



# ZAIN GROUP IR PRESENTATION

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*December 31<sup>st</sup> 2012*



1

# Disclaimer

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Certain expectations and projections regarding future performance of the Group referenced in this presentation may be “forward-looking” statements within the meaning of applicable securities laws and regulations.

These are statements which the management believes are true at the time of their preparation based on available data and information and are subject to certain future events and uncertainties, that could cause actual results to differ materially from those anticipated in these forward-looking statements.



2

# A brief introduction to Zain Group

**42.7**

MILLION ACTIVE CUSTOMERS

**108**

MILLION PEOPLE UNDER LICENSE

**\$ 902**

MILLION IN NET INCOME

**12.5**

MILLION CUSTOMERS IN REPUBLIC OF SUDAN

**13.7**

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 KM<sup>2</sup> UNDER LICENSE

**6,200**

EMPLOYEES

**222**

TB OF DAILY DATA USAGE

**\$ 4.58**

BILLION IN REVENUES

**\$ 2.04**

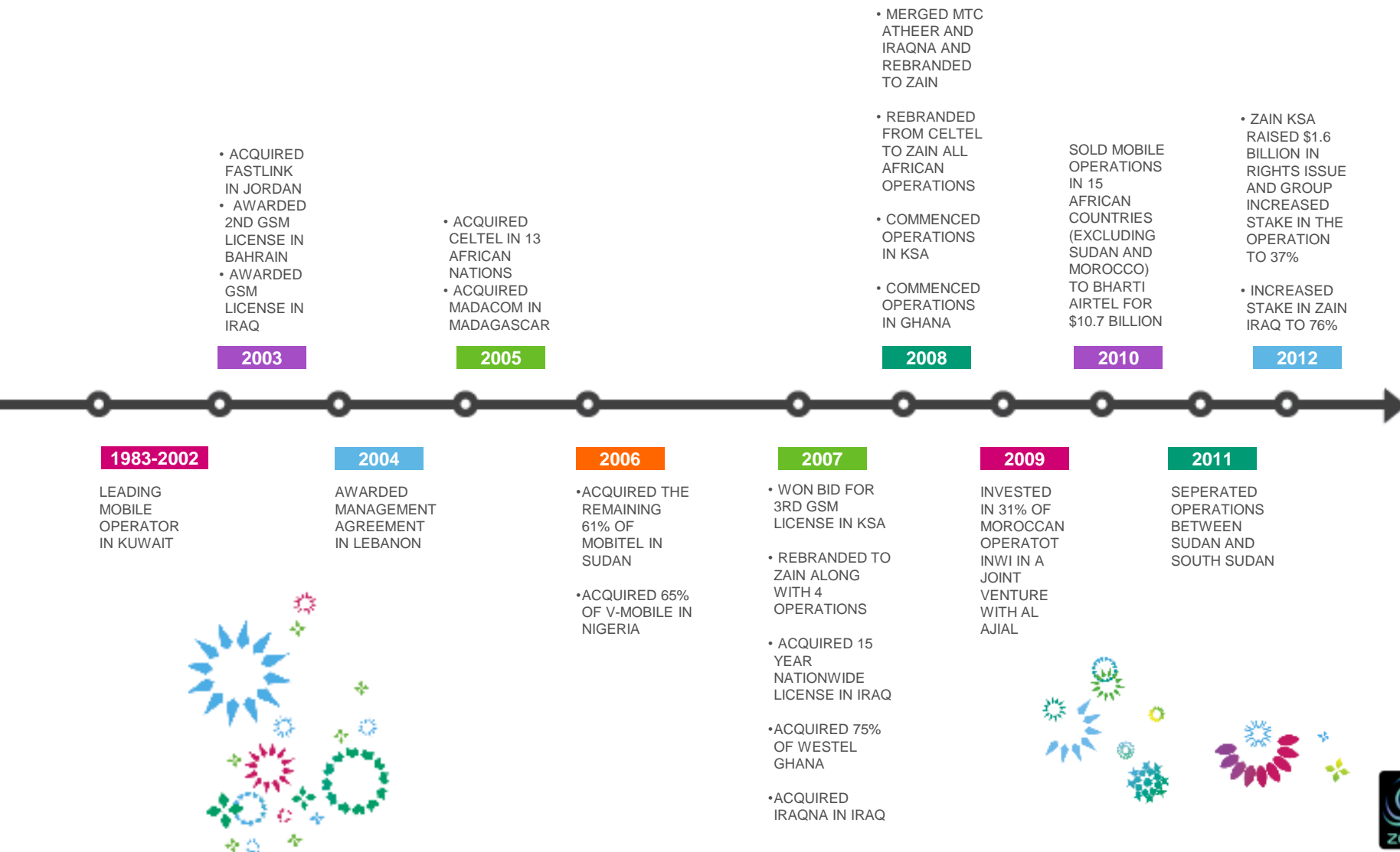
BILLION IN EBITDA

**MARKET LEADER**

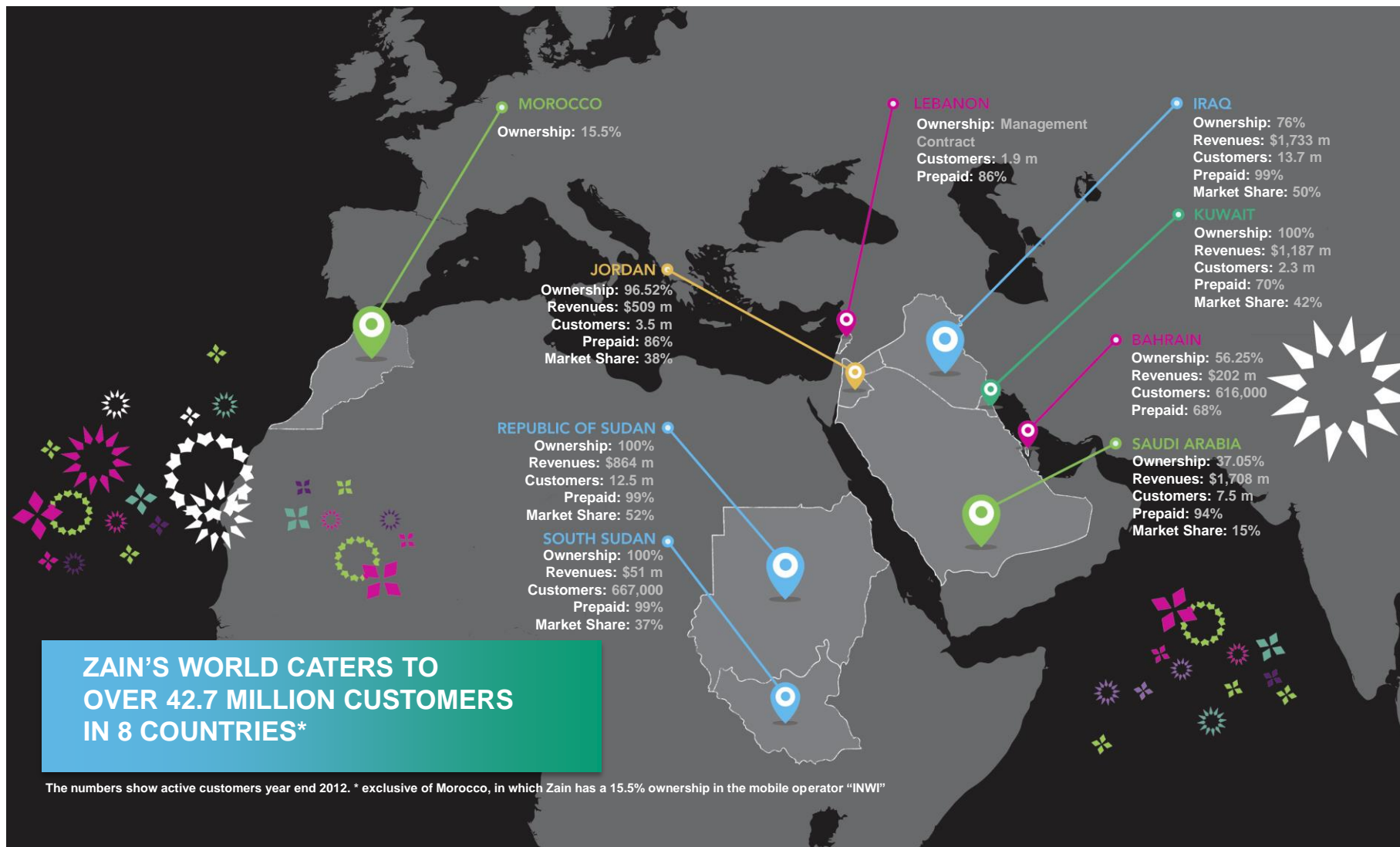
IN KUWAIT, IRAQ, REPUBLIC OF SUDAN, SOUTH SUDAN AND JORDAN

