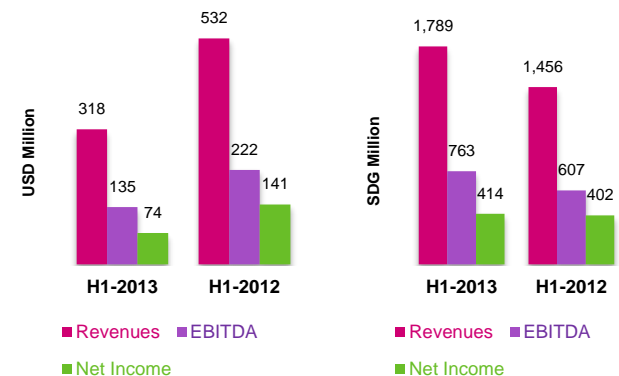


Technology : 3G
Number of sites : 2,232
Coverage : 96%
License : expires in 2029

Financials



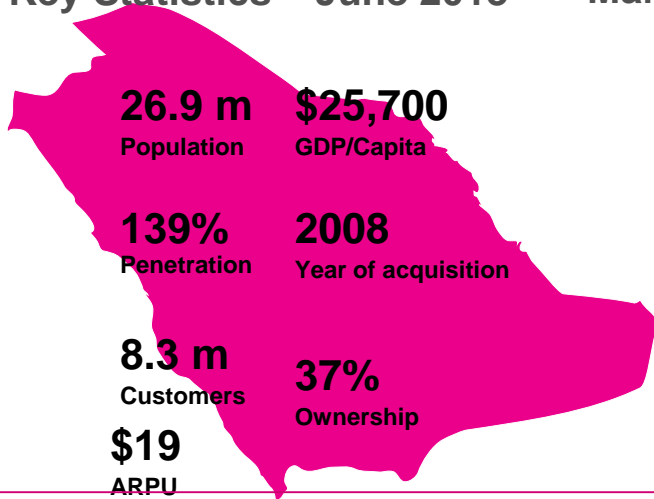
Financials



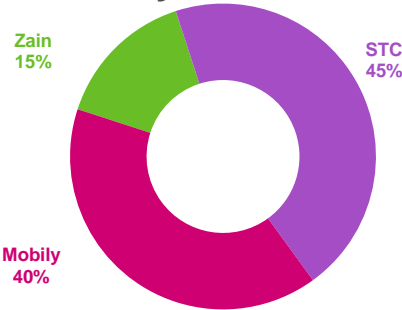
- Zain entered Sudan through its 2005 acquisition of Celtel which had a minority 39% stake in Mobitel, Sudan's first mobile operator. In February 2006, the remaining 61% was fully acquired by Zain for USD 1.33 billion.
- A new favorable Telecommunications Tax law was introduced in mid-June 2013 that will see a 2.5% levy on operators' revenues introduced for a period of three years replacing the 30% corporate income tax that was in place. The law was backdated to January 1, 2013, and is set to enhance Zain Sudan's financial position for the coming three years.
- In local currency (SDG) terms, the operation reported noticeable voice and data growth whereby revenues jumped by 23% as compared with H1-2012, moreover EBITDA and net income increased by 26% and 3% respectively for the same period, positively affected by the above mentioned tax benefit. Unfortunately, with the currency depreciating 51% over the past 12 months against the USD and due to the non-availability of hedging against the currency, the adverse FX translation effect on most key financial indicators was considerable in USD terms. Revenues for the first six months decreased 40% to reach USD 318 million leading to a net income decrease of 48% to reach USD 74 million.
- The operation serves 12.5 million customers through a total number of 2,232 network sites, with 96% population coverage and 36% geographical coverage. In SDG terms overall data revenue is 9% of total revenues, excluding (SMS and VAS) it is 3% of total revenues, a 33% annual increase, leaving further room for expansion.

