



# ZAIN GROUP

## Financial Results Presentation

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Q1-2013

# Disclaimer



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# FINANCIAL RESULTS PRESENTATION

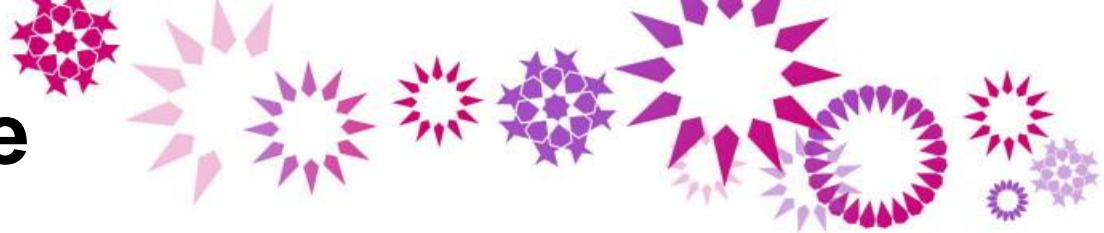
## Contents

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- **Zain Group Overview**
  - Zain Operations Overview
  - Financial Statements
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# Zain at a glance As of Q1-2013



**44.1**

MILLION ACTIVE CUSTOMERS

**108**

MILLION PEOPLE UNDER LICENSE

**\$ 184**

MILLION IN NET INCOME

**12.5**

MILLION CUSTOMERS IN REPUBLIC OF SUDAN

**13.6**

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

**6,200**

EMPLOYEES

**222**

TB OF DAILY DATA USAGE

**\$ 1.06**

BILLION IN REVENUES

**\$ 449**

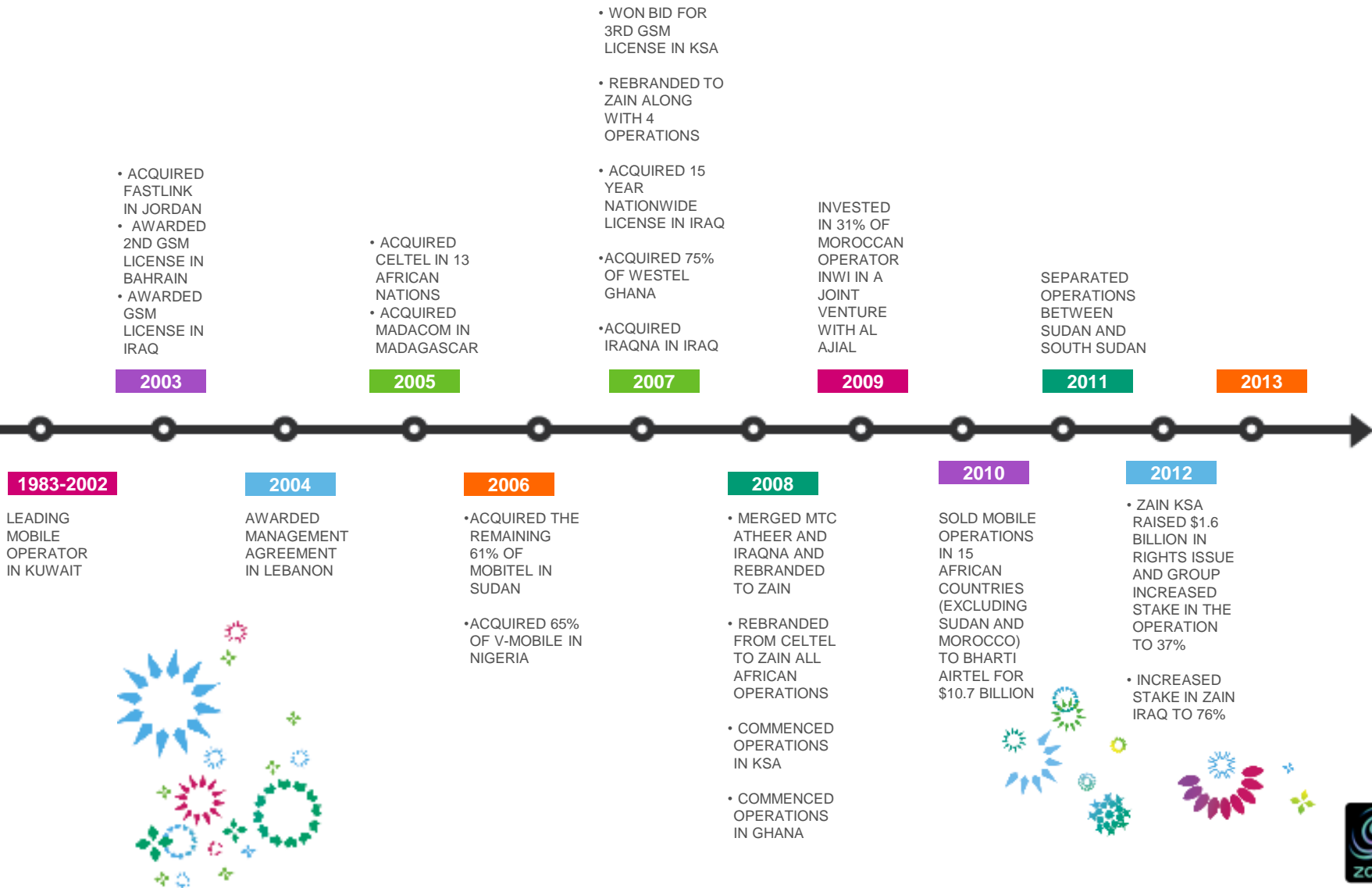
MILLION IN EBITDA

