



ZAIN GROUP

Financial Results Presentation

H1-2014

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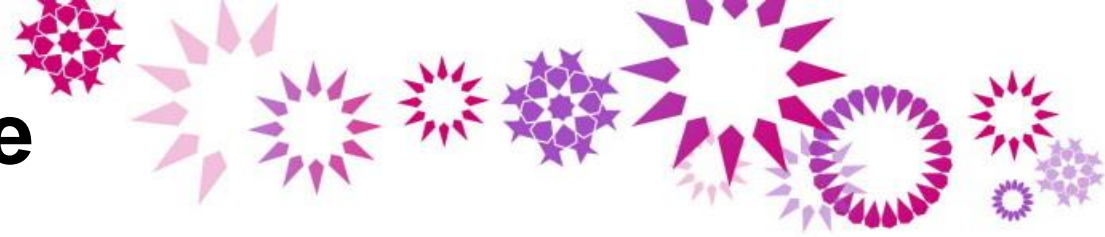
For further information about Zain Group, or the materials contained within this presentation, please direct your enquiries to our Investor Relations team via email at IR@zain.com



FINANCIAL RESULTS PRESENTATION

Contents

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

As of H1-2014

46.5

MILLION ACTIVE CUSTOMERS

108

MILLION PEOPLE UNDER LICENSE

\$ 407

MILLION IN NET INCOME

16.1

MILLION CUSTOMERS IN IRAQ

11.4

MILLION CUSTOMERS IN REPUBLIC OF SUDAN

42.5

MILLION + DAILY TOTAL SMS

4G

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

141

MILLION + TOTAL DAILY CALLS

5.2

MILLION KM2 UNDER LICENSE

OVER

6,700

EMPLOYEES

329

TB OF DAILY DATA USAGE

\$ 2.2

BILLION IN REVENUES

\$ 943

MILLION IN EBITDA

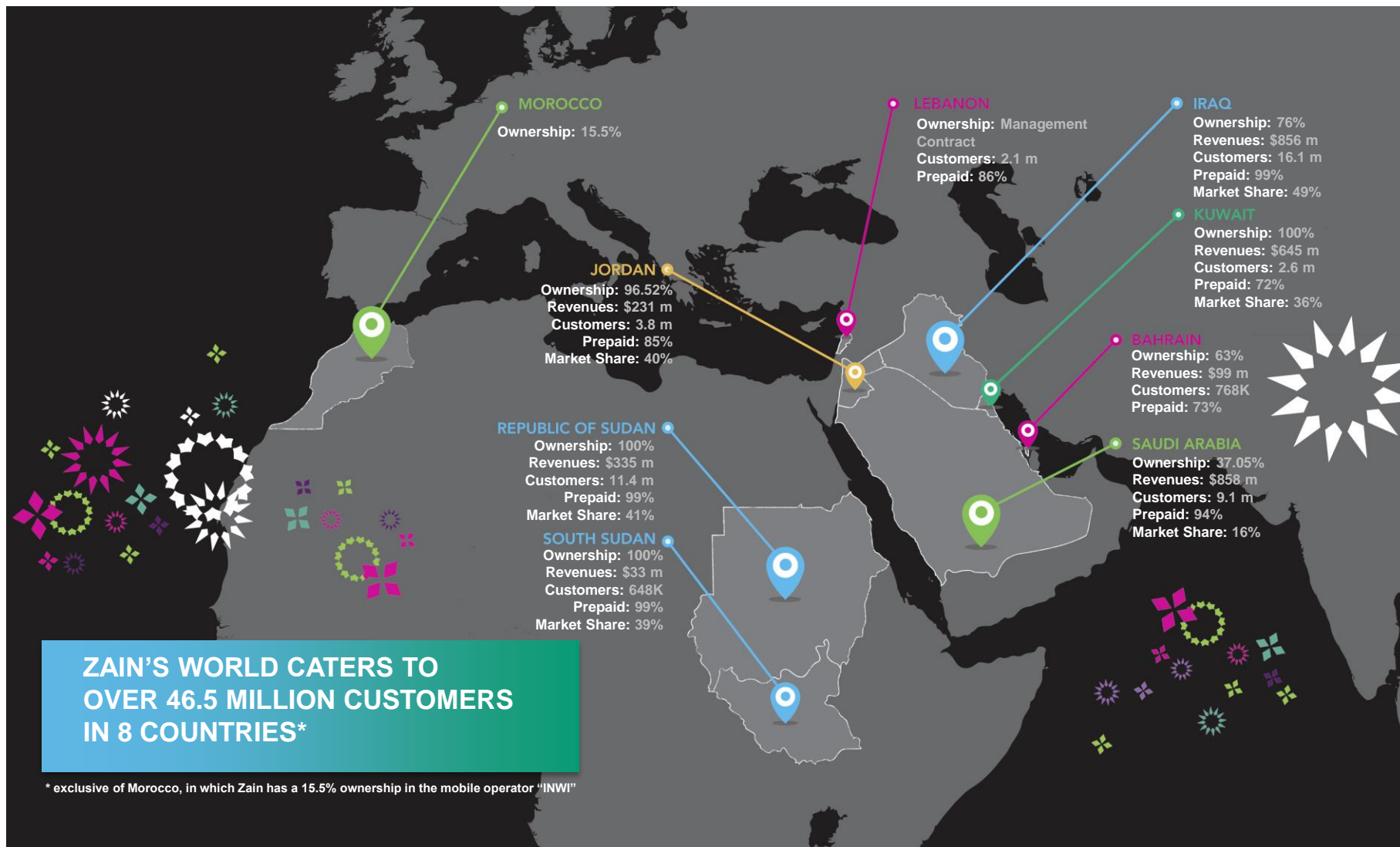