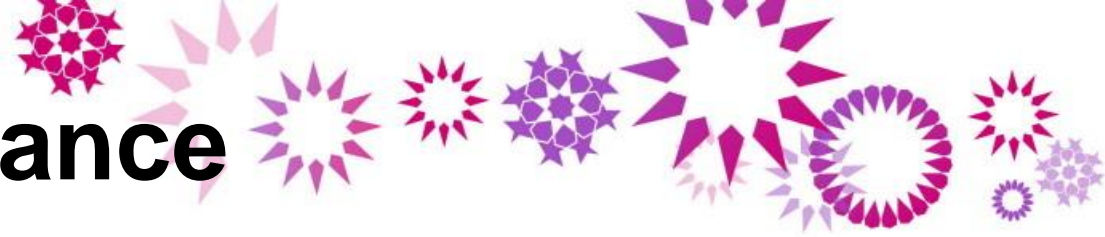


# Key Milestones



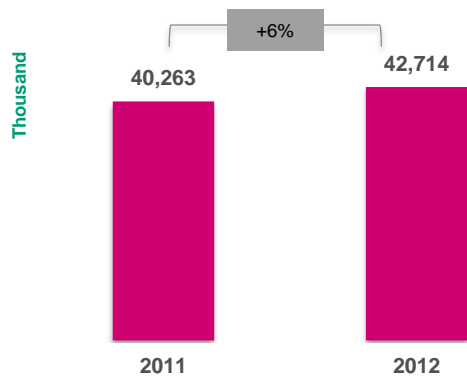
# The World of Zain



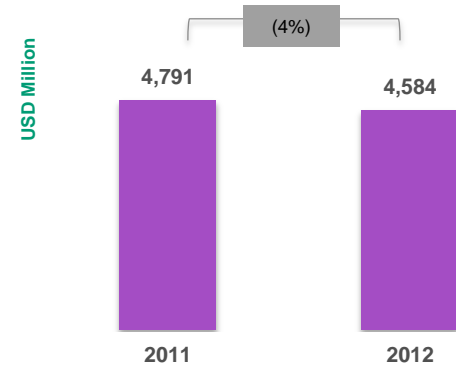


# 5 Key Performance Indicators

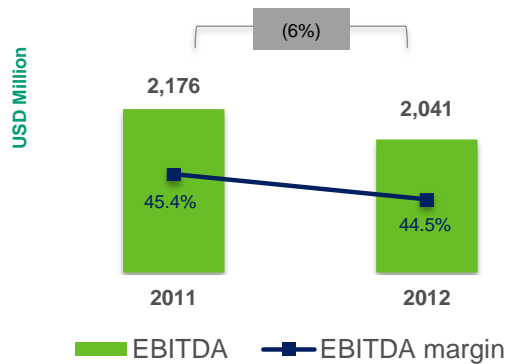
## Customers



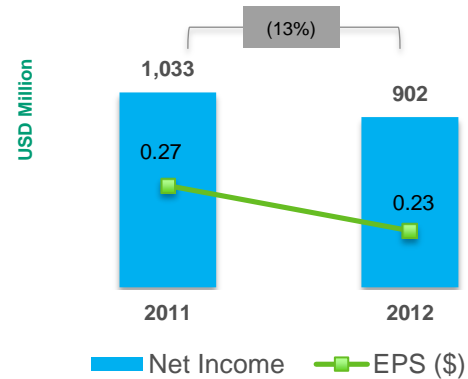
## Revenues



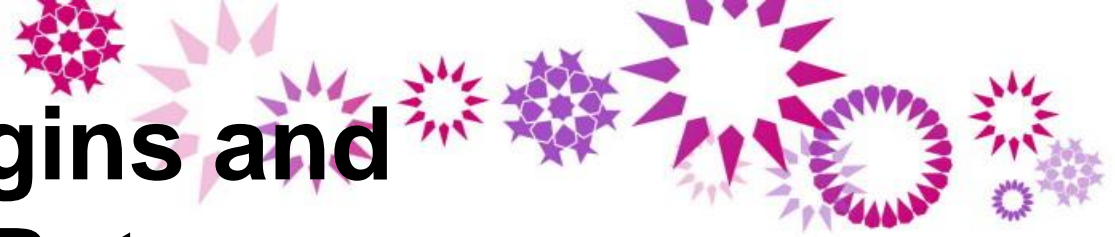
## EBITDA / Margin



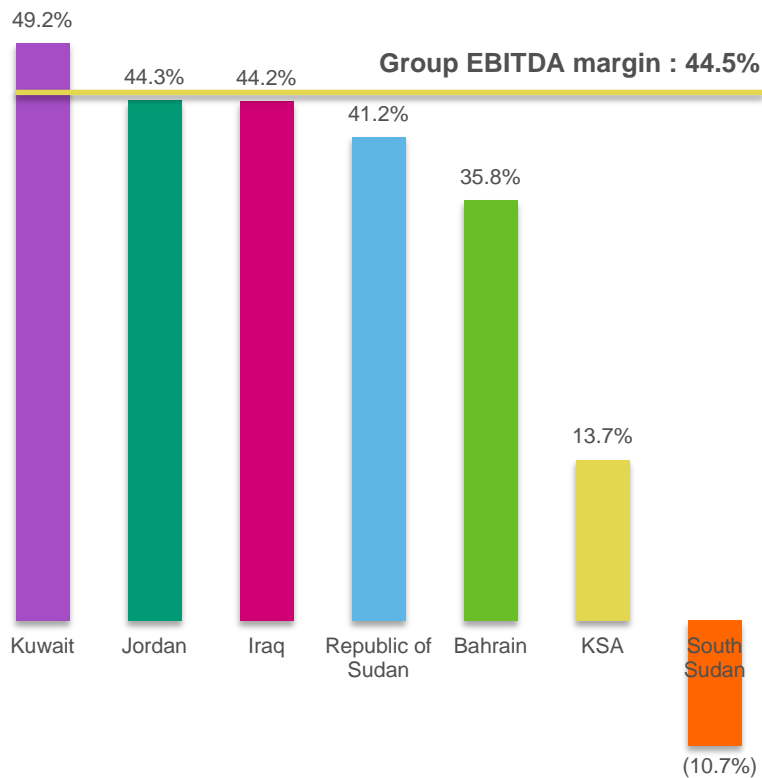
## Net Income / EPS



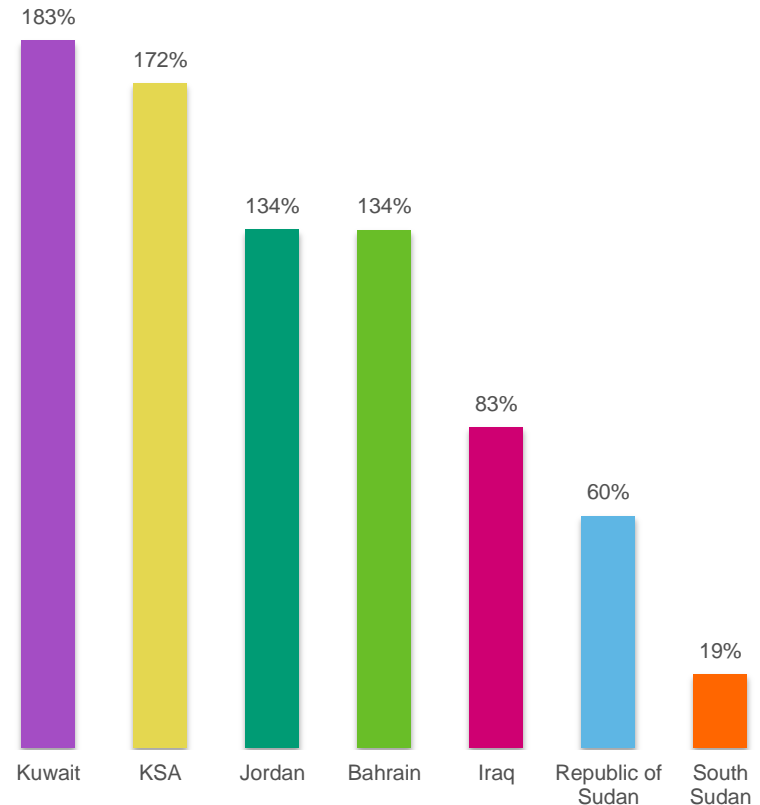
# EBITDA Margins and Penetration Rates



### EBITDA Margins



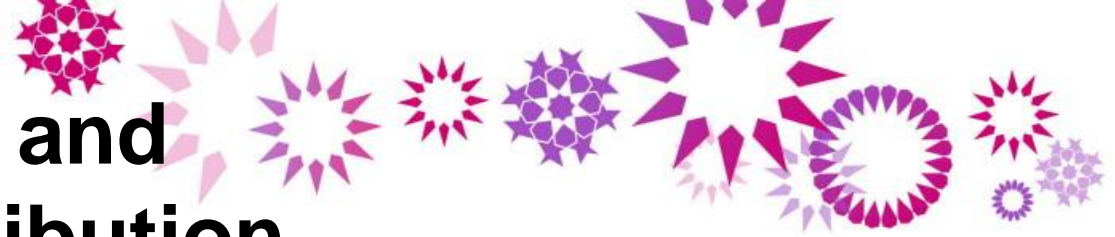
### Penetration Rates \*



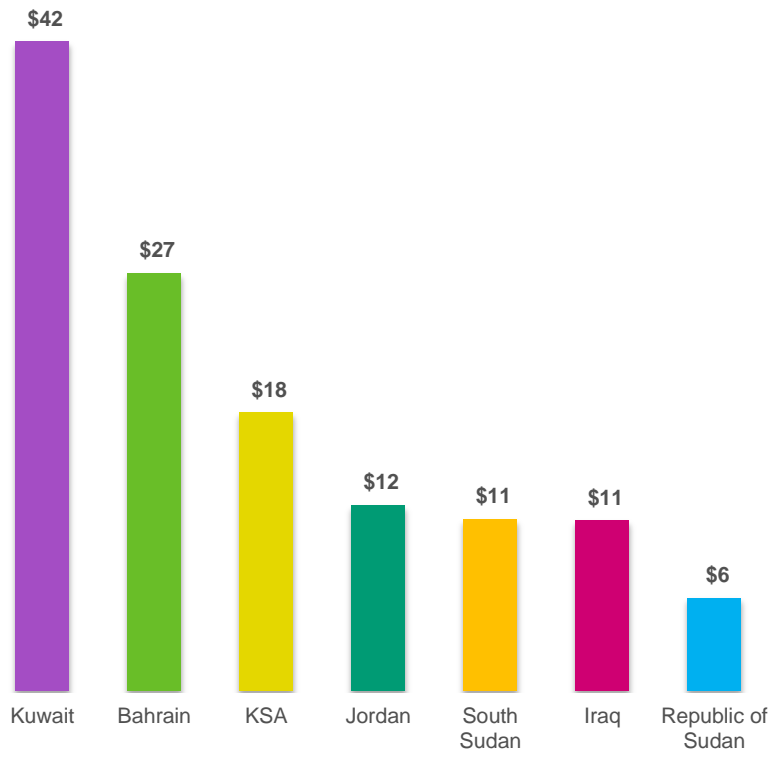
\* Source: WCIS.