**MARKET LEADER**

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

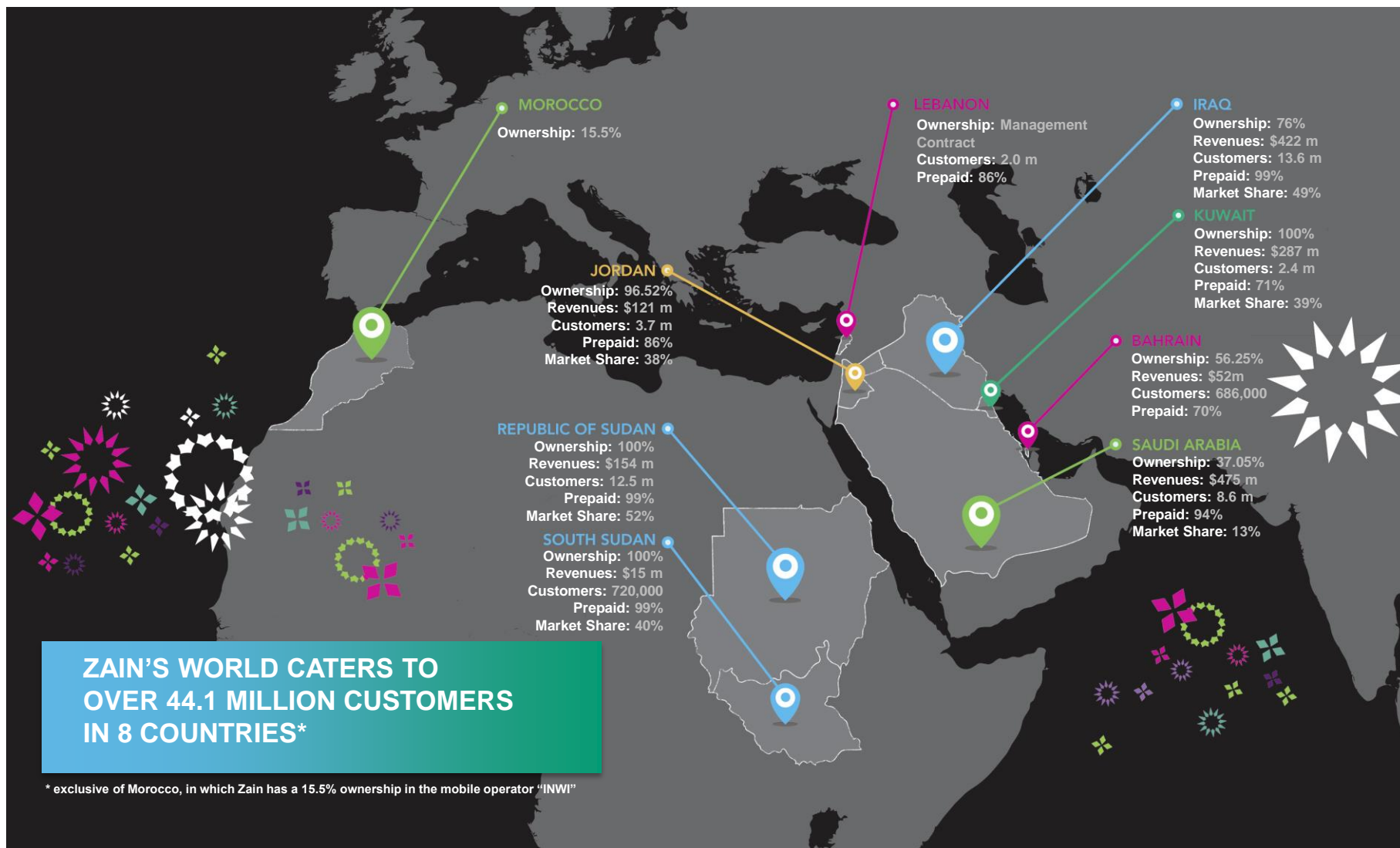


# Key Milestones

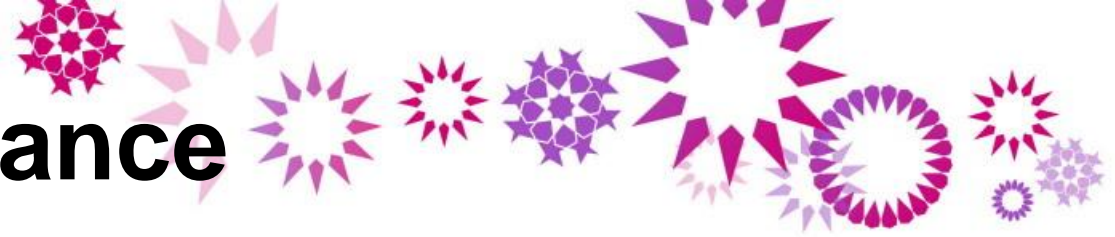


# The World of Zain

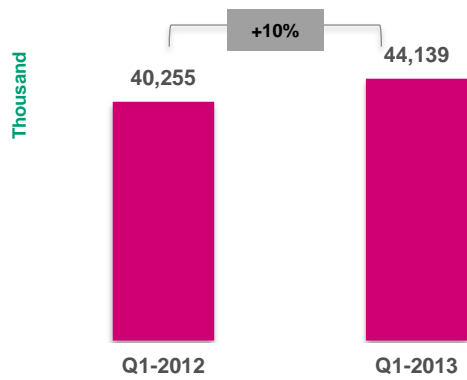
## As of Q1-2013



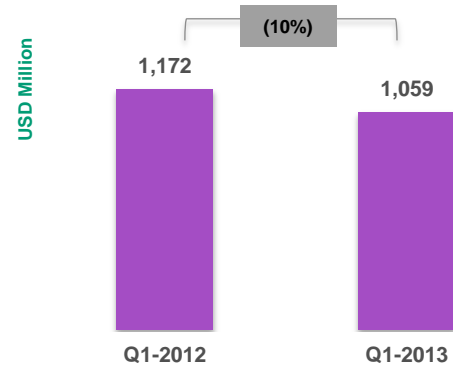
# Key Performance Indicators



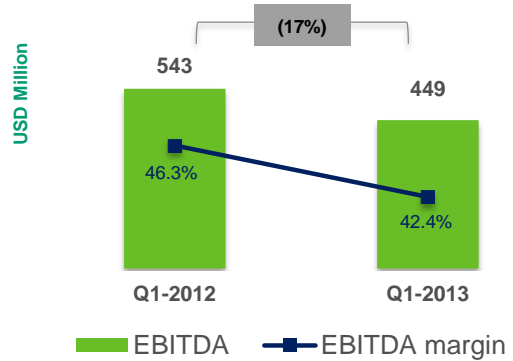
## Customers



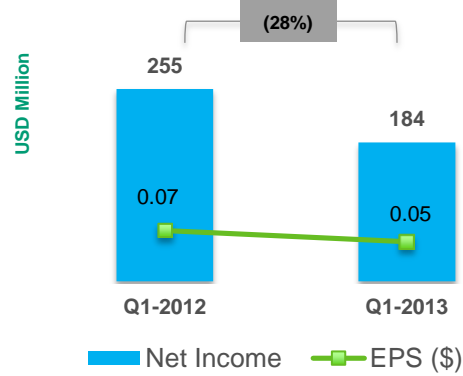
## Revenues



## EBITDA / Margin

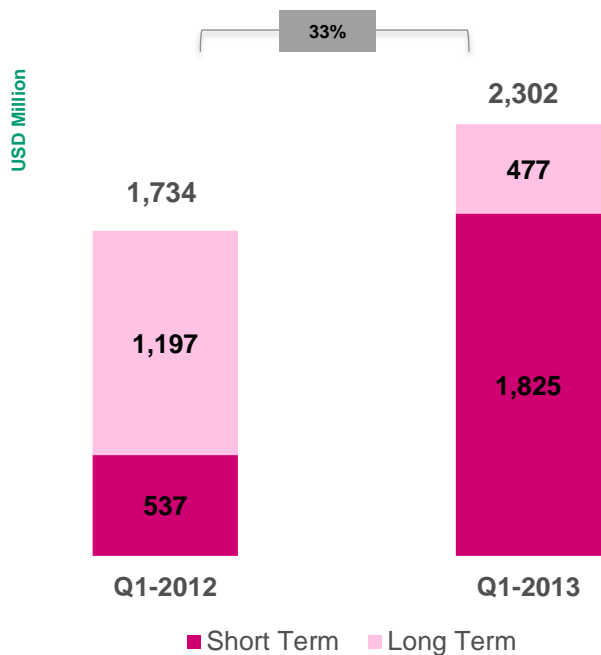


## Net Income / EPS

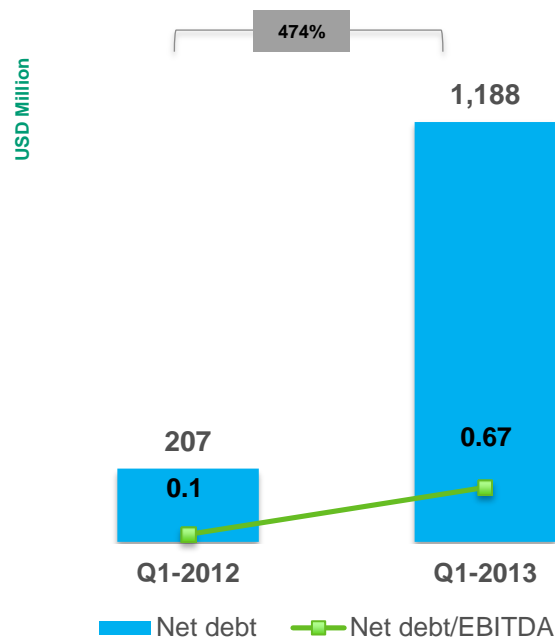


# Key Performance Indicators as of 31/3/2013

## Total Debt

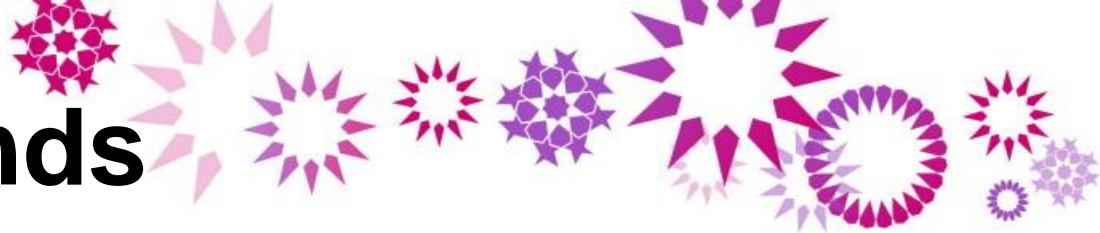


## Net debt & net debt / EBITDA

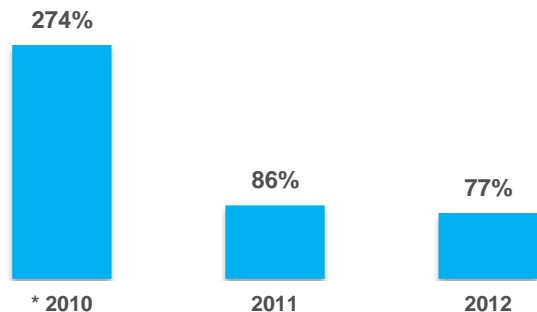


- Net Debt = Total interest bearing debts (excluding letter of guarantees) – Cash and cash equivalent
- If USD 700 million (new RCF in April-13) is Included, net debt / EBITDA will reach 1.06 X