17 Kingdom of Saudi Arabia

Key Statistics – June 2013

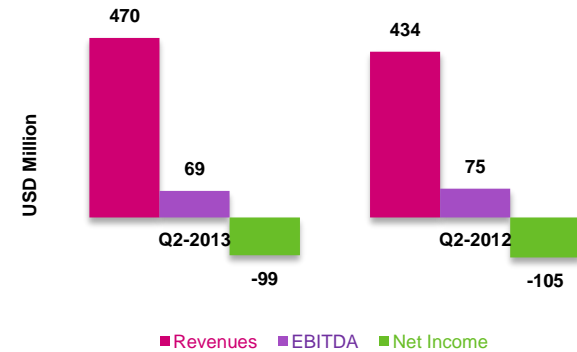


Market Share by Customers

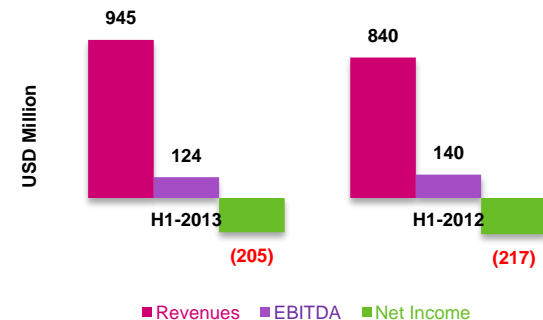


Technology : 4G LTE
Number of sites : 5,282
Coverage : 92%
License : expires on 2033

Financials



Financials

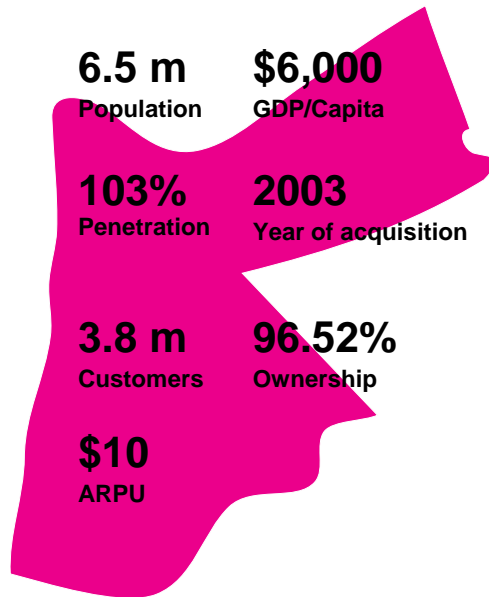


- Zain KSA launched commercial services in late August 2008, a year after it was awarded its mobile license. Zain KSA successfully completed its Capital Restructuring in July 2012, through reducing its capital by 65% and subsequently increasing it by USD1.6 billion Rights Issue. As a result, Zain KSA's capital reached SAR 10.8 billion, while Zain Group stake increased to 37%.
- On June 4, 2013, Zain KSA signed an agreement with the Kingdom's Ministry of Finance agreeing to postpone payments of the government's entitlements due from the Company for the next seven years. These deferred payments are estimated to add up to SAR800 million per year (USD 213 million), representing a total amount of SAR5.6 billion (USD 1.5 billion) for the entire period. It has been agreed that the postponed installments will be converted into a commercial loan, the first installment due on 1 June 2021
- On June 9, 2013 the operator signed a SAR 2.25 billion long-term borrowing facility with three years maturity after obtaining consent from a syndicate of lenders.
- The operator is experiencing significant positive momentum in its financial performance as it follows a strategy of operational excellence, better customer experience, and greater brand alignment. For the six months to June 30, 2013 Zain KSA recorded a 12% increase in revenues mainly due to the increase in international calls and data usage which grew by 65% year-on-year during H1-2013. Net losses are narrowing, falling by 6% in H1-2013 due to the reduction in net financing costs.
- On June 17, 2013, Zain KSA also entered into a three-year managed field services agreement with Ericsson, which will be responsible for the field operations and maintenance of all Zain's 2G, 3G and 4G radio network sites across Saudi Arabia. The agreement will allow Zain to focus its resources on initiatives that better serve its customers. .