7

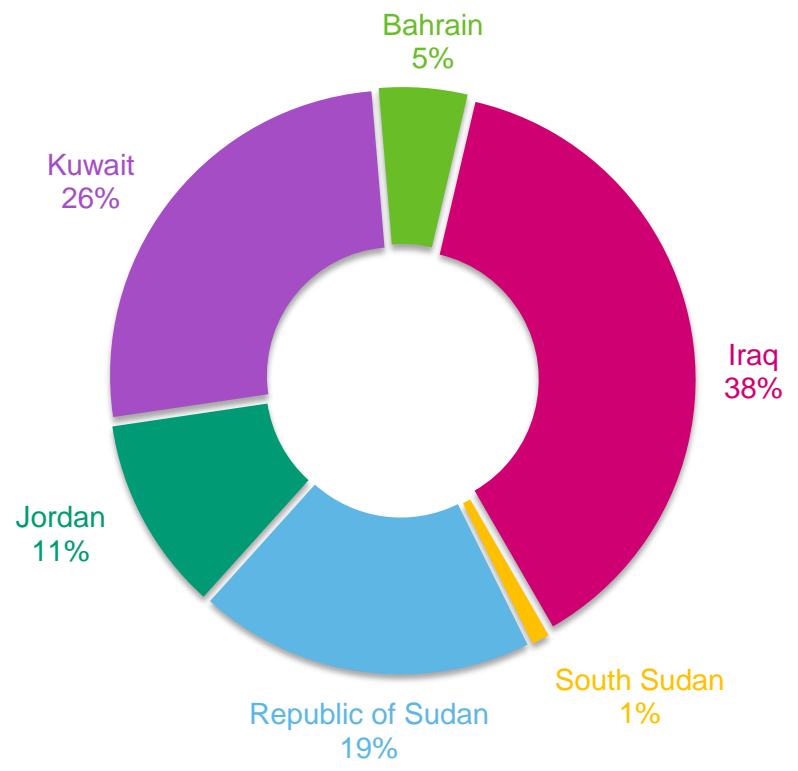
# Blended ARPU and Revenue Contribution



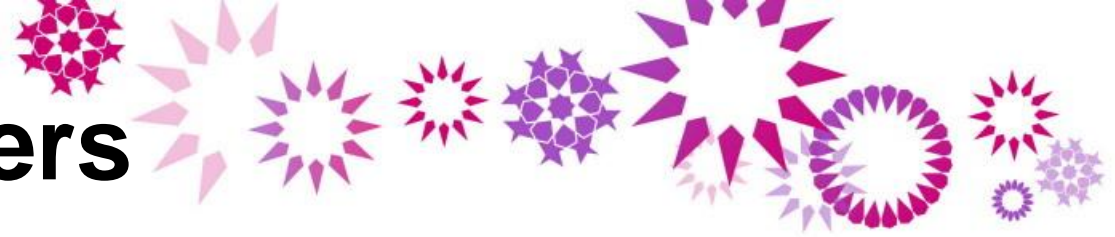
Blended ARPU



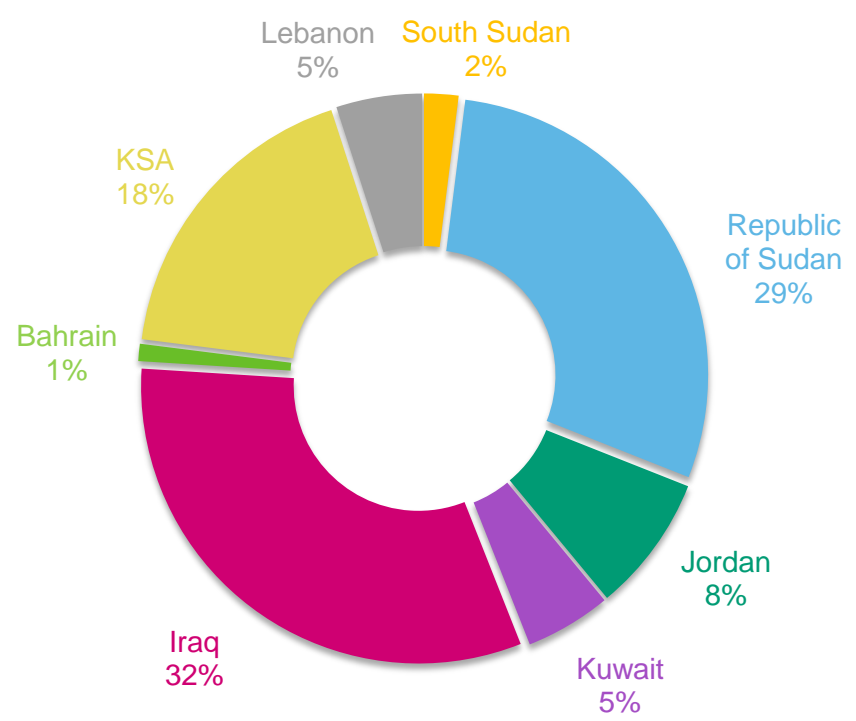
Revenue Contribution



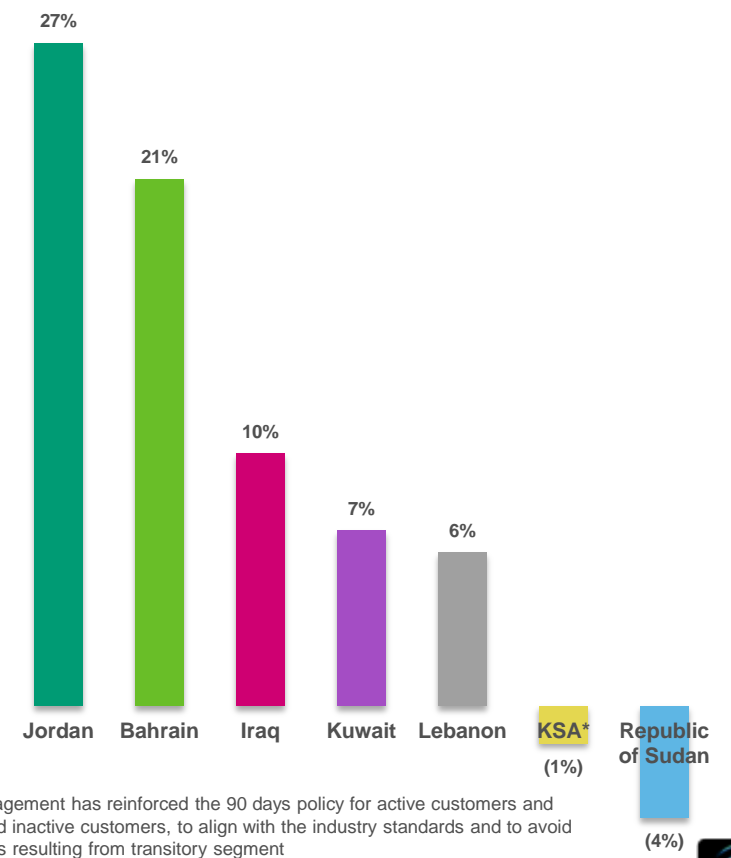
# Our Customers



### Customers Contribution



### Customers Growth 2012 vs. 2011



\* The management has reinforced the 90 days policy for active customers and eliminated inactive customers, to align with the industry standards and to avoid distortions resulting from transitory segment