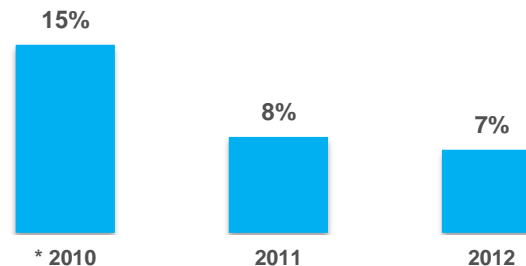
# Zain Dividends



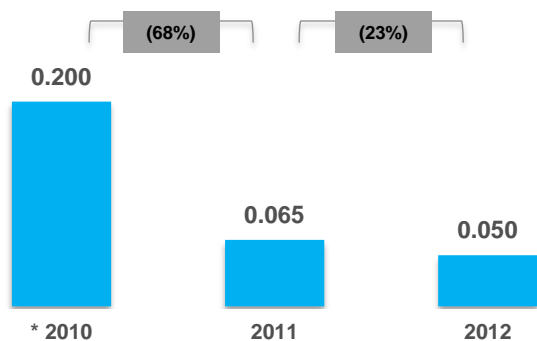
## Dividends Payout Ratio



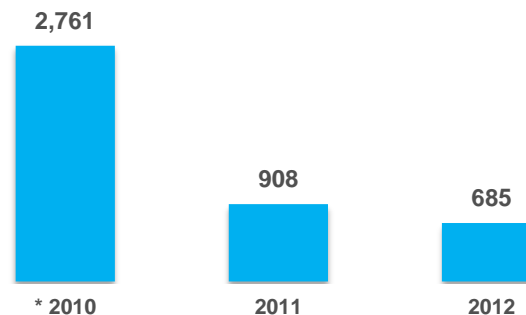
## Dividends Yield (%)



## Dividends Per Share (KWD)

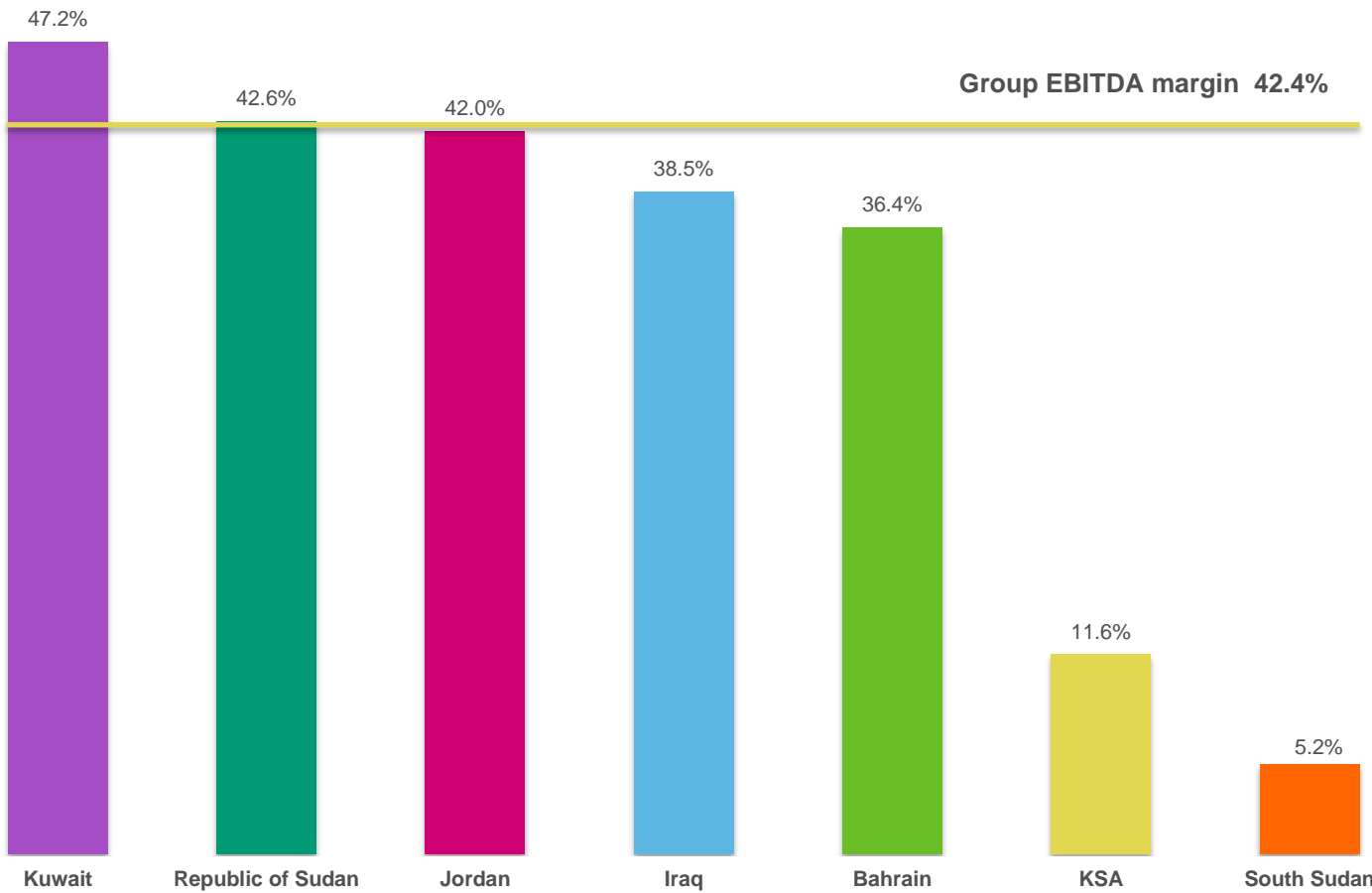
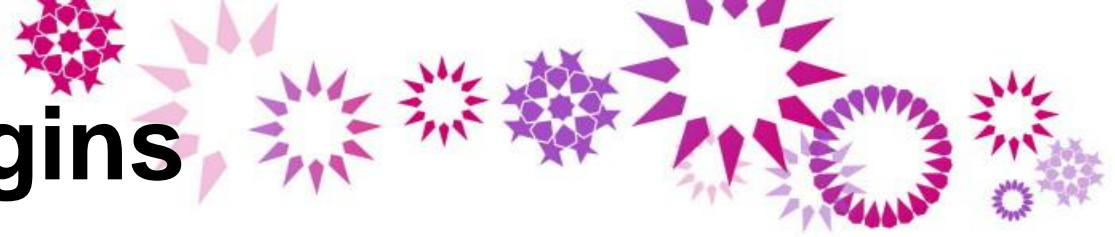