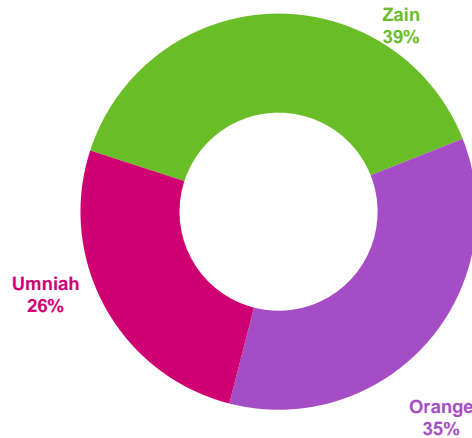


Kingdom of Jordan

Key Statistics – June 2013

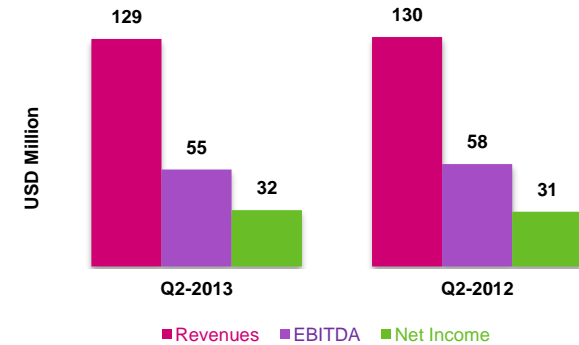


Market Share by Customers

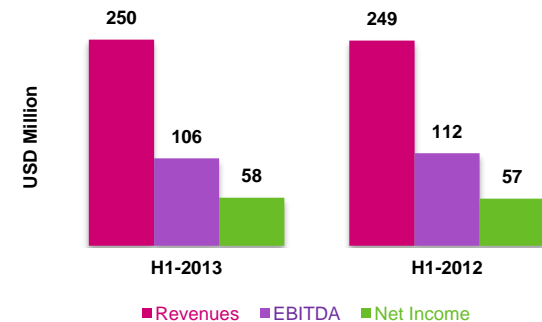


Technology : 3G
 Number of sites : 1,711
 Coverage : 100%
 License : expires in 2021

Financials



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 being acquired for USD 418.9 million.
- Despite the increased competition, the operation managed to increase its market share to 39% as compared with 38% in the same period last year, recording a slight increase of 0.3% and 1% in its revenue and net income respectively. These improvements were a result of the increase in all data revenues by 19% as compared with H1-2012; however EBITDA decreased by 5% mainly due to the increase in electricity rates.
- Data revenues (excluding SMS & VAS) represented 18% of total revenues, which grew by 38% as compared with the same period last year.
- With a 100% population coverage, the operation has a total number of 1,711 sites as of H1-2013.

Kingdom of Bahrain

Key Statistics – June 2013

1.2 m
Population

\$28,200
GDP/Capita

149%
Penetration

2003
Year of launch

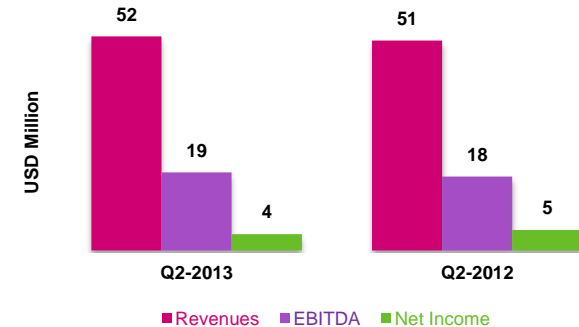
748
Thousand
Customers

56.25%
Ownership

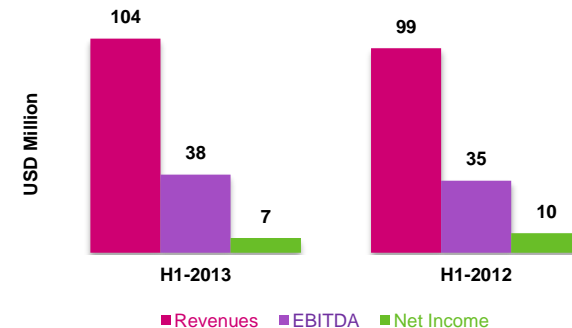
\$23
ARPU

Technology : 4G LTE
Number of sites : 335
Coverage : 100%
License : expires in 2033