MARKET LEADER

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



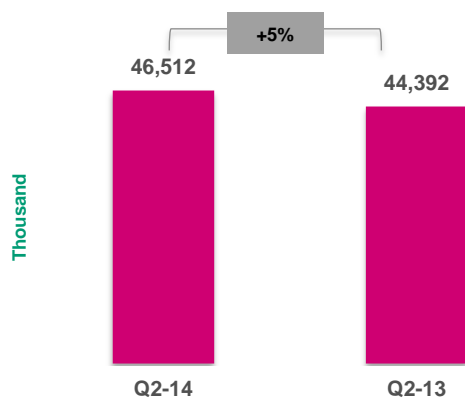
The World of Zain

As of H1-2014

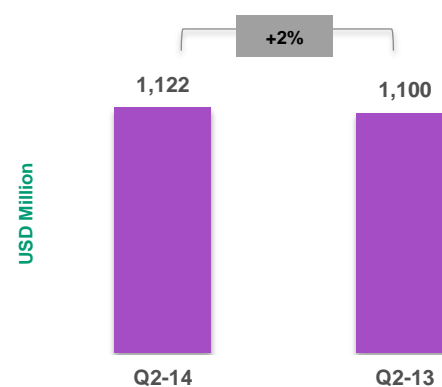


Key Performance Indicators as of Q2-2014

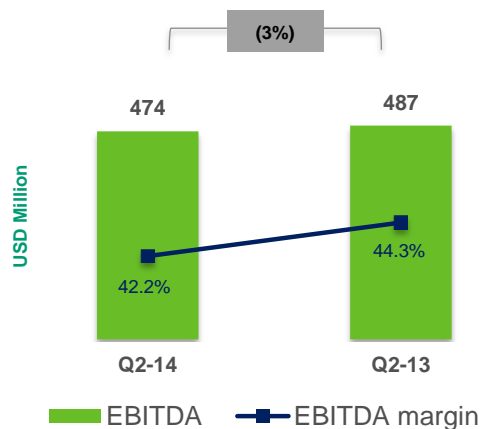
Customers



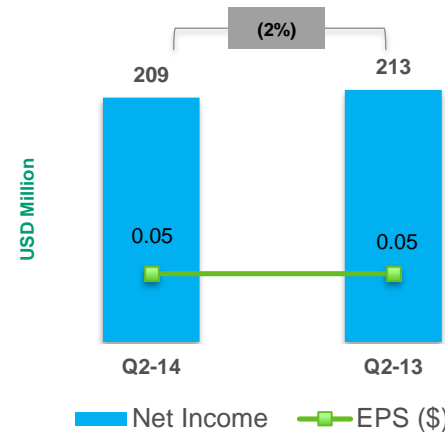
Revenues



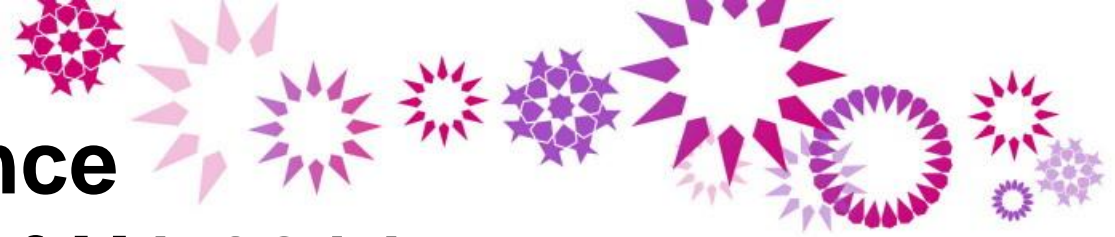
EBITDA / Margin



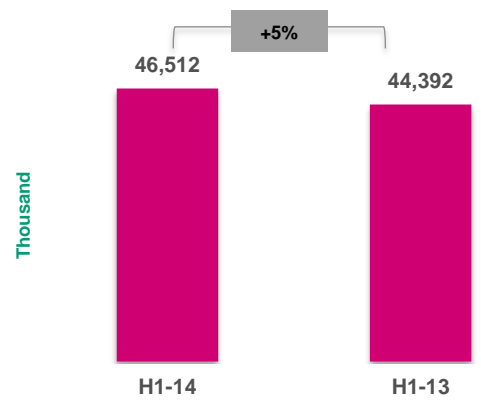
Net Income / EPS



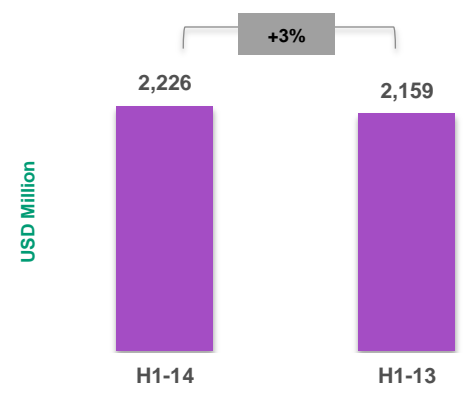
Key Performance Indicators as of H1-2014



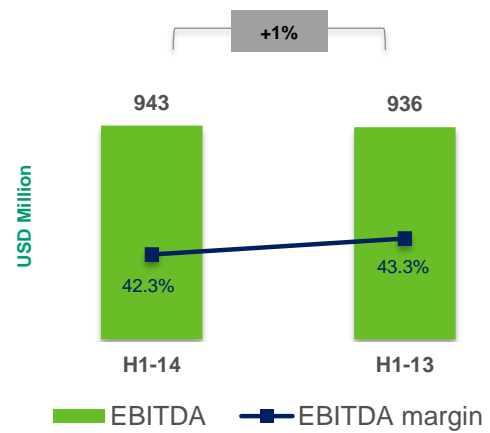
Customers



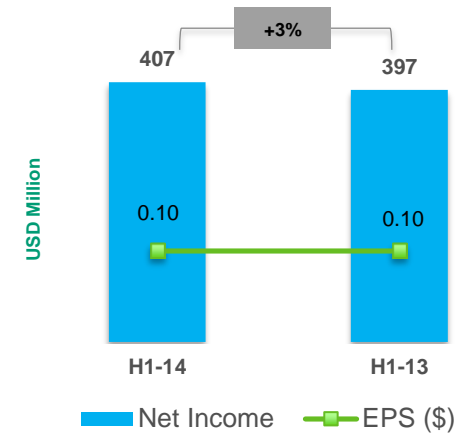
Revenues



EBITDA / Margin

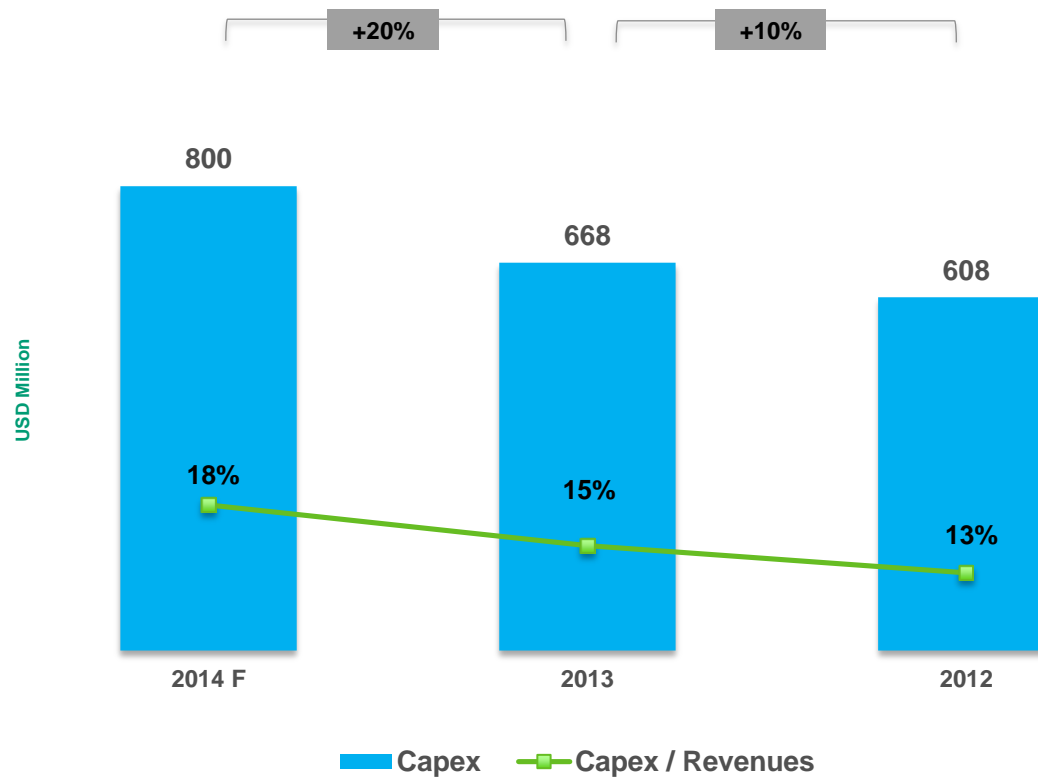


Net Income / EPS



7 Key Performance Indicators

Capex & Capex / Revenues

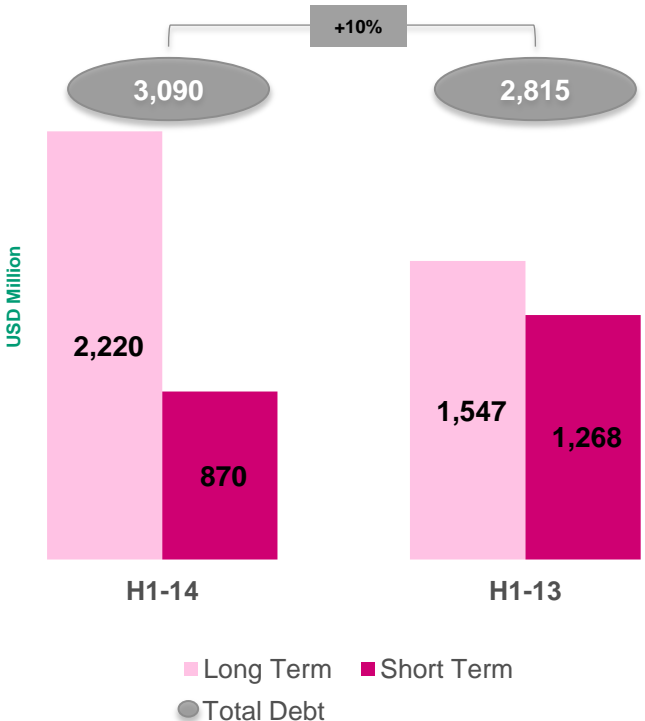


F = Forecasted

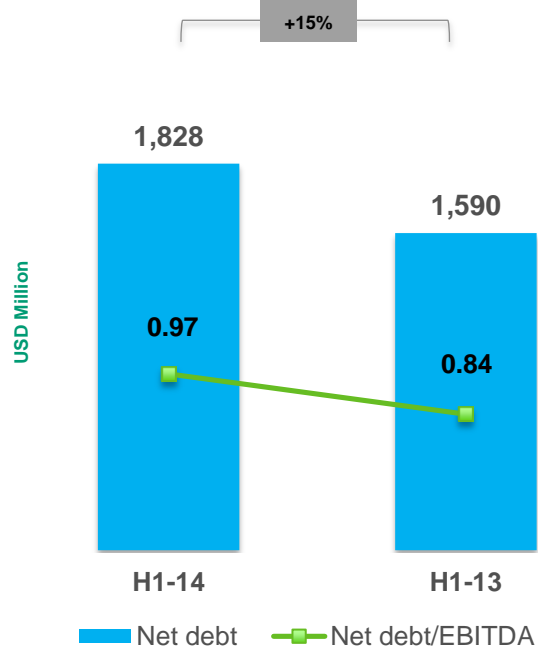
Key Performance Indicators as of 30/6/2014