## Cash Dividends (USD m)

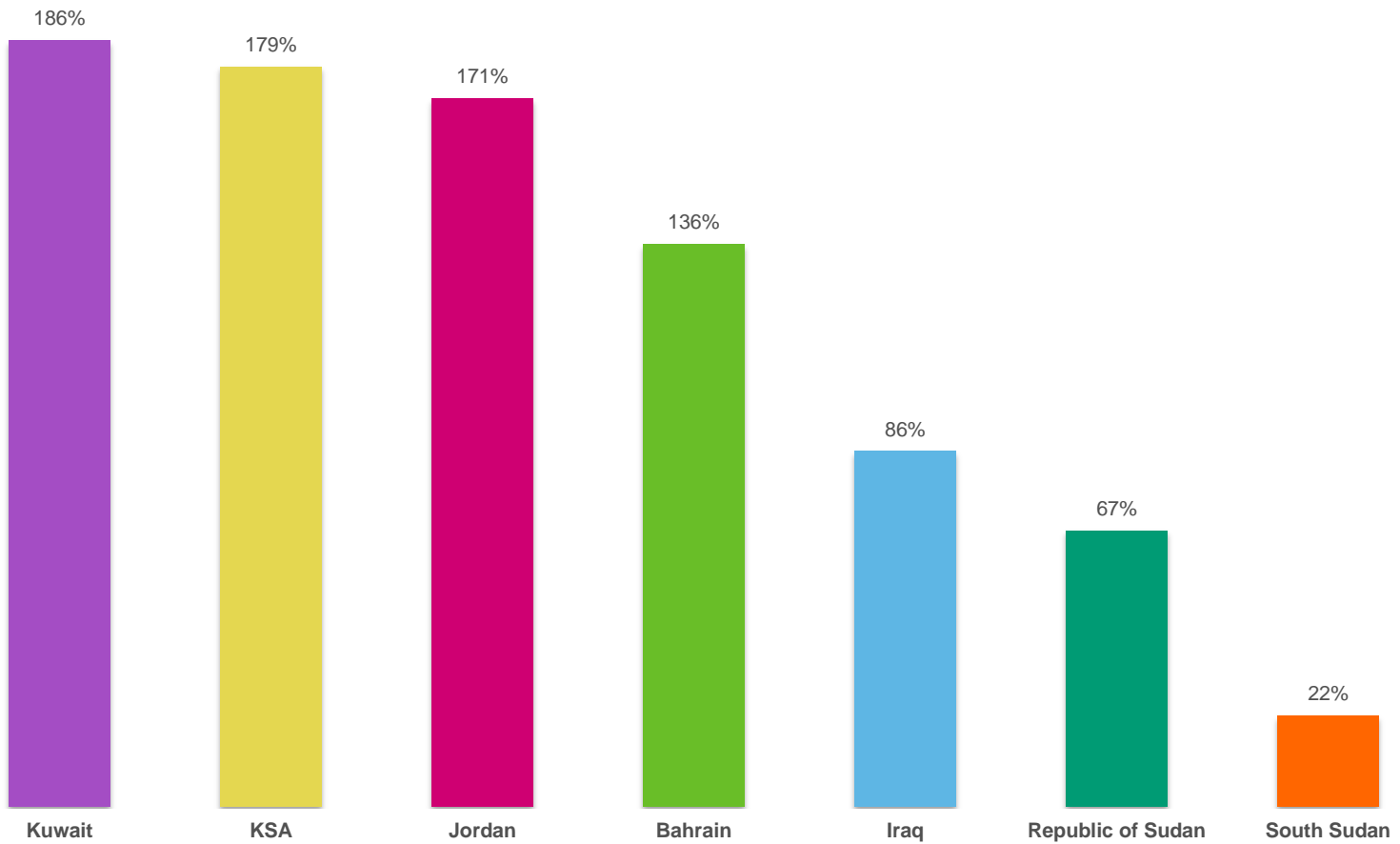
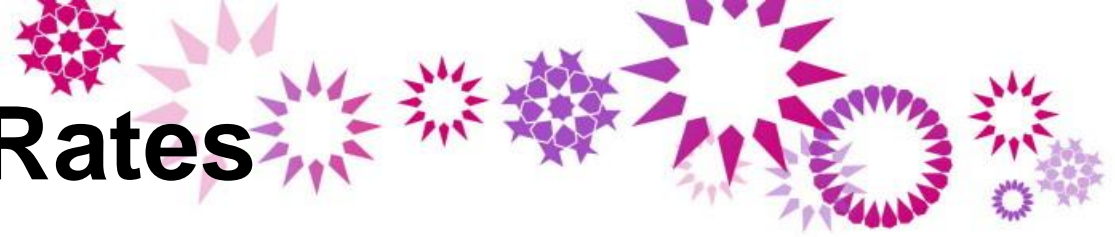


\* Zain Group distributed normal and exceptional dividends of fils 200 reflecting the distribution of proceeds of the sale of Zain Africa assets to Bharti Airtel. However the EPS is made up of Normal EPS = Fils 80, Exceptional EPS = Fils 195

# EBITDA Margins



# Penetration Rates

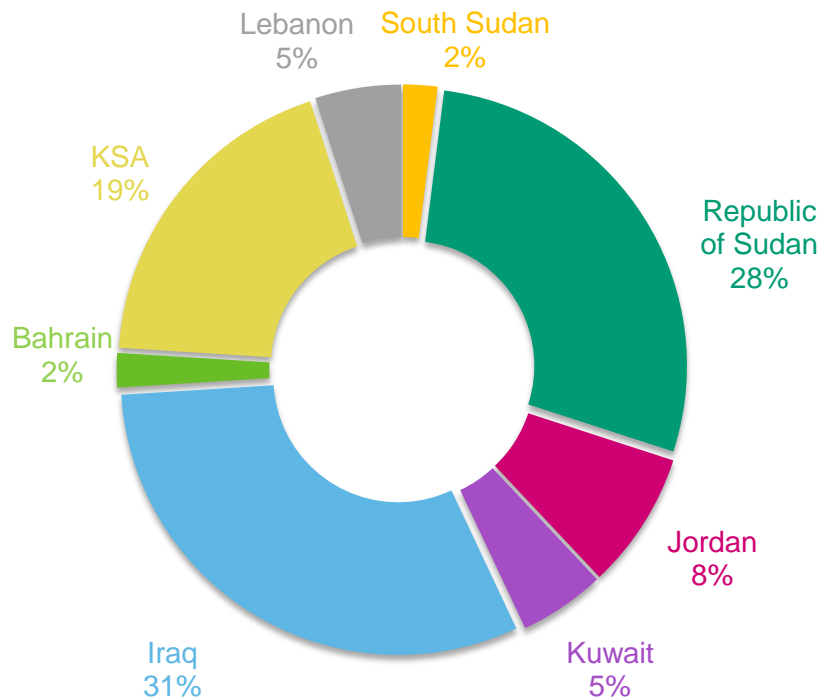


\* Source: WCIS.