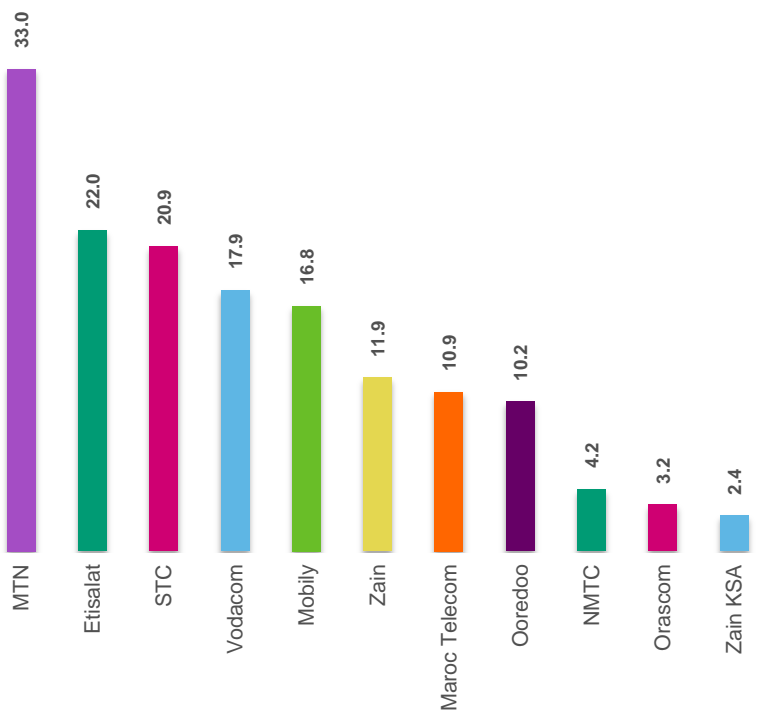


# Top Companies in Middle East & North Africa

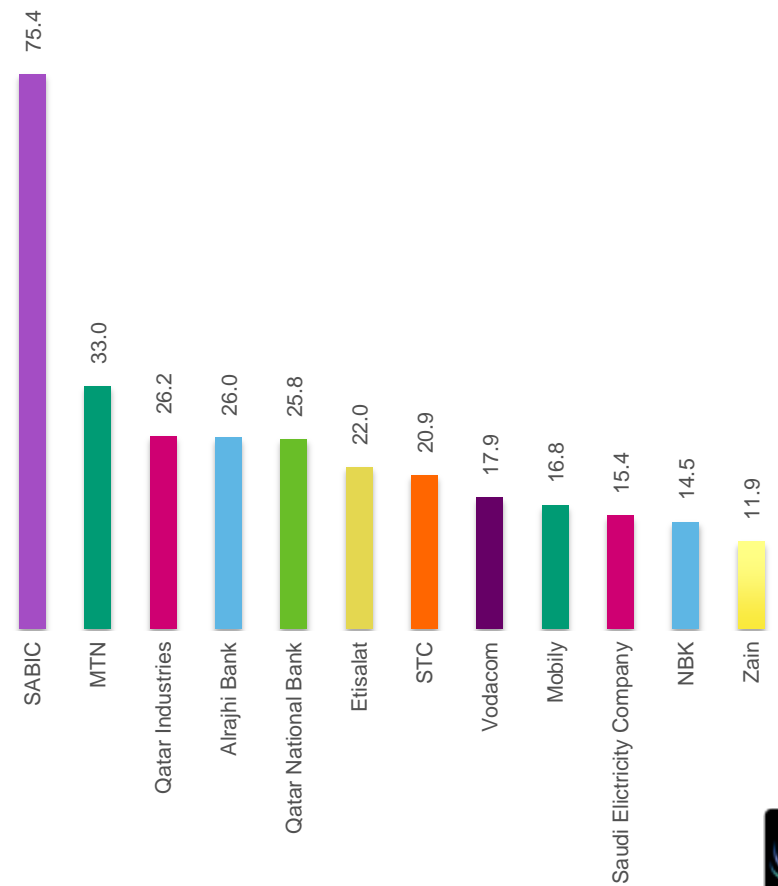


As of March 24, 2013

### Top Telecom Companies Market Cap (\$ billion)



### Top Companies Market Cap (\$ billion)



# IR PRESENTATION ZAIN OPERATIONS

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December 31<sup>st</sup> 2012