Total Debt

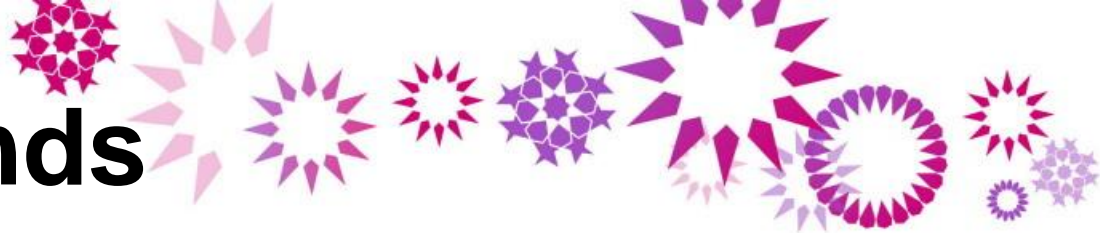


Net Debt & Net Debt / EBITDA

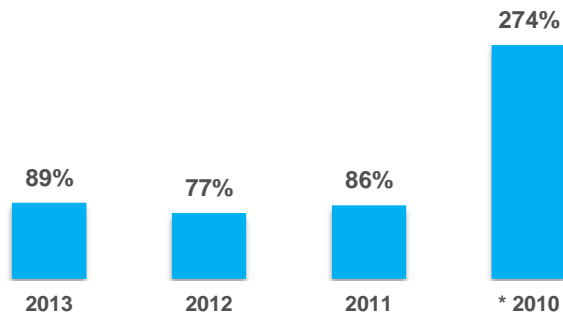


• Net Debt = Total interest bearing debts (excluding letter of guarantees) after deducting Cash and Cash Equivalent

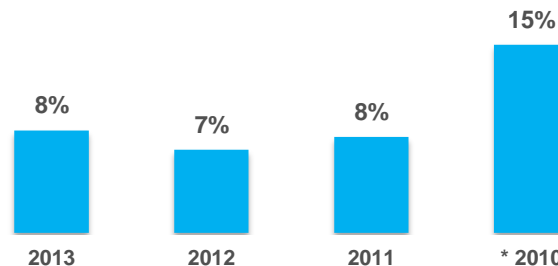
Zain Dividends



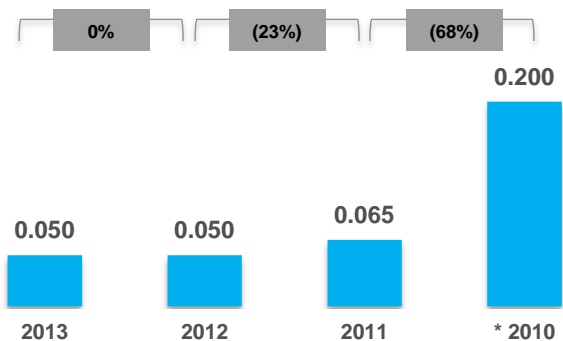
Dividend Payout Ratio



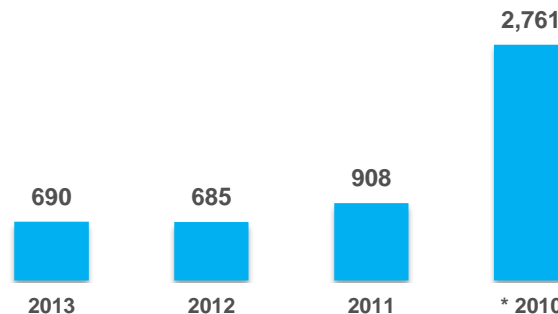
Dividend Yield (%)



Dividend Per Share (KWD)



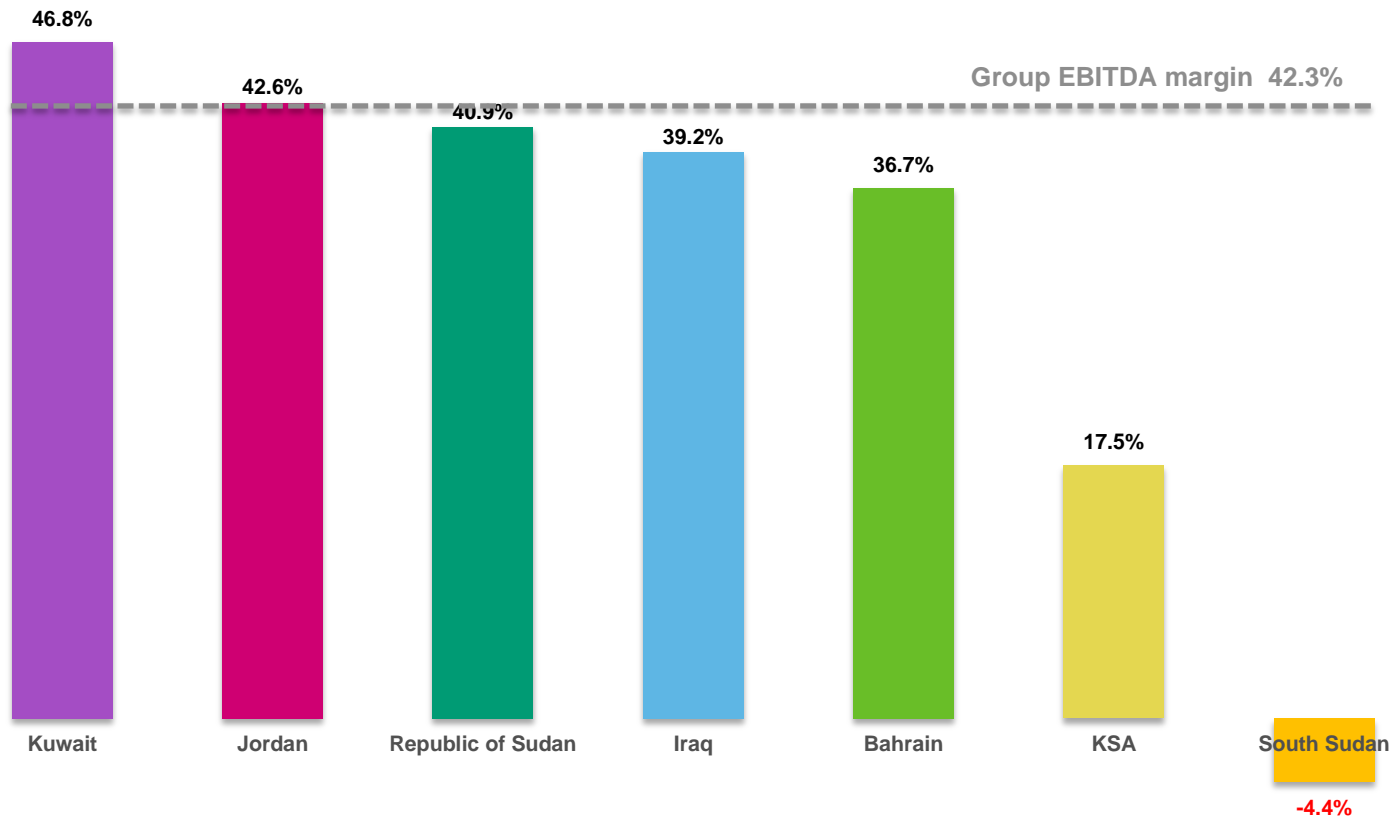
Cash Dividend (USD m)