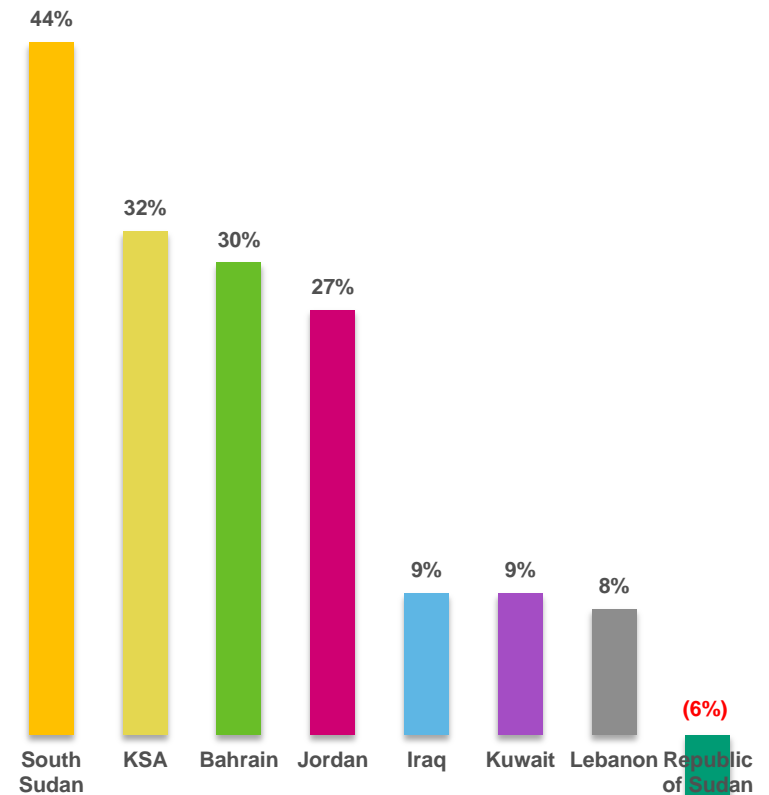


# Our Customers

## Customers Contribution

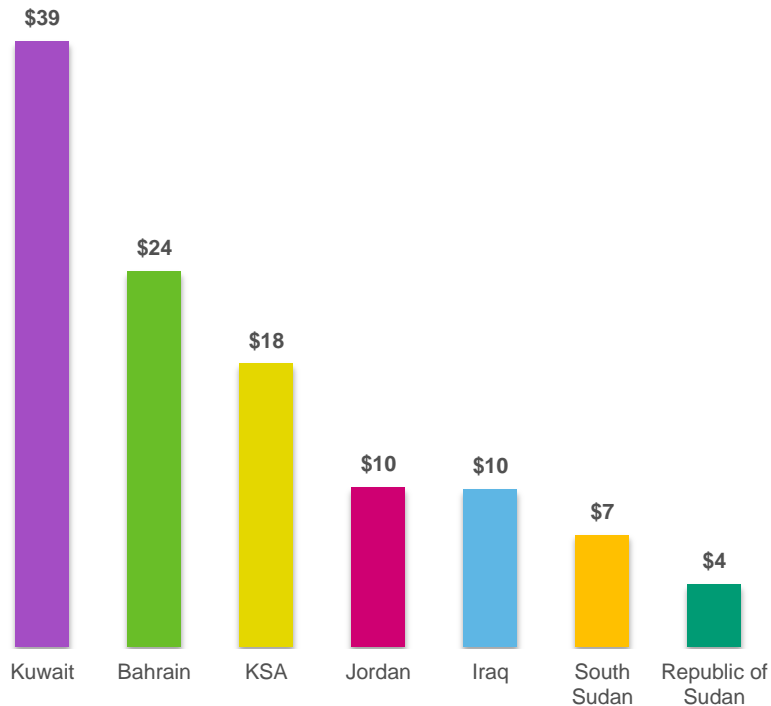


## Customers Growth Q1-13 vs. Q1-12

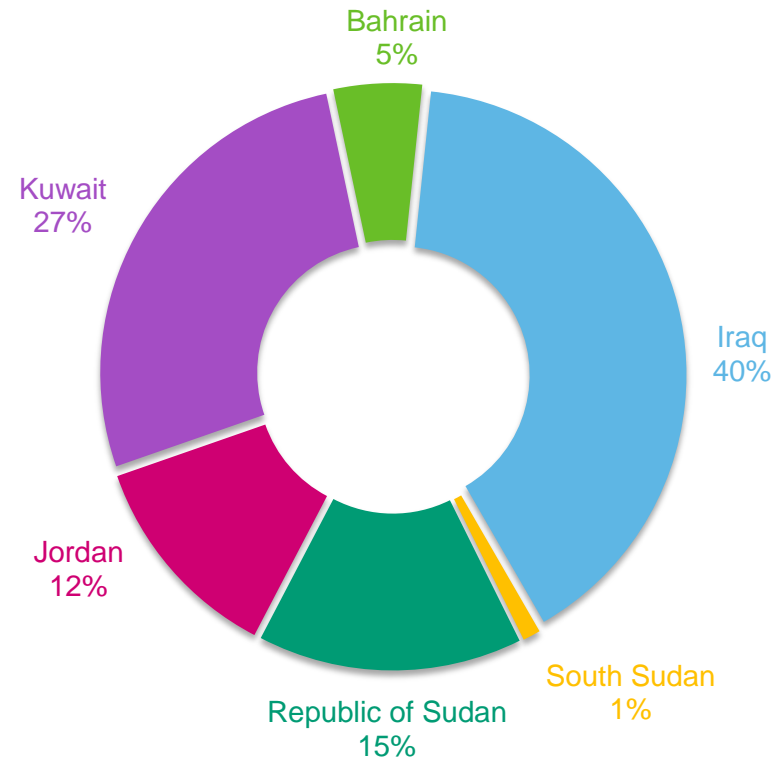


# Blended ARPU and Revenue Contribution

## Blended ARPU




## Revenue Contribution



# FINANCIAL RESULTS PRESENTATION

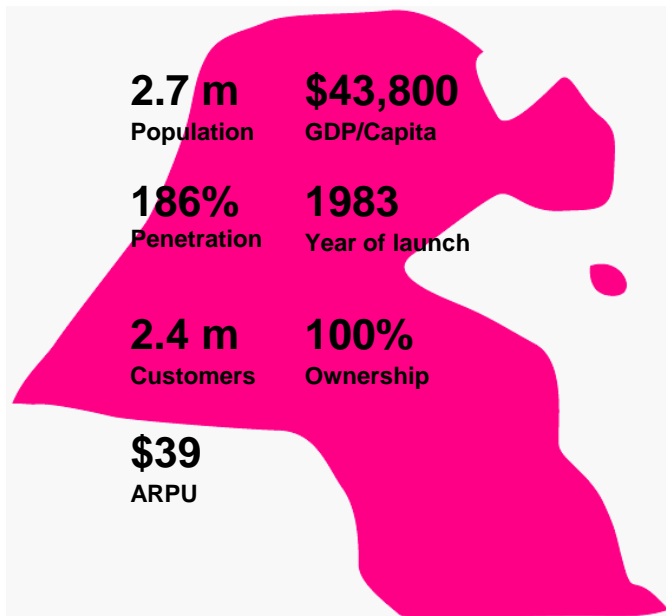
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## Key Statistics – March 2013



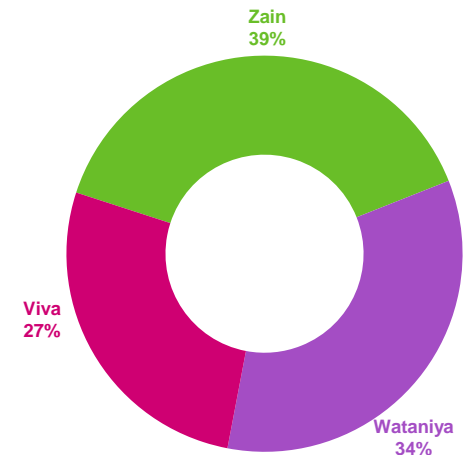
### Contribution to Group total

Population: 2%  
Customers: 5%  
Revenues: 27%

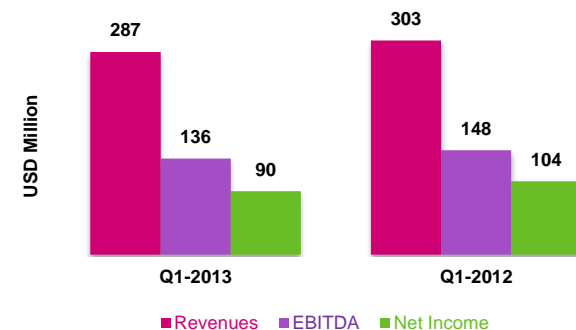
### Customer YOY Growth: 9%

Technology : 4G LTE  
Number of sites : 1,827  
Coverage : 100%

## Market Share by Customers



## Financials



• 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 over USD 11 billion closing at Fils 750 as of May 7, 2013.

• Zain Kuwait has the highest ARPU of \$39 in the Group.

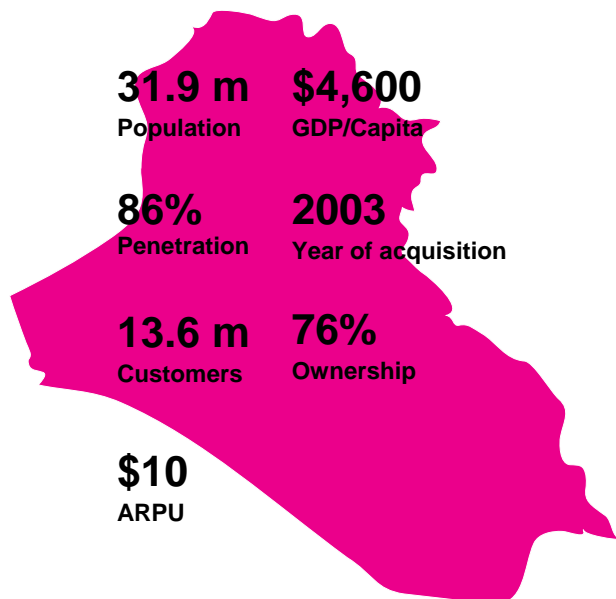
• The operation has reported USD 287 million in revenues in the Q1-2013; reflecting a 5% decrease as compared with Q1-2012, EBITDA and net income decreased by 8% and 13% respectively as compared with the same period last year, mainly due to the cannibalization of voice revenues due to the increased use of VOIP and other OTT solutions as well as the heightened levels of competition in the market.