Financials



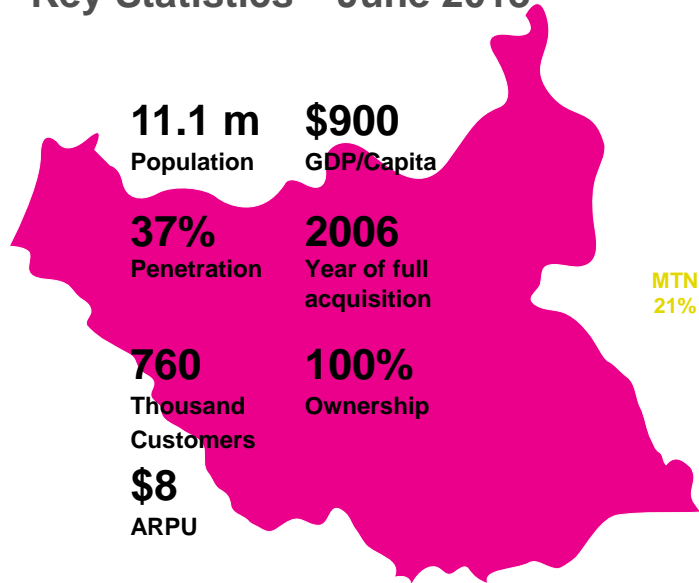
Financials



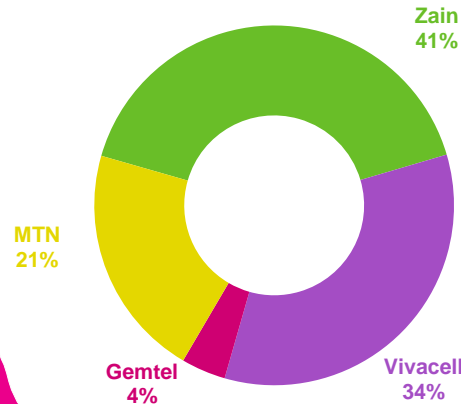
- Zain started operations in the Kingdom of Bahrain in December 2003 as MTC-Vodafone. Since its historic introduction of nationwide of 3.5G, and recently 4G LTE, Zain has tapped into a rich seam of telecommunication records, placing itself and Bahrain firmly on the global telecoms map.
- With an ARPU of \$23, Zain Bahrain has the second highest ARPU in the Group.
- As per license the requirements, Zain Bahrain is currently preparing to launch an initial public offering (IPO) to offer an additional 15% of the company's shares on the Bahrain Stock Exchange, a development which is planned to take place during Q4-2013.
- The network covers the entire population through 335 network sites.
- The operation witnessed the highest percentage increase in its customer base among the Group by 36% growth as compared with H1-2012, to now serve more than 748,000 customers.