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

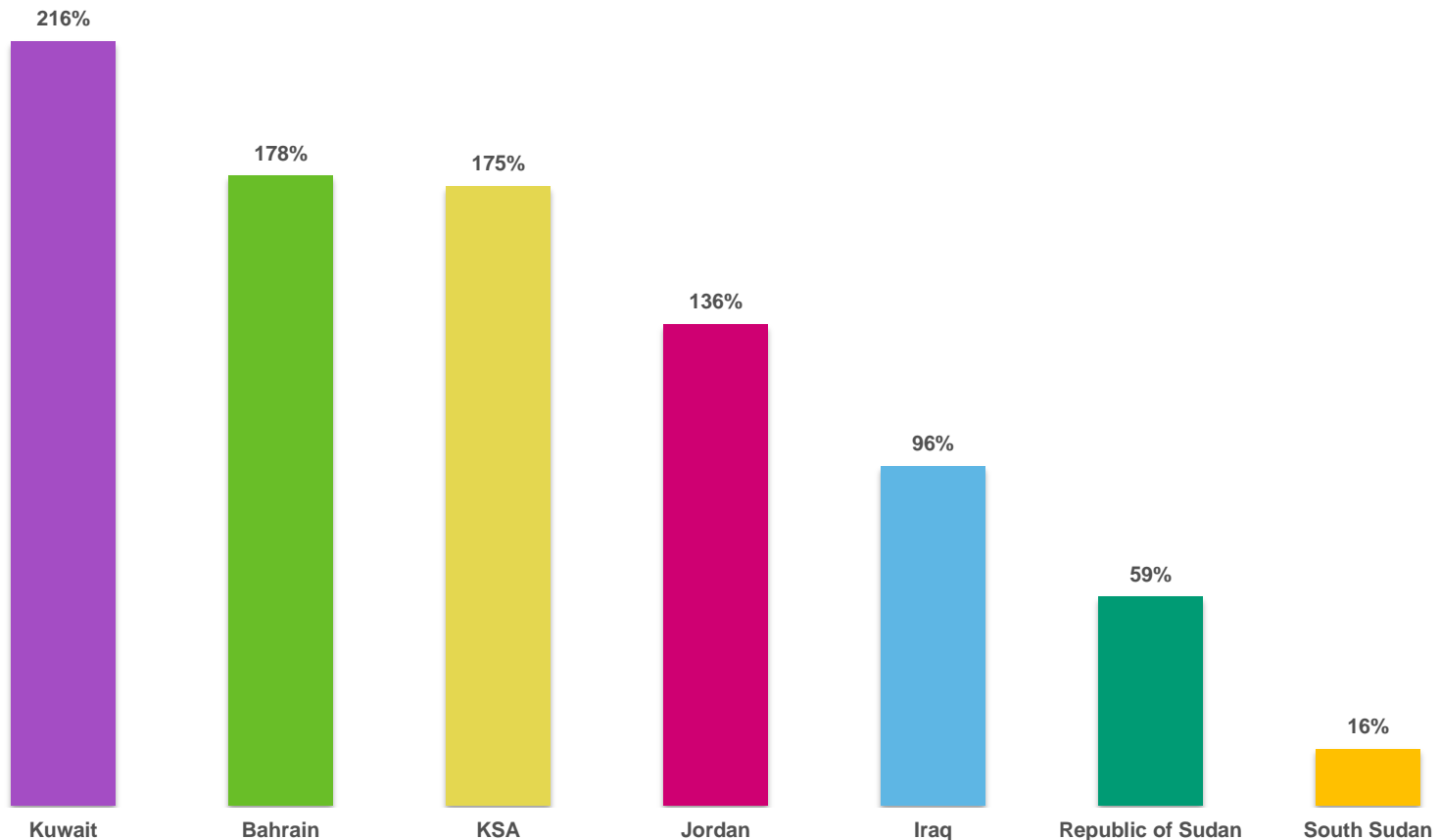
10

EBITDA Margins As of H1-2014



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Penetration Rates As of H1-2014

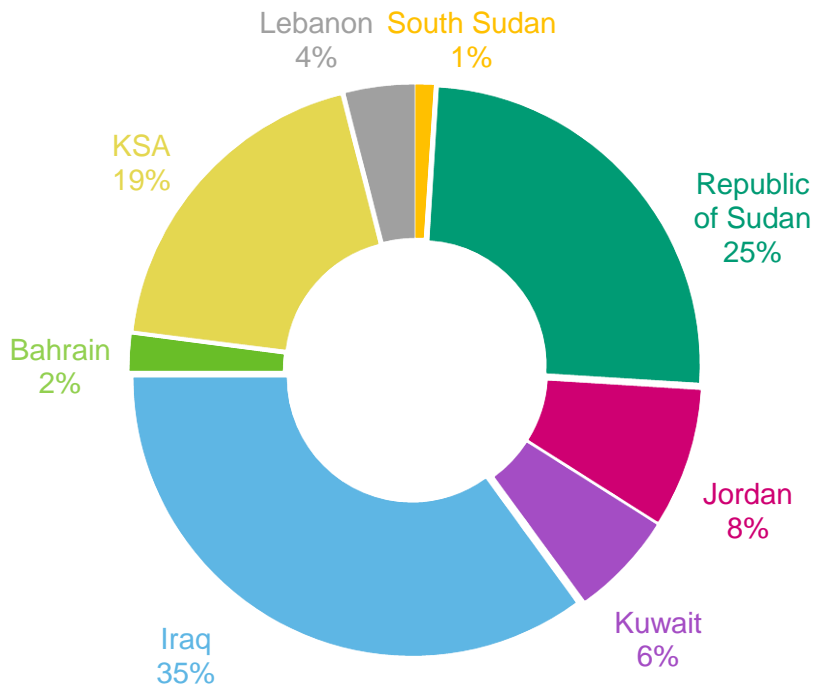


Source: World Cellular Information Services (WCIS).

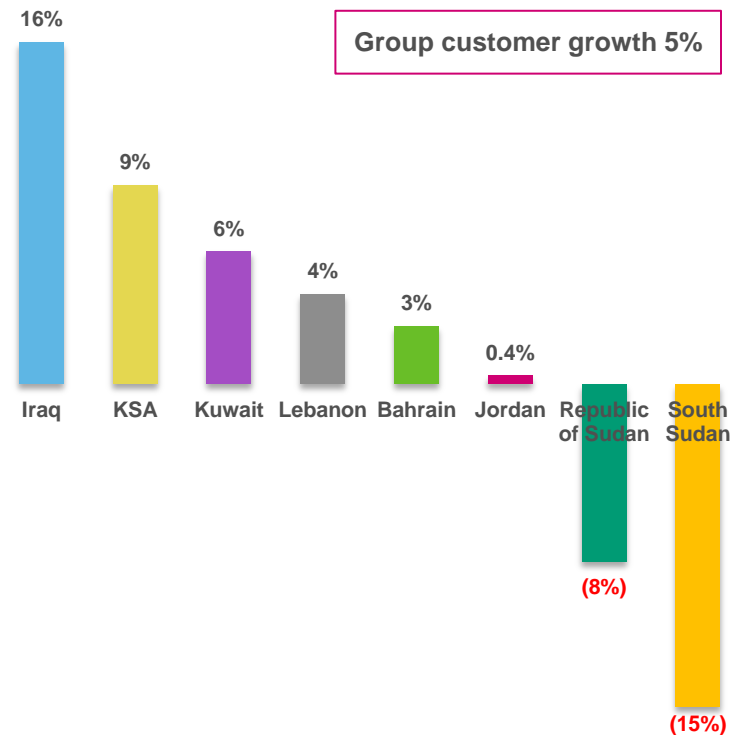


Our Customers As of H1-2014

Customers Contribution



Customers Growth Q2-14 vs. Q2-13

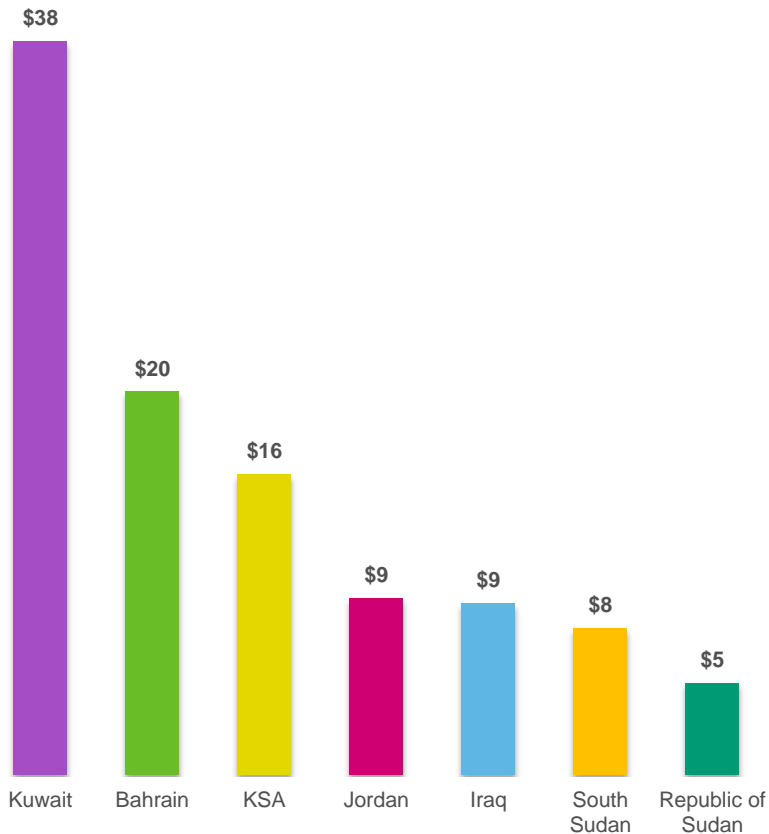


* Customer base drop in Republic of Sudan and South Sudan is due to the registration policy and ongoing conflict which caused severe population displacement.