• Data revenues in Q1-2013 represents 34% of the total revenue, which grew by 4% as compared with Q1-2012.

# 15 Iraq



## Key Statistics – March 2013



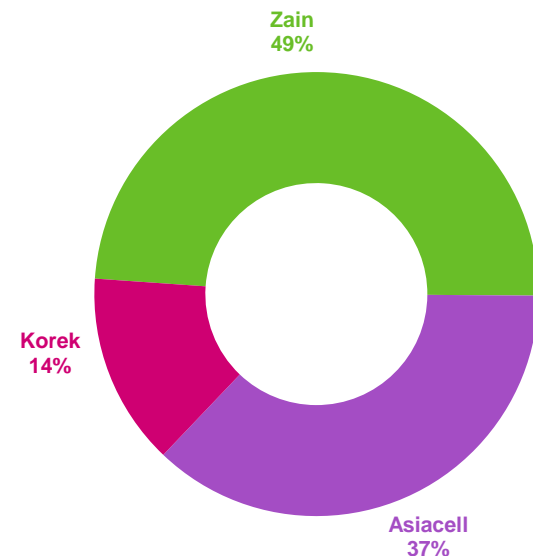
### Contribution to Group total

Population: 27%  
Customers: 31%  
Revenues: 40%

### Customer YOY Growth: 9%

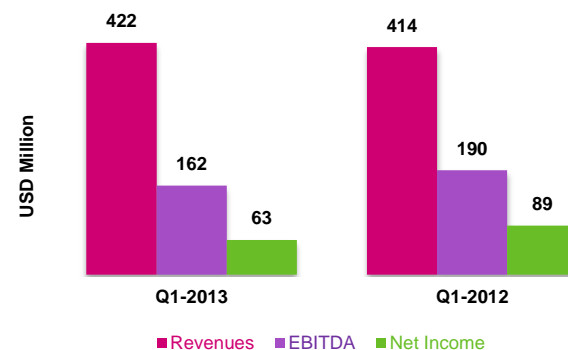
Technology : 2G  
Number of sites : 3,751  
Coverage : 98%  
License : expires in 2022

## Market Share by Customers



- 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.
- The operation has the largest customer base in the Group, representing a 31% of the group's total customer base which grew 9% over the last 12 months due to the customer acquisition in the North region.
- The operation recorded 2% increase in its revenues compared with Q1-2012 due to the interference post installation of jammers in Baghdad, while the EBITDA and net income decreased by 15% and 29% respectively, mainly due to the one time expense (advisory services for IPO readiness).
- 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.
- By the end of Q1-2013, the operation had a total of 3,751 network sites, with a population coverage of 98%.

## Financials



# Republic of Sudan

## Key Statistics – March 2013

**34.8 m**  
Population

**\$2,400**  
GDP/Capita

**67%**  
Penetration

**2006**  
Year of full  
acquisition

**12.5 m**  
Customers

**100%**  
Ownership

**\$4**  
ARPU

### Contribution to Group total

Population: 29%

Customers: 28%

Revenues: 15%

### Customer YOY Growth: (6%)

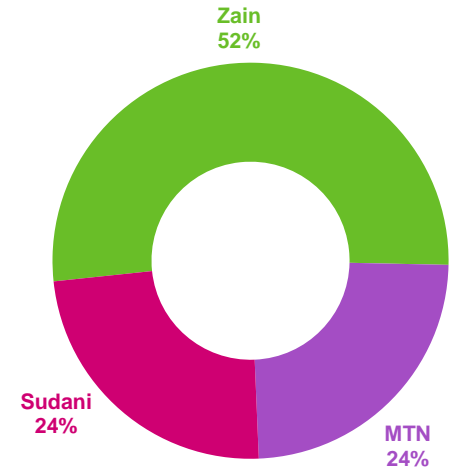
Technology : 3G

Number of sites : 2,179

Coverage : 88%

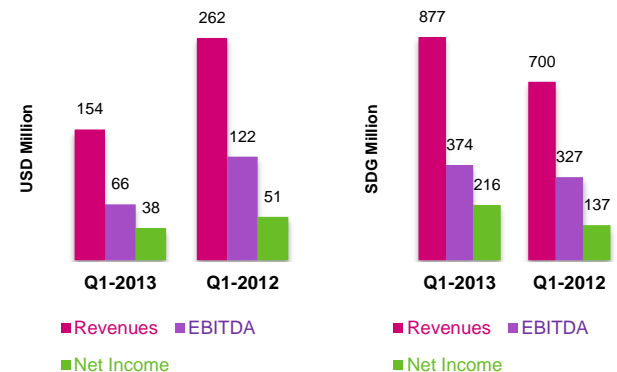
License : expires in 2029

## Market Share by Customers



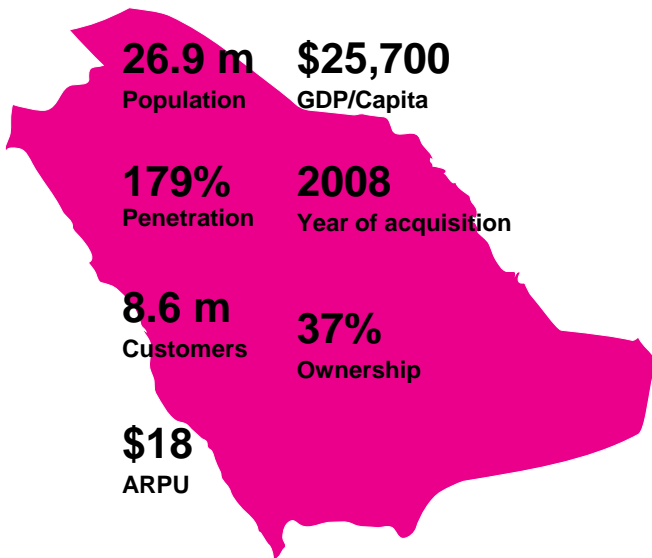
## Financials

- 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.
- Zain maintains the leadership by 52% of the total market share in Republic of Sudan, reflecting the second largest customer base in the group with 28% of the group's customer base. However the 6% decrease in the customer base as compared with Q1-2012 came post the routine clean up which didn't have material impact on the revenues.
- In local currency (SDG), Zain Republic of Sudan reported very healthy growth with 25%, 14% and 58% increase in its revenues, EBITDA and net income respectively, mainly from the price revamp that took place in July 2012, per sec billing and increased in MOUs, data revenues and reduction of income tax. However, the currency devaluation led to a 26% decrease in the bottom line as compared to the same period last year.
- The operation currently has a total number of 2,179 sites, with 88% population coverage and 35% geographical coverage.



# 17 Kingdom of Saudi Arabia

## Key Statistics – March 2013



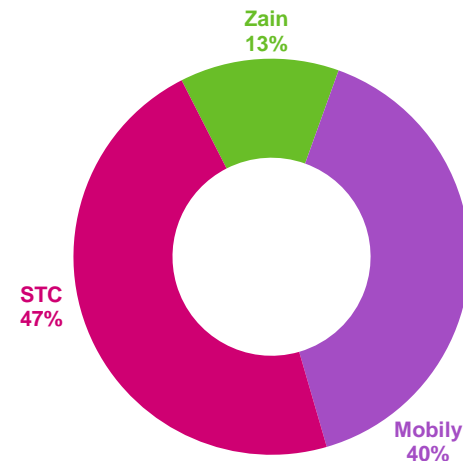
### Contribution to Group total

Population: 23%  
 Customers: 19%

### Customer YOY Growth: 32%

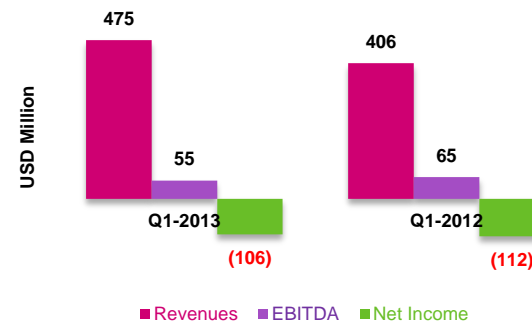
Technology : 4G LTE  
 Number of sites : 5,108  
 Coverage : 91%  
 License : expires in 2033

## Market Share by Customers



- 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 capital reached SAR 10.8 Billion, while Zain Group stake increased to 37%.
- The operation witnessed the second highest increase in its customer base among the Group by adding over 2 million new customers from the previous year.
- Improved financial results have been achieved in Q1-2013 where the operation has recorded a 17% increase in its revenues mainly from the increase in data revenues which grew by 74% as compared with Q1-2012. Net losses also decreased by 5% mainly due to the decrease in finance cost and positive currency variance.
- The operation currently has a total number of 5,108 network sites, and population coverage of 91%.