## Key Statistics – December 2012

**3.8 m**

Population

**\$47,156**

GDP/Capita

**183%**

Mobile  
Penetration

**1983**

Year of launch

**2,252**

Thousand  
Customers

**100%**

Ownership

**\$42**

ARPU

## Contribution to Group total

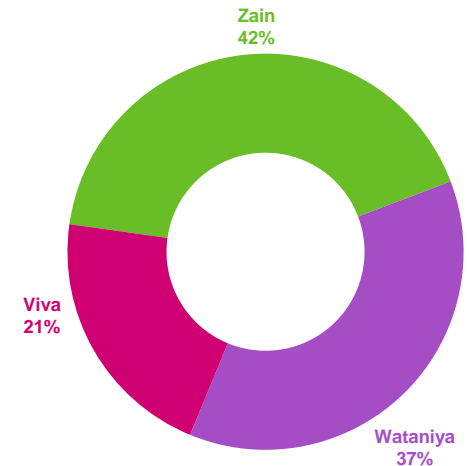
Population: 3%

Customers: 5%

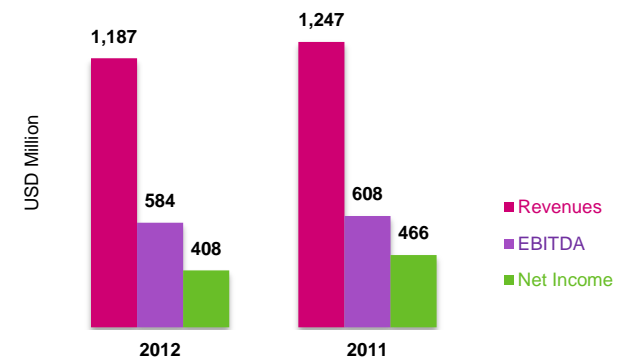
Revenues: 26%

**Customer YOY Growth: 7%**

## Market Share



## 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 12 billion closing at Fils 780 as of March 6, 2013.

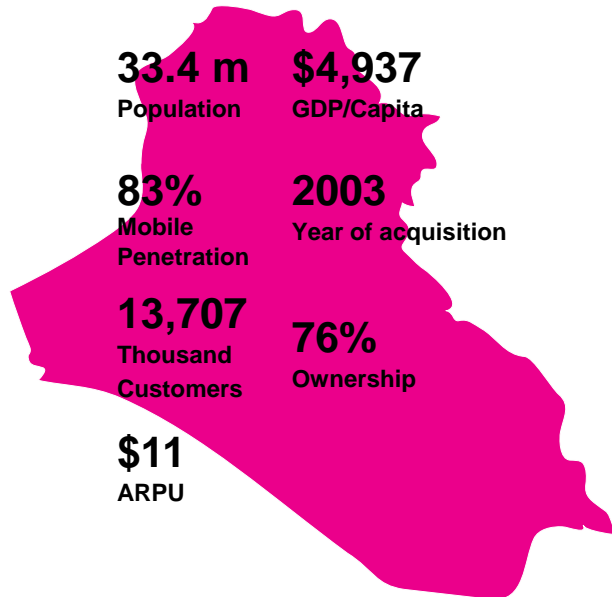
• Zain Kuwait has the highest ARPU of \$42 in the Group.

• The operation has reported USD 1,187 million in revenues at the end of 2012; reflecting a 4.9% decrease as compared with 2011, EBITDA decreased by 3.9% as compared with 2011 and net income decreased by 12.3% as compared with last year, these reductions are mainly due to the impact of OTT applications (Whatsapp, Viber, etc.) and the new MOC fee on number ranges.

• Zain Kuwait launched national LTE in the fourth quarter of 2012, which was a significant milestone for the operation, with the network covering the entire population through 1,765 network sites.



## Key Statistics – December 2012

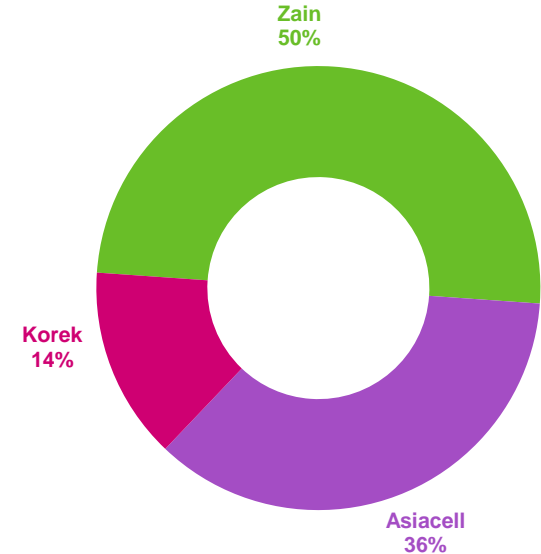


### Contribution to Group total

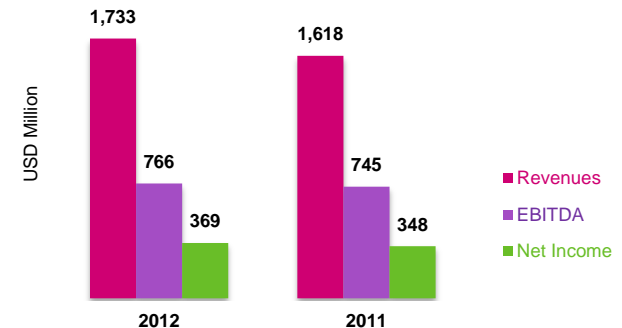
Population: 28%  
Customers: 32%  
Revenues: 38%

**Customer YOY Growth: 10%**

### Market Share



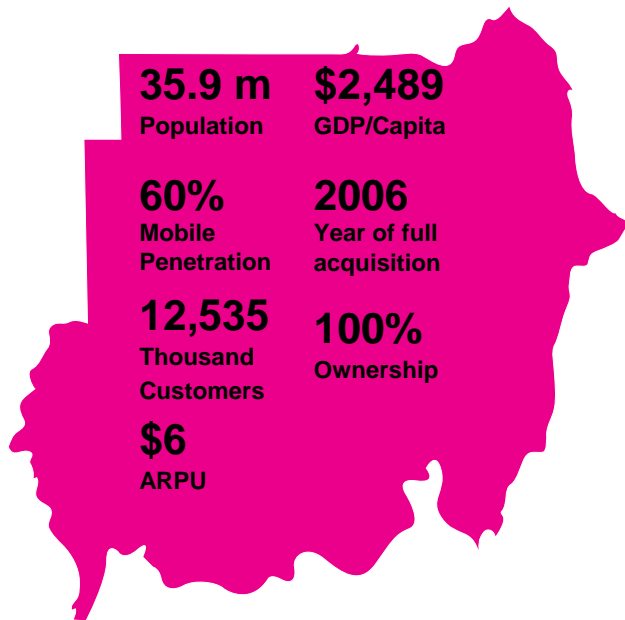
### Financials



- After acquiring a 15-year nationwide license for USD 1.25 billion in August 2007 and its acquisition of a rival operator Iraqna for USD 1.2 billion in December 2007, Zain became the largest mobile operator in Iraq.
- Zain Group subsequently increased its ownership from 30% to 76% to assume majority control.
- The operation has the largest customer base in the Group, representing a 32% of the group's customer base and has increased around 10% due to the customer acquisition in the North region.
- 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 during the 1<sup>st</sup> half of 2013.
- By the end of 2012, the operation had a total of 3,724 sites, with a population coverage of 98%.