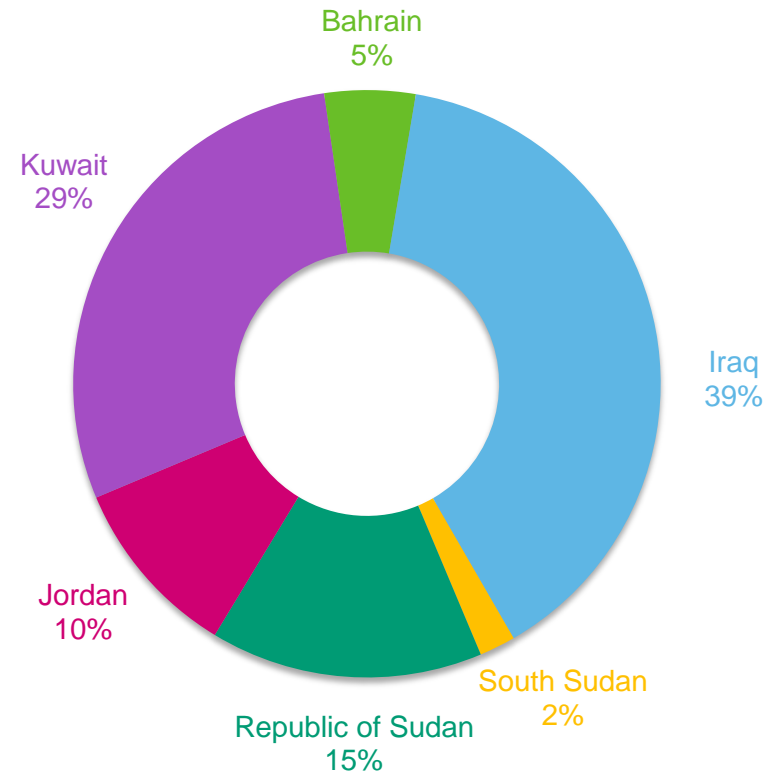
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Blended ARPU & Revenue Contribution as of H1-2014

Blended ARPU



Revenue Contribution



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State of Kuwait

Key Statistics – June 2014

3.4 m
Population

\$42,100
GDP/Capita

216%
Penetration

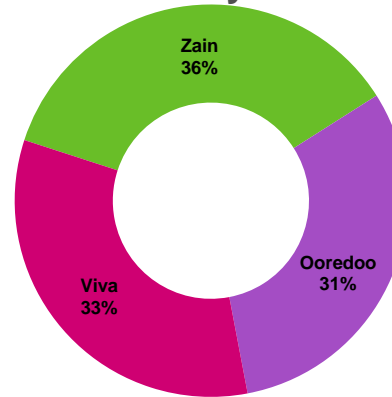
1983
Year of launch

2.6 m
Customers

100%
Ownership

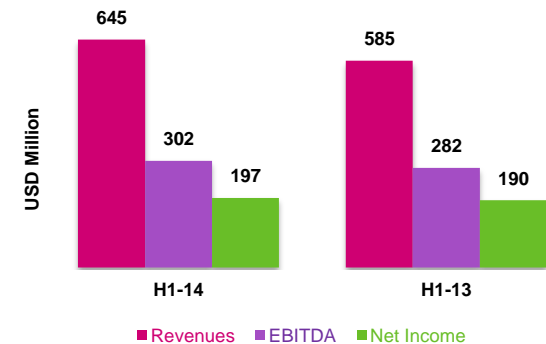
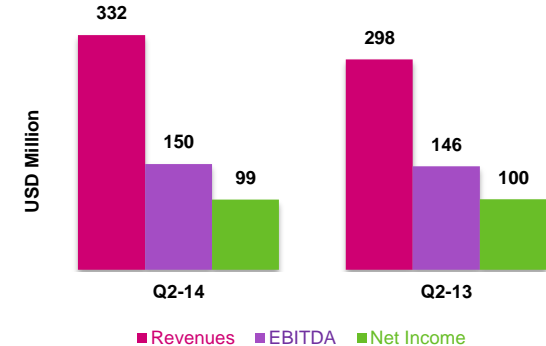
\$38
ARPU

Market Share by Customers



Technology : 4G LTE Nationwide
Number of sites : 1,787
Coverage : 100%

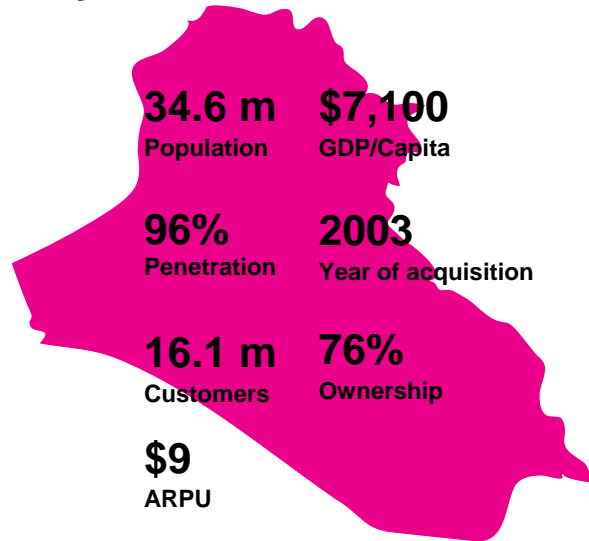
Financials



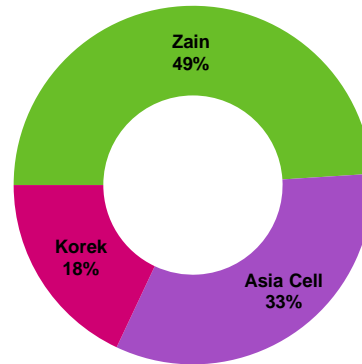
- The Group's flagship operation was established in 1983 and made history in 1994 by becoming the first telecom operator to launch commercial GSM service in the region. Zain has been listed on the Kuwait Stock Exchange since 1985 with a market capitalization circa USD 10 billion closing at Fils 650 as of July 16th, 2014.
- Zain Kuwait has the highest ARPU of \$38 in the Group.
- The new Telecommunications Regulatory expected to form their new board by late 2014.
- Despite the price war and a high penetration rate of 216%, Zain Kuwait still dominates the market with 36% market share, serving 2.6 million customers, which grew by 6% Y-o-Y.
- Zain Kuwait continued to report impressive financial performance where revenues soared by 10% to reach USD 645 million in H1-2014 compared to USD 585 million in H1-2013 mainly due to the increase in data and trading revenues. EBITDA and net income increased by 7% and 3% respectively, mainly on account of increase in revenues. The operator reported a healthy EBITDA margin of 47% as of H1-2014.
- Notably, data revenues (excluding SMS & VAS) formed 30% of total revenues, reflecting an annual growth of 19%. Zain's nationwide 4G LTE network covered the entire population of Kuwait through a total of 1,787 network sites.