## Financials





## Key Statistics – March 2013

**6.5 m**  
Population

**\$6,000**  
GDP/Capita

**171%**  
Penetration

**2003**  
Year of acquisition

**3.7 m**  
Customers

**96.52%**  
Ownership

**\$10**  
ARPU

### Contribution to Group total

Population: 5%

Customers: 8%

Revenues: 12%

### Customer YOY Growth: 27%

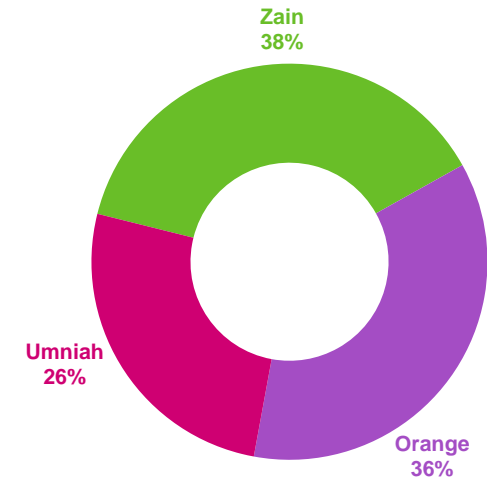
Technology : 3G

Number of sites : 1,622

Coverage : 100%

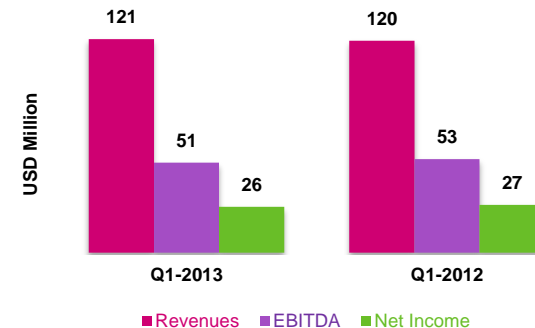
License : expires in 2021

## Market Share by Customers



- In January 2003, Zain Jordan was the Group's first acquired operation for a value of USD 418.9 million.
- The operation managed to increase its market share to 38% as compared with 37% in Q1-2012, recording a 1% increase in revenues, mainly from the increase in data revenues, which formed 26% of the total revenues, which grew by 19% as compared with Q1-2012; however EBITDA and net income decreased by 4% and 2% respectively due to the increase in electricity rates around 150%.
- The operation has achieved 100% population coverage with a total number of 1,622 sites as of Q1-2013.

## Financials



# Bahrain

## Key Statistics – March 2013

**1.2 m**

Population

**\$28,200**

GDP/Capita

**136%**

Penetration

**2003**

Year of launch

**686**

Thousand  
Customers

**56.25%**

Ownership

**\$24**

ARPU

### Contribution to Group total

Population: 1%

Customers: 2%

Revenues: 5%

### Customer YOY Growth: 30%

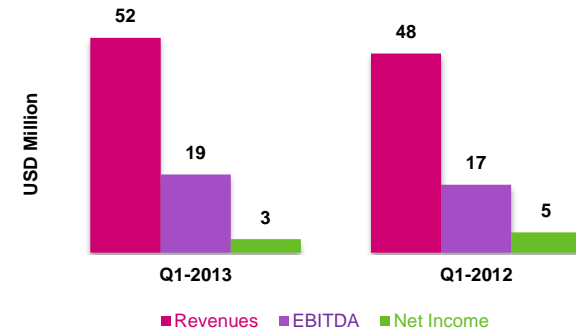
Technology : 4G LTE

Number of sites : 335

Coverage : 100%

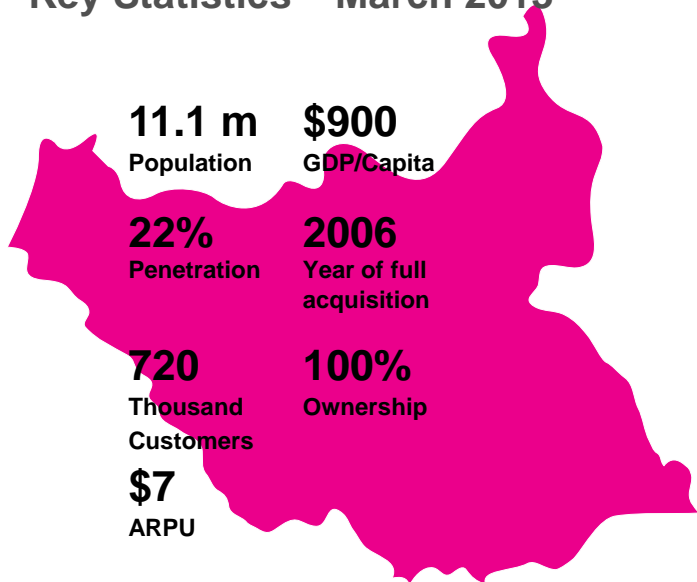
License : expires in 2033

- A Greenfield operation, Zain Bahrain launched its commercial services in December 2003.
- Zain Bahrain has the second highest ARPU of \$24 in the Group.
- The operation is currently preparing to launch an initial public offering (IPO) to list the company shares on the Bahrain Bourse as per the TRA requirements, which is planned to take place during Q4-2013.
- Zain Bahrain recently launched LTE, a significant milestone for the operation, with the network covering the entire population through 335 network sites.
- The operation managed to increase its customer base by 30% compared with Q1-2012, reaching to 686,000 customers compared to 528,000 last year.



# 20 South Sudan

## Key Statistics – March 2013



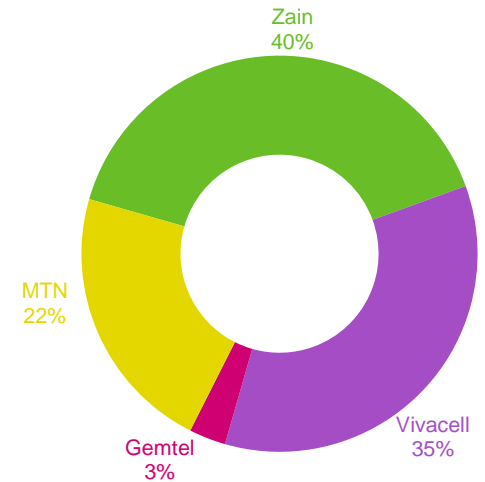
### Contribution to Group total

Population: 9%  
 Customers: 2%  
 Revenues: 1%

### Customer YOY Growth: 44%

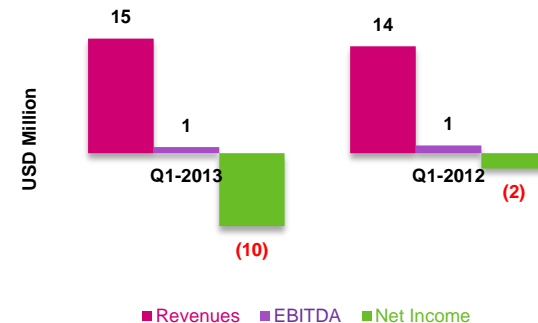
Technology : 3G  
 Number of sites : 239  
 License : Temporary license until December - 2013