# Republic of Sudan

## Key Statistics – December 2012

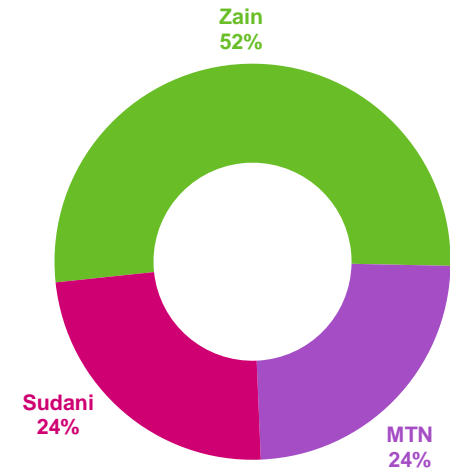


### Contribution to Group total

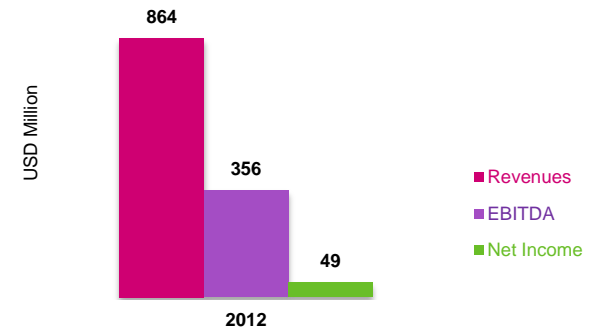
Population: 30%  
Customers: 29%  
Revenues: 19%

**Customer YOY Growth: (4%)**

### Market Share



### 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 its position by 52% of the market share in Republic of Sudan, with the second largest customer base in the group by forming 29% of the group's customer base.
- Net profit for 2012 was negatively impacted by the devaluation of the local currency, where the operation reported net income of USD 49 million. Loss from currency revaluation is USD 148 million compared to a loss of USD 41 million in 2011.
- The operation currently has a total number of 2,179 sites, with 87% population coverage and 35% geographical coverage.

\* Zain Sudan started to split its operation into two different entities in Q1-2012 (Republic of Sudan & South Sudan), therefore there is no similar comparative.





## Key Statistics – December 2012

**6.6 m**  
Population

**\$5,300**  
GDP/Capita

**134%**  
Mobile  
Penetration

**2003**  
Year of acquisition

**3,489**  
Thousand  
Customers

**96.52%**  
Ownership

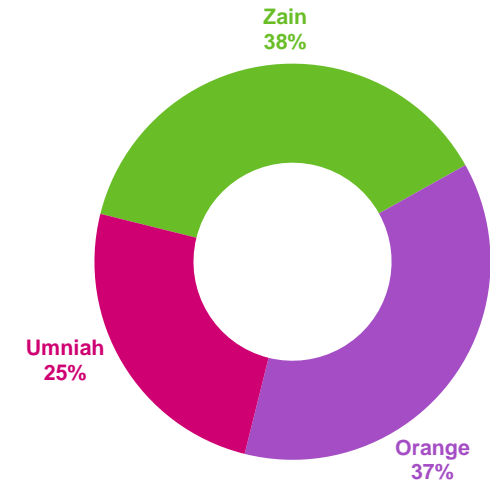
**\$12**  
ARPU

### Contribution to Group total

Population: 5%  
Customers: 8%  
Revenues: 11%

**Customer YOY Growth: 27%**

### Market Share



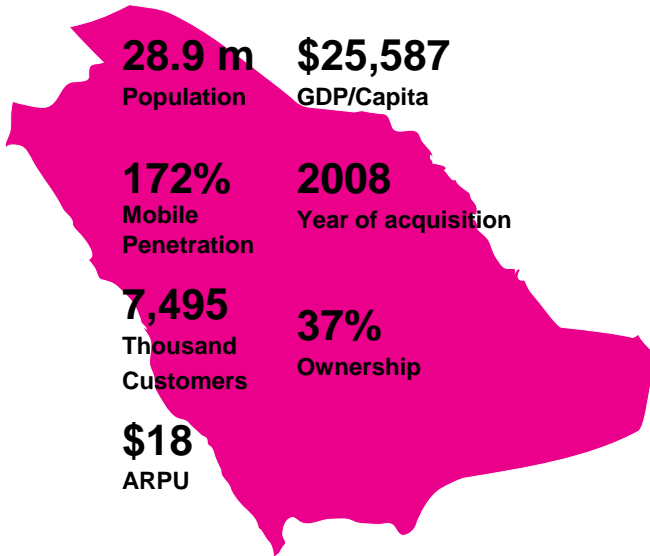
- In January 2003, Zain Jordan was the Group's first acquired operation for a value of USD 418.9 million.
- Zain Jordan witnessed the highest increase in its customer base among other operations by adding over 738,000 new customers from the previous year.
- Despite the increased competition, the operation managed to increase its market share to 38% as compared with 37% in 2011, recording a 1% increase in revenues, mainly from the increase in data revenues, benefiting from increased smartphone penetration and integrated tariffs; however EBITDA and net income decreased by 3% and 8% respectively due to the higher Opex (increase in electricity rates).
- The operation has achieved 100% population coverage with a total number of 1,597 sites as of Q4-2012.

### Financials



# 14 Kingdom of Saudi Arabia

## Key Statistics – December 2012

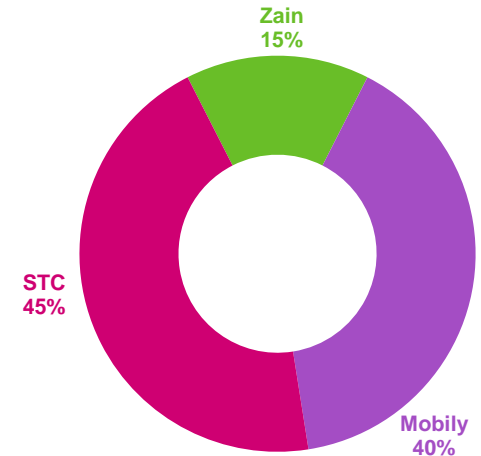


### Contribution to Group total

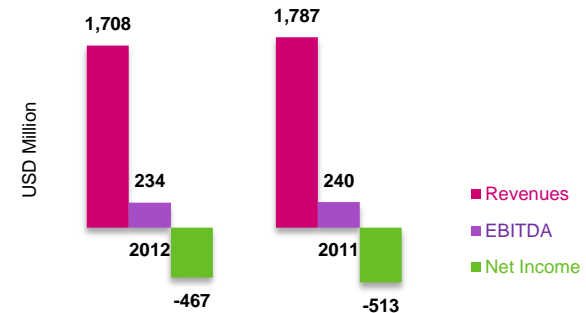
Population: 24%  
Customers: 18%

Customer YOY Growth: (1%)

### Market Share



### Financials



- Zain KSA launched commercial services in late August 2008, a year after it was rewarded its mobile license.
- Zain KSA has successfully completed its Capital Restructuring in July 2012, through reducing its capital by 65% and subsequently increase 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 achieved a 9% decrease in its net losses from the previous year, with a slight increase of 0.3% in its EBITDA margin as compared with 2011. Even with aggressive competition in the Kingdom and the clean-up of inactive customers the operation's customer base increased by 12% as compared with Q3-2012.
- The operation currently has a total number of 4,652 network sites, and population coverage of 91%.



# IR PRESENTATION FINANCIAL STATEMENTS

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December 31<sup>st</sup> 2012

The background of the slide is a light blue geometric pattern of interlocking lines forming various star and polygon shapes. In the lower right quadrant, there are several larger, more prominent decorative elements. These include a large blue star with many points, a green star with a circular center, and several smaller blue and green stars scattered around. The overall aesthetic is clean and modern, typical of a corporate financial presentation.