Republic of Iraq

Key Statistics – June 2014

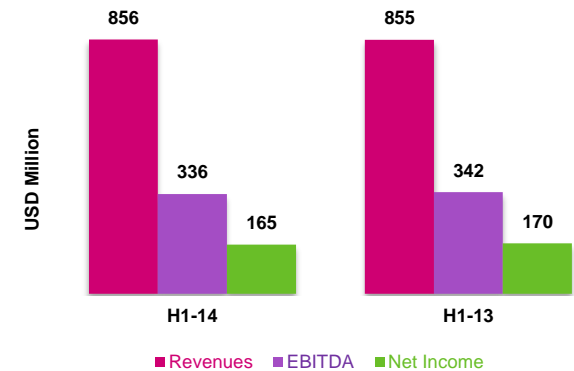
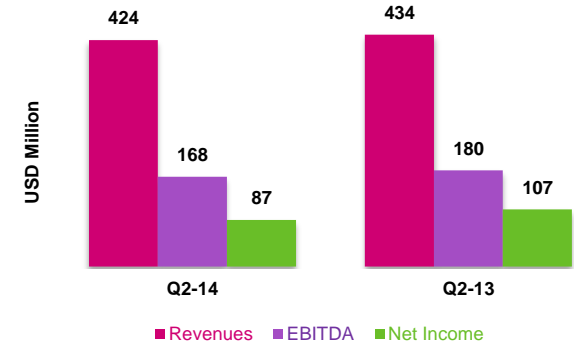


Market Share by Customers



Technology : 2G
Number of sites : 3,945
Coverage : 98%
License : expires in 2022

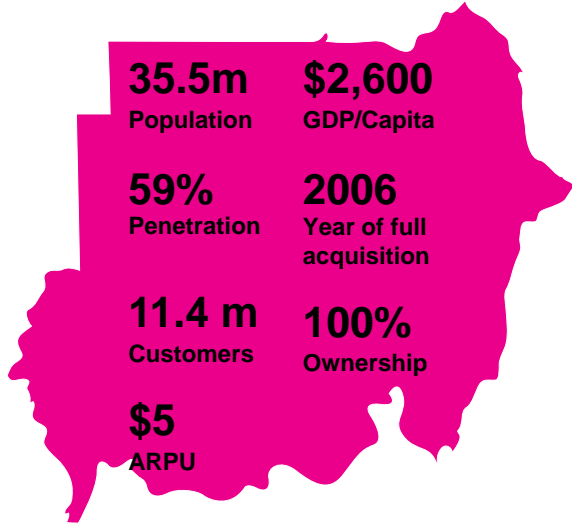
Financials



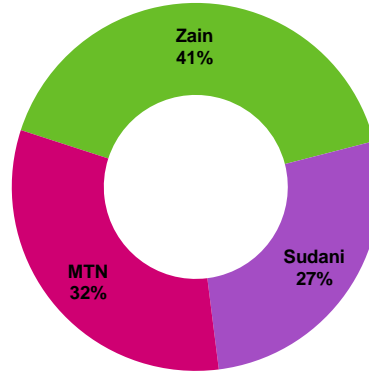
- Zain has been providing mobile services in Iraq since December 2003 and is the largest mobile operator in the country today. After securing a 15-year license in August 2007, Zain Group owns 76% of the mobile entity.
- Zain Iraq achieved striking customer acquisition, where it increased by 16% Y-o-Y (2.2 million) to now serve more than 16 million customers, the highest customer base among the group, due to the introduction of new attractive value promotions in the northern region. However, Zain Iraq's revenues were stable at USD 856 million due to deteriorating security conditions and internet outages. EBITDA decreased by 2% to reach USD 336 million mainly due to increase in security expenses. Net income decreased by 3% to reach USD 165 million as compared with the same period last year affected by the negative EBITDA performance.
- 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 2014 subject to regulatory conditions being met.
- We anticipate the 3G licensing process to commence in the 2nd Half of 2014 which is estimated circa USD 300 - USD 307 million.
- Data revenues (excluding SMS & VAS) represent only 4% of total revenues, reflecting an annual growth of 41%, leaving further room for growth given the imminent granting of 3G spectrum this year. As of H1-2014, the operator had a total of 3,945 network sites, covering 98% of the population.

17 Republic of Sudan

Key Statistics – June 2014

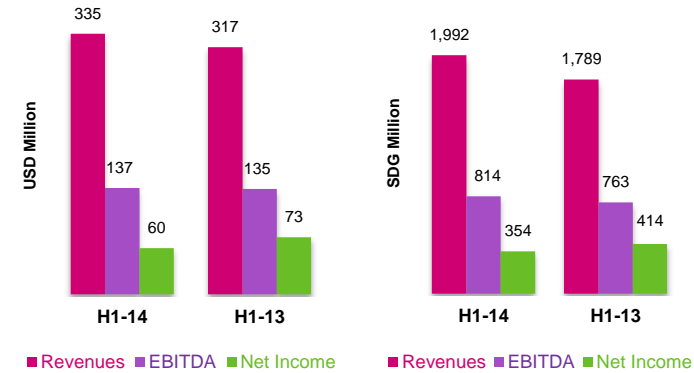
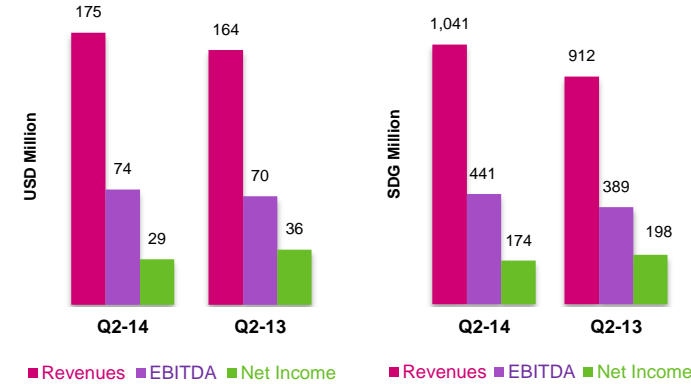


Market Share by Customers



Technology : 3G
Number of sites : 2,331
Coverage : 86%
License : expires in 2029

Financials

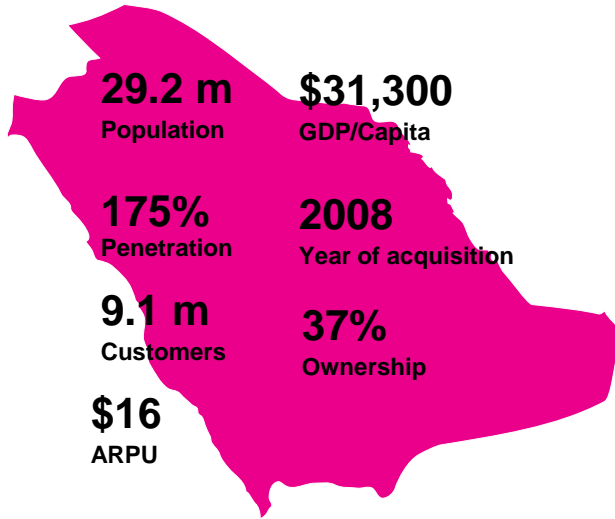


- In February 2006, Zain acquired the remaining 61% stake of Mobitel, Republic of Sudan's first mobile operator, in a deal valued at USD 1.3 billion, resulting in 100% ownership. The company rebranded to Zain in September 2007 and subsequently renewed its license for a period of 20 years.
- In local currency (SDG) terms, revenues jumped by 11% Y-o-Y to reach SDG 1,992 million in H1-2014, mainly coming from the increase in voice, data and interconnect revenues. EBITDA increased by 7% to reach SDG 814 million, mainly on account of the healthy top line performance and efficient opex management. Net income for the same period decreased by 14% coming from the negative currency variance. In USD terms, revenues for H1-2014 increased 5% to reach USD 335 million and EBITDA increased by 1% to reach USD 137 million, while net income decreased by 19% Y-o-Y to reach USD 60 million in H1-2014 mainly due to the currency variance which is mentioned earlier.
- The operation served 11.4 million customers as of June 2014 through a total number of 2,331 network sites, with 86% population coverage. Data revenues in SDG terms (excluding SMS and VAS) formed only 5% of total revenues, with a remarkable growth of 79% Y-o-Y.

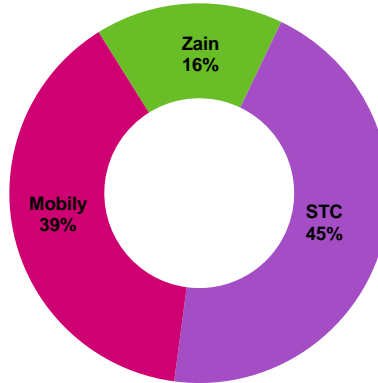


18 Kingdom of Saudi Arabia

Key Statistics – June 2014

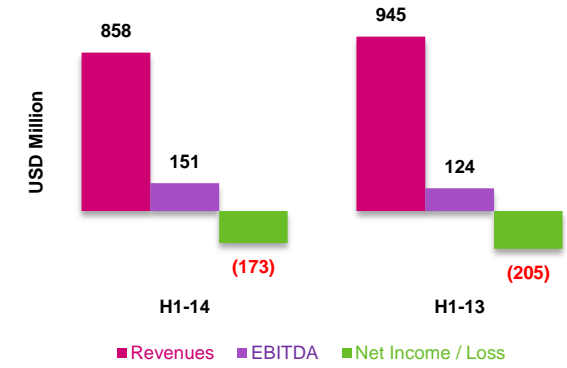
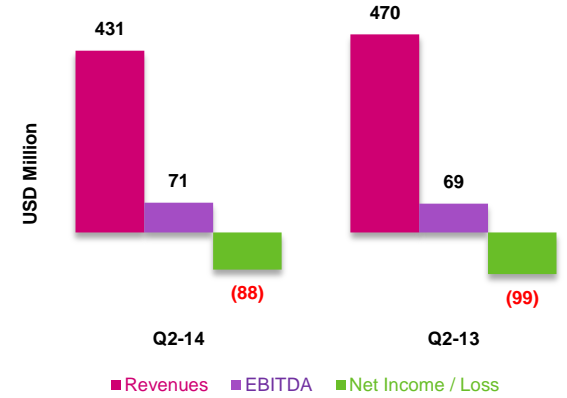