## Market Share by Customers



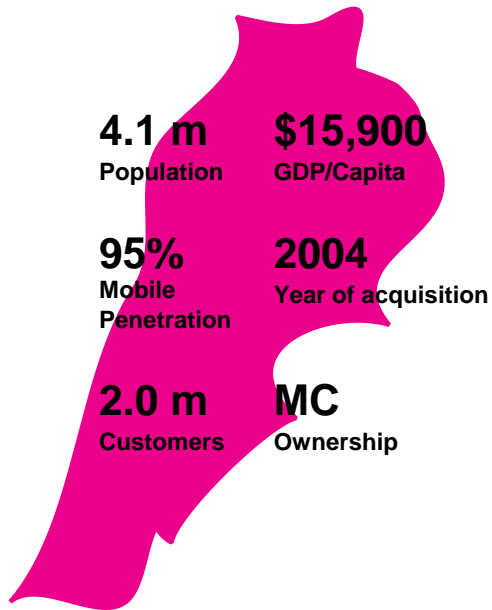
- In June 2011, Republic of Sudan and South Sudan successfully completed the separation process. Accordingly, Zain Group commenced separating the two entities by having different financial statements and organizational structure.
- The operation witnessed the highest percentage increase in its customer base among the Group by 44% from the previous year.
- Despite the fierce competition in the market, and challenging economic conditions, Zain South Sudan managed to increase its market share from 36% to 40% in Q1-2013.
- As of Q1-2013, the operation has a total of 239 network sites.

## Financials



# 21 Lebanon

## Key Statistics – March 2013



### Contribution to Group total

Population: 3%

Customers: 5%

### Customer YOY Growth: 8%

Technology : 3G

Coverage : 99%

License : Management Contract until June - 2013

- Zain operates in Lebanon under a management contract since June 2004, when it was rebranded to mtc-touch, and subsequently to “touch”.
- The network numbers have increased, covering 99% of the population.
- The Network Management Agreement (NMA), which expired in February 2013, was subsequently renewed until the end of June 2013.

# FINANCIAL RESULTS PRESENTATION

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

# Balance Sheet

	31 March 2013	31 December 2012	31 March 2012
	KD '000		
<b>ASSETS</b>			
Cash and bank balances	317,298	302,609	424,004
Trade and other receivables	345,725	319,109	334,368
Inventories	21,205	11,906	24,952
Investment securities- at fair value through profit or loss	2,529	2,693	6,587
<b>Total Current assets</b>	<b>686,757</b>	<b>636,317</b>	<b>789,911</b>
Investment securities – available for sale	48,711	48,659	64,742
Investment in associates	238,125	246,023	73,877
Interest in a jointly controlled entity	57,222	54,819	46,185
Loans to associates	153,177	145,832	189,737
Property and equipment	715,176	699,030	794,911
Intangible assets	1,023,271	998,082	1,250,637
Other assets	107,517	102,229	81,220
<b>Total Non-current assets</b>	<b>2,343,199</b>	<b>2,294,674</b>	<b>2,501,309</b>
<b>Total Assets</b>	<b>3,029,956</b>	<b>2,930,991</b>	<b>3,291,220</b>

	31 March 2013	31 December 2013	31 March 2012
	KD '000		
<b>LIABILITIES AND EQUITY</b>			
Trade and other payables	525,005	535,114	783,375
Due to banks	519,813	270,656	149,121
<b>Total Current liabilities</b>	<b>1,044,818</b>	<b>805,770</b>	<b>932,496</b>
Due to banks	135,724	381,136	332,276
Other non-current liabilities	33,578	33,331	36,541
<b>Total Non-Current liabilities</b>	<b>169,302</b>	<b>414,467</b>	<b>368,817</b>
<b>Equity</b>			
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	(649,181)	(694,184)	(218,821)
Treasury shares reserve	1,967	1,967	1,967
Equity issue transaction cost of associate	-	-	(1,755)
Investment fair valuation reserve	392	(987)	(7,895)
Share based compensation reserve	3,855	8,808	4,082
Retained earnings	352,597	490,189	314,944
Proposed dividend	194,789	-	-
	<b>1,691,172</b>	<b>1,590,637</b>	<b>1,876,579</b>
Non-controlling interests	124,664	120,117	113,328
<b>Total equity</b>	<b>1,815,836</b>	<b>1,710,754</b>	<b>1,989,907</b>
<b>Total Liabilities and Equity</b>	<b>3,029,956</b>	<b>2,930,991</b>	<b>3,291,220</b>

# Income Statement

	31 March 2013	31 March 2012		31 March 2013	31 March 2012
	KD'000			KD '000	
<b>Continuing operations</b>			<b>Attributable to:</b>		
Revenue	299,007	325,729	Shareholders of the Parent Company	52,001	70,919
Cost of sales	(84,722)	(87,295)	Non-controlling interests	4,936	6,761
<b>Gross profit</b>	<b>214,285</b>	<b>238,434</b>		<b>56,937</b>	<b>77,680</b>
Operating and administrative expenses	(86,110)	(85,252)	<b>Earnings per share (EPS)</b>		
Depreciation and amortization	(47,698)	(47,382)	Basic – Fils	13	18
Provision for doubtful debts	(1,527)	(2,379)	Diluted – Fils	13	18
<b>Operating profit</b>	<b>78,950</b>	<b>103,421</b>		<b>65</b>	<b>73</b>
Interest income	4,574	4,487			
Investment income	98	773			
Share of loss of associates	(11,080)	(7,896)			
Share of profit of a jointly controlled entity	1,627	1,452			
Other income	2,046	3,130			
Finance costs	(4,975)	(5,116)			
Loss on currency revaluation	(4,704)	(4,406)			
Board of Directors' remuneration	(108)	(108)			
Contribution to Kuwait Foundation for Advancement of Sciences	(538)	(731)			
National Labour Support Tax and Zakat	(1,825)	(2,619)			
Profit for the period before income tax	64,065	92,387			
Income tax expenses	(7,128)	(14,707)			
<b>Profit from continuing operations</b>	<b>56,937</b>	<b>77,680</b>			

# Cash flow statement



	31 March 2013	31 March 2012		31 March 2013	31 March 2012
	KD '000			KD '000	
<b>Cash flows from operating activities</b>			<b>Cash flows from investing activities</b>		
Profit for the period before income tax	64,065	92,387	Deposits maturing after three months and bank balances blocked	(2,946)	(15,065)
Adjustments for:			Purchase of investments	(2)	(276)
Depreciation and amortization	47,698	47,382	Proceeds from sale of investments	986	73
Interest income	(4,574)	(4,487)	Acquisition of property and equipment (net)	(32,114)	(25,328)
Investment income	(98)	(773)	Acquisition of intangible assets	(14,168)	(8,368)
Share of loss of associates	11,080	7,896	Interest received	4,572	4,488
Share of profit of a jointly controlled entity	(1,627)	(1,452)	Dividend received	-	100
Finance costs	4,975	5,116	Net cash used in investing activities	(43,672)	(44,376)
Loss on currency revaluation	4,704	4,406	<b>Cash flows from financing activities</b>		
Operating profit before working capital changes	126,223	150,475	Proceeds from bank borrowings	53,070	95,067
Increase in trade and other receivables	(18,761)	(10,393)	Repayment of bank borrowings	(58,353)	(152,411)
Increase in inventories	(8,954)	(3,932)	Loan to an associate	(5,752)	-
Decrease in trade and other payables	(19,808)	(10,416)	Capital contribution including share premium – employees stock option	1,801	2,409
Cash generated from operations	78,700	125,734	Dividends paid to Parent Company's shareholders	(362)	(555)
Paid to Kuwait Foundation for Advancement of Sciences	(5,058)	(5,058)	Dividends paid to minority shareholders of subsidiaries	-	(1,271)
Income tax paid	(2,550)	(8,823)	Finance costs paid	(12,338)	(2,013)
Net cash from operating activities	71,092	111,853	Net cash used in financing activities	(21,934)	(58,774)
			<b>Net increase in cash and cash equivalents</b>	5,486	8,703
			Effect of foreign currency translation	6,257	(4,528)
			Cash and cash equivalents at beginning of period	188,921	386,147
			Cash and cash equivalents at end of period	200,664	390,322



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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