20 Republic of South Sudan

Key Statistics – June 2013

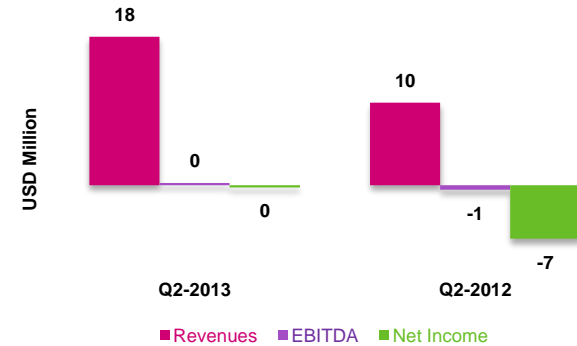


Market Share by Customers

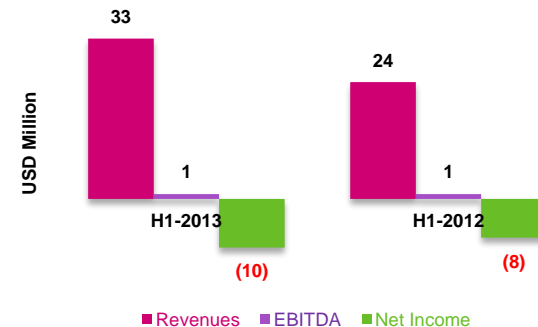


Technology : 3G
 Number of sites : 290
 License : Temporary license until December - 2013

Financials



Financials



- Following the country's independence in July 2011, Zain operates in South Sudan as per Memorandum Of Understanding, until the regulatory body of South Sudan issues its license requirements.
- The operation witnessed a remarkable growth in its customer base among the Group by 27% from the previous year.
- Despite fierce competition in the market, and challenging economic conditions, Zain South Sudan managed to increase its market share from 36% to 40% serving 760,000 customers by end of H1-2013.
- The operation managed to increase its revenue by 37% and EBITDA by 34%.
- As of H1-2013, the operation had a total of 290 network sites and is aggressively expanding its network across the country.



21 Lebanon

Key Statistics – June 2013

4.1 m
Population

\$15,900
GDP/Capita

102%
Mobile
Penetration

2004
Year of acquisition

2.0 m
Customers

MC
Ownership

Contribution to Group total

Population: 3%

Customers: 4%

Customer YOY Growth: 5%

Technology : 3G

Coverage : 99%

License : Management Contract until September - 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 998 network sites as of June 2013, covering 99% of the population.
- The operation currently serves more than 2 million customers.
- The Network Management Agreement (NMA), which expired in June 2013, was subsequently renewed until the end of September 2013.

FINANCIAL RESULTS PRESENTATION

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23 Balance Sheet

	30 June 2013	31 December 2012	30 June 2012
	KD '000		
ASSETS			
Cash and bank balances	349,217	302,609	240,253
Trade and other receivables	336,397	319,109	309,989
Inventories	19,023	11,906	14,884
Investment securities- at fair value through profit or loss	2,145	2,693	3,200
Total Current assets	706,782	636,317	568,326
Investment securities – available for sale	47,289	48,659	54,711
Investment in associates	228,003	246,023	66,852
Interest in a jointly controlled entity	61,868	54,819	51,239
Loans to associates	160,388	145,832	193,350
Property and equipment	738,174	699,030	699,537
Intangible assets	1,023,328	998,082	1070,750
Other assets	111,792	102,229	87,790
Total Non-current assets	2,370,842	2,294,674	2,224,229
Total Assets	3,077,624	2,930,991	2,792,555

	30 June 2013	31 December 2013	30 June 2012
	KD '000		
LIABILITIES AND EQUITY			
Trade and other payables	546,733	535,114	459,625
Due to banks	361,366	270,656	176,501
Total Current liabilities	908,099	805,770	636,126
Due to banks	440,993	381,136	389,518
Other non-current liabilities	33,334	33,331	34,058
Total Non-Current liabilities	474,327	414,467	423,576
Equity			
Attributable to 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	(643,777)	(694,184)	(550,690)
Treasury shares reserve	1,967	1,967	1,967
Equity issue transaction cost of associate	-	-	(1,767)
Investment fair valuation reserve	1,138	(987)	(11,619)
Share based compensation reserve	4,207	8,808	4,209
Retained earnings	413,245	490,189	385,920
	1,563,533	1,590,637	1,612,077
Non-controlling interests	131,665	120,117	120,776
Total equity	1,695,198	1,710,754	1,732,853
Total Liabilities and Equity	3,077,624	2,930,991	2,792,555