Market Share by Customers



Technology : 4G LTE
Number of sites : 6,113
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 10) on July 17th, 2014.
- Zain KSA announced the signing of network expansion and upgrade agreements worth SAR 4.5 billion (USD 1.2 billion) with five leading global technology companies. The agreements aim to enhance Zain KSA's customer experience and to improve and expand Zain's network capacity, coverage and speed.
- The operator witnessed the 2nd highest customer growth among the group with 9% increase Y-o-Y to now serve more than 9 million customers representing 19% of the total group customer base. Revenues were down by 9% due to the international price war that existed last year, while EBITDA showed impressive growth by 22% to reach USD 151 million mainly driven by better gross margins and Opex optimization. Once again, the operator managed to shrink its losses by 16% to reach USD 173 million as compared with losses of USD 205 million last year mainly due to positive EBITDA performance.
- The operator saw a phenomenal 48% rise in data revenues (excluding SMS & VAS) Y-o-Y which represents 16% of total revenues as the company expands its state-of-the-art 4G LTE network that currently covers 52% of the population.
- Zain KSA's network covers 93% of the population through a total of 6,113 network sites.



Kingdom of Jordan

Key Statistics – June 2014

7.4 m

Population

\$6,100

GDP/Capita

136%

Penetration

2003

Year of acquisition

3.8 m

Customers

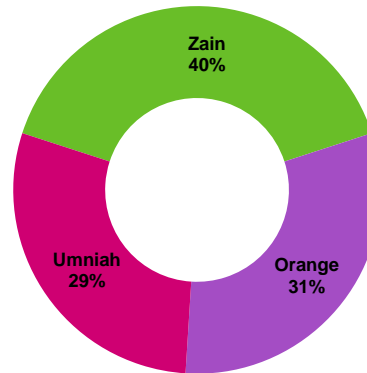
96.52%

Ownership

\$9

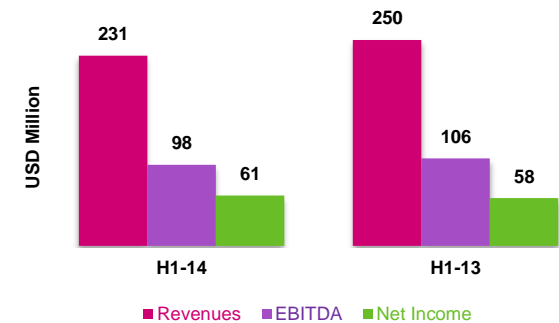
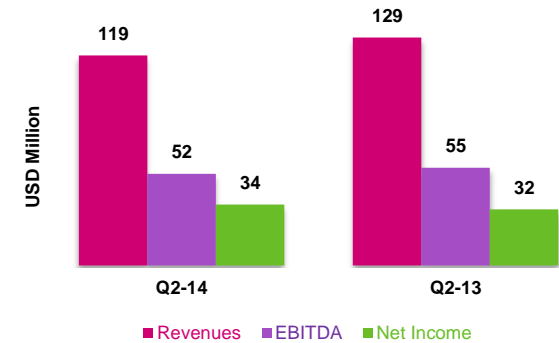
ARPU

Market Share by Customers



Technology : 3G
Number of sites : 2,062
Coverage : 100%
License : expires in 2026

Financials

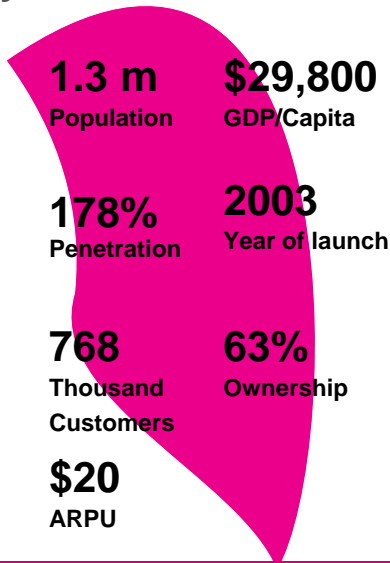


- In 1994, Zain Jordan, formerly Fastlink, revolutionized the telecom sector in the Kingdom by being the first to introduce mobile services in the country. In 2003, it was the first to join what is now Zain Group's Middle East portfolio, it has been acquired for USD 419 million and today remains the market leader.
- Despite the heightening of price competition, Zain managed to maintain its lead in the market with 40% market share. Y-o-Y Revenue and EBITDA decreased by 8% and 7% respectively to reach USD 231 million and USD 98 million respectively, mainly due to lower voice revenues affected by the increase in special sales tax and lower interconnect revenues. However, Zain Jordan recorded a 5% growth in Net Income to reach USD 61 million on account of lower depreciation and amortization.
- Zain Jordan recently attained frequencies to enhance and expand its third generation network and also to roll-out 4G LTE in the Kingdom for a license fee investment of USD 270 million, boding well for the operator to provide superior mobile and data services to its customer base going forward.
- Data revenues (excluding SMS & VAS) represented 23% of total revenues, which grew by 16% as compared with the same period last year. The operator covers the entire population through its 2,062 network sites.

Kingdom of Bahrain



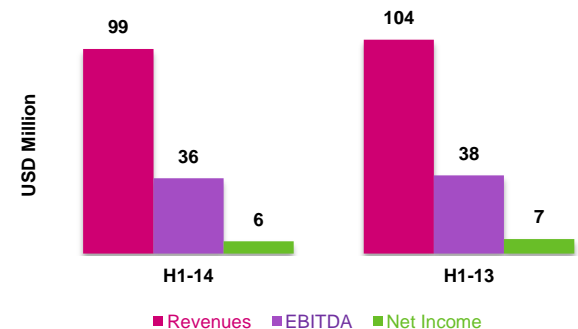
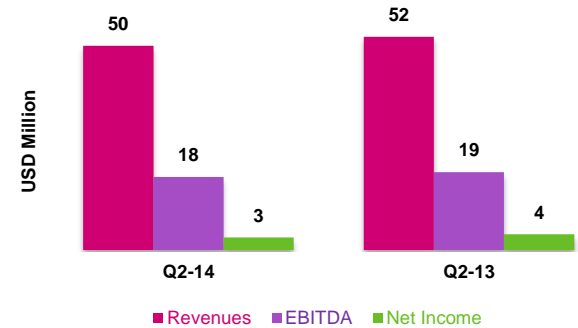
Key Statistics – June 2014



Technology : 4G LTE
 Number of sites : 393
 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.
- Zain Group increases ownership stake in Zain Bahrain to 63%, following an acquisition from minority shareholders that included a 6.25% shareholding for a total consideration of USD 12.5 million.
- With an ARPU of USD 20, Zain Bahrain has the second highest ARPU in the Group.
- Data revenues (excluding SMS & VAS) represented 30% of overall revenues, which grew by 6% as compared with last year.
- The mobile operator is currently preparing to launch an Initial Public Offering to list 15% of the company shares on the Bahrain Stock Exchange as per license and TRA requirements, expected before the end of the year.