# Balance Sheet

	2012	2011
	KD '000	
<b>ASSETS</b>		
Cash and bank balances	302,609	404,764
Trade and other receivables	319,109	332,843
Inventories	11,906	21,182
Investment securities at fair value through profit or loss	2,693	5,879
<b>Total Current assets</b>	<b>636,317</b>	<b>764,668</b>
Investment securities available for sale	48,659	62,470
Investments in associates	246,023	81,131
Interest in a jointly controlled entity	54,819	44,871
Loans to associates	145,832	190,166
Property and equipment	699,030	795,644
Intangible assets	998,082	1,256,094
Other assets	102,229	92,190
<b>Total Non-current assets</b>	<b>2,294,674</b>	<b>2,522,566</b>
<b>Total Assets</b>	<b>2,930,991</b>	<b>3,287,234</b>

	2012	2011
	KD'000	
<b>LIABILITIES AND EQUITY</b>		
Trade and other payables	535,114	506,541
Due to banks	270,656	313,823
<b>Total Current liabilities</b>	<b>805,770</b>	<b>820,364</b>
Due to banks	381,136	226,159
Other non-current liabilities	33,331	35,173
<b>Total Non-Current liabilities</b>	<b>414,467</b>	<b>261,332</b>
<b>Equity</b>		
Attributable to Parent Company's shareholders		
Share capital	431,527	430,754
Share premium	1,705,387	1,703,351
Treasury shares	(567,834)	(567,834)
Legal reserve	215,764	215,377
Foreign currency translation reserve	(694,184)	(214,064)
Treasury shares reserve	1,967	1,967
Equity issue transaction cost of associate	-	(1,760)
Investment fair valuation reserve	(987)	(10,046)
Share based compensation reserve	8,808	7,141
Hedge reserve	-	(849)
Retained earnings	490,189	516,453
<b>Total equity</b>	<b>1,590,637</b>	<b>2,080,490</b>
Non-controlling interests	120,117	125,048
<b>Total equity</b>	<b>1,710,754</b>	<b>2,205,538</b>
<b>Total Liabilities and Equity</b>	<b>2,930,991</b>	<b>3,287,234</b>

# Income Statement

	2012	2011		2012	2011
	KD'000			KD'000	
<b>Continuing operations</b>			<b>Discontinued operations</b>		
Revenue	1,281,903	1,321,921	Release of provisions	-	16,320
Cost of sales	(360,975)	(353,914)		<b>280,192</b>	<b>317,528</b>
<b>Gross profit</b>	<b>920,928</b>	<b>968,007</b>			
Distribution, marketing and operating expenses	(254,820)	(283,125)	<b>Attributable to:</b>		
General and administrative expenses	(87,179)	(74,868)	Shareholders of the Parent Company	252,145	284,866
Depreciation and amortization	(193,047)	(170,700)	Non-controlling interests	28,047	32,662
Provision for impairment – trade and other receivables	(8,187)	(9,654)		<b>280,192</b>	<b>317,528</b>
<b>Operating profit</b>	<b>377,695</b>	<b>429,660</b>			
Interest income	16,994	19,822	<b>Earnings per share (EPS)</b>		
Investment income	(8,811)	740	<b>Basic – Fils</b>		
Share of loss of associates	(41,053)	(35,507)	From continuing operations	65	69
Share of profit of a jointly controlled entity	9,479	5,872	From discontinued operations	-	4
Other income	14,588	1,766		<b>65</b>	<b>73</b>
Finance costs	(26,384)	(27,429)			
Loss from currency revaluation	(8,517)	(34,277)	<b>Diluted – Fils</b>		
Board of Directors' remuneration	(430)	(430)	From continuing operations	65	69
Contribution to Kuwait Foundation for Advancement of Sciences	(2,611)	(2,930)	From discontinued operations	-	4
National Labour Support Tax and Zakat	(10,151)	(8,870)		<b>65</b>	<b>73</b>
Profit for the year before income tax	320,799	348,417			
Income tax expenses	(40,607)	(47,209)			
<b>Profit from continuing operations</b>	<b>280,192</b>	<b>301,208</b>			

# Cash flow statement



	2012	2011		2012	2011
	KD '000			KD '000	
<b>Cash flows from operating activities</b>			<b>Cash flows from investing activities</b>		
Profit for the year before income tax	320,799	364,737	Deposits maturing after three months and bank balances blocked	(95,071)	162,249
Adjustments for:			Investments in subsidiaries	(28,531)	-
Depreciation and amortization	193,047	170,700	Proceeds from sale of investment securities	21,063	17,049
Interest income	(16,994)	(19,822)	Investments in securities	(4,753)	(1,152)
Investment income	8,811	(740)	Investments in associate/jointly controlled entity	(97,696)	(397)
Share of loss of associates	41,053	35,507	Proceeds from disposal of a subsidiary	-	209,839
Share of profit of a jointly controlled entity	(9,479)	(5,872)	Acquisition of property and equipment (net)	(161,532)	(157,947)
Finance costs	26,384	27,429	Acquisition of intangible assets	(28,422)	(155,353)
Loss from currency revaluation	8,517	34,277	Interest received	16,994	19,248
Gain on sale of property and equipment	(457)	(288)	Dividends received	1,288	1,751
Operating profit before working capital changes	571,681	605,928	Net cash (used in)/from investing activities	(376,660)	95,287
Increase in trade and other receivables	(69,785)	(191,868)	<b>Cash flows from financing activities</b>		
Decrease/(increase) in inventories	5,181	(8,466)	Proceeds from bank borrowings	484,060	723,120
Provisions used	(7,524)	(113,018)	Repayment of bank borrowings	(380,949)	(404,731)
Increase in trade and other payables	34,895	80,662	Loan to an associate	(70,883)	(4,461)
Cash generated from operations	534,448	373,238	Capital contribution including share premium – employees stock option	2,809	6,574
Payments:			Dividends paid	(252,884)	(773,857)
Income tax	(36,419)	(38,165)	Dividends paid to non-controlling interests	(18,838)	(7,643)
Board of Directors' remuneration	(430)	(32)	Finance costs paid	(20,774)	(27,834)
Kuwait Foundation for Advancement of Sciences (KFAS)	(5,058)	(1,818)	Net cash used in financing activities	(257,459)	(488,832)
National Labour Support Tax and Zakat	(4,983)	(6,814)	<b>Net decrease in cash and cash equivalents</b>	(146,561)	(67,136)
Net cash from operating activities	487,558	326,409	Effects of exchange rate changes on cash and cash equivalents	(50,665)	(10,066)
			Cash and cash equivalents at beginning of year	386,147	463,349
			Cash and cash equivalents at end of year	188,921	386,147

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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