Income Statement

	30-Jun-13	30-Jun-12		30 June 2013	30 June 2012
	KD'000			KD '000	
Continuing operations					
Revenue	611,940	663,535	Attributable to:		
Cost of sales	(172,885)	(184,847)		Shareholders of the Parent Company	112,649
Gross profit	439,055	478,688	Non-controlling interests	13,029	13,391
Operating and administrative expenses	(170,977)	(175,328)		125,678	155,286
Depreciation and amortization	(96,117)	(97,758)			
Provision for doubtful debts	(2,917)	(4,397)			
Operating profit	169,044	201,205			
Interest income	8,806	10,536	Earnings per share (EPS)		
Investment income	2,224	(1,046)	Basic – Fils	29	36
Share of loss of associates	(21,490)	(15,4020)	Diluted – Fils	29	36
Share of profit of a jointly controlled entity	6,273	6,507			
Other income/ (Expenses)	(9,341)	6,697			
Finance costs	(11,000)	(12,803)			
Loss/ Gain on currency revaluation	(9,163)	248			
Board of Directors' remuneration	(215)	(215)			
Contribution to Kuwait Foundation for Advancement of Sciences	(1,161)	(1,459)			
National Labour Support Tax and Zakat	(3,389)	(4,746)			
Profit for the period before income tax	130,588	189,522			
Income tax expenses	(4,910)	(34,236)			
Net Profit	125,678	155,286			

Cash flow statement

	30 June 2013	30 June 2012		30 June 2013	30 June 2012
	KD '000			KD '000	
Cash flows from operating activities			Cash flows from investing activities		
Profit for the period before income tax	130,588	189,522	Deposits maturing after three months and bank balances blocked	(3,442)	2,853
Adjustments for:			Investment in subsidiary	-	(19,481)
Depreciation and amortization	96,117	97,758	Purchase of investments	(540)	(2,869)
Interest income	(8,806)	(10,536)	Proceeds from sale of investments	4,272	9,772
Investment income	(2,224)	1,046	Acquisition of property and equipment (net)	(85,034)	(67,987)
Share of loss of associates	21,490	15,402	Acquisition of intangible assets	(27,106)	(15,060)
Share of profit of a jointly controlled entity	(6,273)	(6,507)	Interest received	4,689	4,757
Finance costs	11,000	12,803	Dividend received	534	904
Loss/ Gain on currency revaluation	9,163	(248)	Net cash used in investing activities	(106,627)	(87,111)
Operating profit before working capital changes	251,055	299,240	Cash flows from financing activities		
Increase in trade and other receivables	(16,161)	(8,715)	Proceeds from bank borrowings	424,390	314,344
Increase in inventories	(6,946)	3,962	Repayment of bank borrowings	(283,081)	(293,235)
Decrease in trade and other payables	21,510	(35,172)	Loan to an associate	(12,883)	(2,522)
Cash generated from operations	249,458	259,315	Capital contribution including share premium – employees stock option	1,801	2,409
Board of Directors' remuneration paid	430	430	Dividends paid to Parent Company's shareholders	(191,468)	(251,147)
Paid to Kuwait Foundation for Advancement of Sciences	(5,058)	(5,058)	Dividends paid to minority shareholders of subsidiaries	(3,298)	(4,313)
National Labor Support Tax and Zakat paid	(4,646)	(4,983)	Finance costs paid	(22,512)	(7,780)
Income tax paid	(9,466)	(33,136)	Net cash used in financing activities	(87,011)	(242,244)
Net cash from operating activities	229,858	215,708	Net increase in cash and cash equivalents	36,220	(113,647)
			Effect of foreign currency translation	6,946	(42,276)
			Cash and cash equivalents at beginning of period	188,921	386,147
			Cash and cash equivalents at end of period	232,087	230,224

Q&A



FOR MORE INFORMATION PLEASE CONTACT ZAIN GROUP INVESTOR RELATIONS TEAM

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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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