Financials



21 Republic of South Sudan

Key Statistics – June 2014

11.6 m
Population

\$1,400
GDP/Capita

16%
Penetration

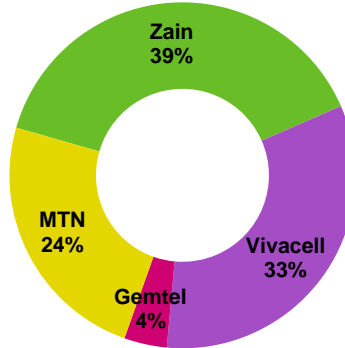
2006
Year of full acquisition

648
Thousand Customers

100%
Ownership

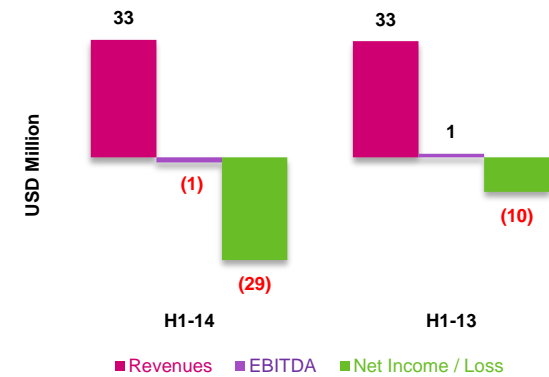
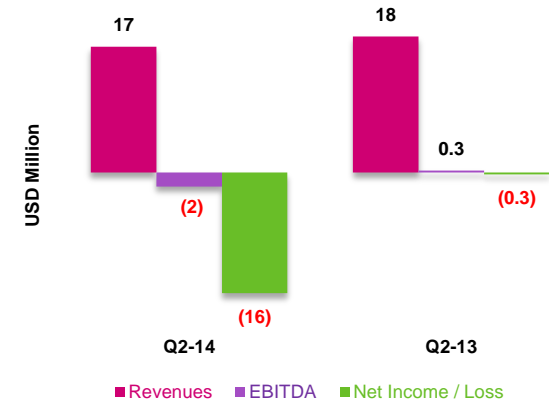
\$8
ARPU

Market Share by Customers



Technology : 3G
Number of sites : 265
Coverage : 45%
License : MOU

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 entities.
- The ongoing conflict in South Sudan is heavily impacting Zain's operation in South Sudan creating further inactivity and network shutdowns, as it is the biggest operator in the conflicted areas, where the competitors are not as widely present as Zain.
- Zain is the key leader in the South Sudanese market with 39% market share supported with the increase in its data revenues which is a preferred service in South Sudan and data revenues (excluding SMS & VAS) continues to grow significantly by 193% Y-o-Y representing 8% of the total revenues for H1-2014.
- As of Q2-2014 the operator had a total of 265 network sites, covering 45% of the population.



Key Statistics – June 2014

4.9 m
Population

\$15,800
GDP/Capita

80%
Mobile
Penetration

2004
Year of acquisition

2.1 m
Customers

MC
Ownership

Technology : 4G LTE

Number of sites : 1,116

Coverage : 99%

License : Management Contract (MC) until 31st July, 2014

- Zain operates in Lebanon under a management contract since June 2004, when it was rebranded to mtc-touch, and subsequently to “touch”.
- In late May-2014, Mr. Wassim Mansour was appointed as General Manager (GM) of ‘touch’ in Lebanon, the mobile operation Zain manages on behalf of the Lebanese government.
- The number of existing sites continues to increase as it reached 1,116 network sites as of June 2014, covering 99% of the population.
- The operation currently serves around 2.1 million customers.
- The Network Management Agreement (NMA), has been extended for a period of one month commencing on 1st of July 2014 and ending on 31st July 2014 and will be extended on monthly basis for the next 2 months.



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Balance Sheet

	Unaudited 30-Jun-14	Audited 31-Dec-13	Unaudited 30-Jun-13		Unaudited 30-Jun-14	Audited 31-Dec-13	Unaudited 30-Jun-13
	KD '000				KD '000		
Assets				Liabilities and Equity			
Current assets				Current liabilities			
Cash and bank balances	355,046	399,242	349,217	Trade and other payables	550,935	542,566	546,733
Trade and other receivables	361,771	350,300	336,397	Due to banks	244,742	198,402	361,366
Inventories	19,729	14,922	19,023		795,677	740,968	908,099
Investment securities- at fair value through profit or loss	1,718	1,930	2,145	Non-current liabilities			
	738,264	766,394	706,782	Due to banks	624,434	557,319	440,993
				Other non-current liabilities	37,599	35,451	33,334
Non-current assets					662,033	592,770	474,327
Investment securities – available for sale	42,295	46,363	47,289	Equity			
Investments in associates and joint ventures	247,052	265,197	289,871	Attributable to the Parent Company's shareholders			
Due from associates	290,417	271,952	254,549	Share capital	432,637	432,268	432,149
Other assets	20,269	18,726	17,631	Share premium	1,707,104	1,706,779	1,706,674
Property and equipment	746,908	734,641	738,174	Treasury shares	(567,834)	(567,834)	(567,834)
Intangible assets	1,055,329	993,667	1,023,328	Legal reserve	216,134	216,134	215,764
	2,402,270	2,330,546	2,370,842	Foreign currency translation reserve	(687,832)	(684,716)	(643,777)
Total Assets	3,140,534	3,096,940	3,077,624	Treasury shares reserve	1,967	1,967	1,967
				Investment fair valuation reserve	174	2,445	1,138
				Share based compensation reserve	-	5,482	4,207
				Hedge reserve	(2,112)	(1,164)	-
				Retained earnings	433,474	509,296	413,245
					1,533,712	1,620,657	1,563,533
				Non-controlling interests	149,112	142,545	131,665
				Total equity	1,682,824	1,763,202	1,695,198
				Total Liabilities and Equity	3,140,534	3,096,940	3,077,624

Income Statement

Six months ended

30-Jun

2014	2013
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KD'000

Six months ended

30-Jun

2014	2013
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Fils

29	29
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-	29
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Earnings per share

Basic – Fils	29	29
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Diluted – Fils	-	29
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Revenue	626,938	611,940
Cost of sales	(175,612)	(172,885)
Gross profit	451,326	439,055
Operating and administrative expenses	(179,731)	(170,977)
Depreciation and amortization	(88,117)	(96,117)
Provision for impairment – trade and other receivables	(6,097)	(2,917)
Operating profit	177,381	169,044
Interest income	9,630	8,806
Investment income	2,196	2,224
Share of results of associates and joint ventures	(16,421)	(15,217)
Other income/(expense)	2,084	(9,341)
Finance costs	(13,652)	(11,000)
Loss from currency revaluation	(16,546)	(9,163)
Board of Directors' remuneration	(215)	(215)
Contribution to Kuwait Foundation for Advancement of Sciences	(777)	(1,161)
National Labour Support Tax and Zakat	(3,473)	(3,389)
Profit for the period before income tax	140,207	130,588
Income tax expenses	(13,050)	(4,910)
Profit for the period	127,157	125,678

Attributable to:

Shareholders of the Parent Company	114,700	112,649
Non-controlling interests	12,457	13,029
	127,157	125,678

Cash flow statement



	Six months ended			Six months ended	
	30-Jun			30-Jun	
	2014	2013		2014	2013
	KD'000			KD'000	
Cash flows from operating activities			Cash flows from investing activities		
Profit for the period before income tax	140,207	130,588	Deposits maturing after three months and bank balances blocked	1,575	(3,442)
Adjustments for:			Investment in a subsidiary	(3,513)	-
Depreciation and amortization	88,117	96,117	Purchase of investments	(273)	(540)
Interest income	(9,630)	(8,806)	Proceeds from sale of investments	3,941	4,272
Investment income	(2,196)	(2,224)	Acquisition of property and equipment (net)	(64,429)	(85,034)
Share of loss of associates and joint ventures	16,421	15,217	Acquisition of intangible assets	(95,550)	(27,106)
Finance costs	13,652	11,000	Interest received	4,143	4,689
Loss from currency revaluation	16,546	9,163	Dividend received	272	534
Operating profit before working capital changes	263,117	251,055	<i>Net cash used in investing activities</i>	<i>(153,834)</i>	<i>(106,627)</i>
Increase in trade and other receivables	(20,752)	(16,161)	Cash flows from financing activities		
Increase in inventories	(5,038)	(6,946)	Proceeds from bank borrowings	333,228	424,390
(Decrease)/ increase in trade and other payables	(6,245)	21,080	Repayment of bank borrowings	(217,491)	(283,041)
Cash generated from operations	231,082	249,028	Loan to an associate	(11,009)	(12,883)
Paid to Kuwait Foundation for Advancement of Sciences	(3,949)	(5,058)	Capital contribution including share premium – employees stock option	694	1,801
National Labour Support Tax and Zakat paid	(3,807)	(4,646)	Dividends paid to Parent Company's shareholders	(193,274)	(191,468)
Income tax paid	(10,650)	(9,466)	Dividends paid to minority shareholders of subsidiaries	(1,163)	(3,298)
<i>Net cash from operating activities</i>	<i>212,676</i>	<i>229,858</i>	Finance costs paid	(10,968)	(22,512)
			<i>Net cash used in financing activities</i>	<i>(99,983)</i>	<i>(87,011)</i>
			Net (decrease)/increase in cash and cash equivalents	(41,141)	36,220
			Effect of foreign currency translation	(1,480)	6,946
			Cash and cash equivalents at beginning of period	282,687	188,921
			Cash and cash equivalents at end of period	240,066	232,087



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Q&A

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

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

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