



# Zain Group

Q2 2017

Earnings Conference Call

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**Chaired by:**  
Omar Maher  
EFG Hermes





Operator: Good day and welcome to the Zain Group Q2 2017 Results Conference Call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Omar Maher. Please go ahead.

Omar Maher: Thank you. Good morning and good afternoon everyone. This is Omar Maher from EFG Hermes. I'd like to welcome you all to Zain Group's Q2 2017 Results Conference Call and as usual the call will begin with a discussion of the key highlights for the period, and this will be followed by a brief Q&A session. I'll now hand the call over to Mohammad Abdal, Chief Communications Officer, and thank you very much.

Mohammad Abdal: Thank you Omar and welcome everyone to Zain's Q2 2017 Results Conference Call. I'm joined today by Scott Gegenheimer, our Group CEO of Operations, Ossama Matta, our Group CFO, and Aram Dehyan in charge of investor relations. In a moment, we will hear brief remark from them followed by a Q&A session.

Before we get underway, let me remind you that our quarterly Investor Relations update and presentation slides that accompany this call, are available on the Investor Relations page of Zain website. During this call, we will be making forward-looking statements which are predictions, projections or other statements about future events. These statements are based on current expectations and assumptions that are subject to risks and uncertainties. Please refer to our detailed cautionary statement found in slide number 1.

With that, I will now turn the call over to Scott.

Scott Gegenheimer: Thank you Abdal. Good afternoon to everyone and thank you for joining us on today's call. It's been an exciting and busy period for Zain since our last call, and I'm sure all of you are very interested in two recent announcements we made this month...one being the Share Purchase Agreement we entered with Omantel to sell our treasury shares, and the other being Zain KSA entering exclusive negotiations with a consortium led by IHS and Towershare for the sale and lease back of Zain KSA towers.

Before I speak about these two key transactions, I would like to highlight some of the key operational issues that affected Zain Group's 2017 second quarter financial results.

Zain KSA's turnaround, improving conditions and growth in Iraq, cost optimization program and new data monetization initiatives in our Opcos strengthened our KPIs, but the major challenge is the significant currency devaluation in Zain Sudan in November 2016 which negatively affected the overall Zain Group financial results. However, Zain Sudan continues to perform exceptionally well in local currency terms.

As you can see in the IR presentation page 7, for the first six months of 2017, Zain Group generated consolidated revenues of USD 1.7 billion down 9% Y-o-Y. The Group's consolidated EBITDA for the period reached USD 695 million, down 18% Y-o-Y, reflecting an EBITDA margin of 41.7%. Consolidated net income remained stable at USD 270 million. Earnings per share for the half-year stood at 21 Fils (USD 0.07).

We continue to monetize our 4G/LTE networks. Zain Group data revenues (excluding SMS and VAS), representing 25% of the Group's consolidated revenues. We had impressive data revenue growth in several key markets. Sudan grew 69%, Iraq 65%, KSA 42%.

For the first six months of 2017, foreign currency translation impact, predominantly due to the 61% currency devaluation in Sudan from 6.4 (SDG / USD), in H1 2016 to 16.5 (SDG/USD) cost the company USD 305 million in revenue, USD 131 million in EBITDA and USD 58 million in net income.

Excluding this currency translation impact, Y-o-Y revenues, and net income would have grown by 8% and 21% respectively for H1, 2017.

For Q2 2017 specifically, Zain Group recorded consolidated revenues of USD 860 million, down 6% Y-o-Y. EBITDA for the quarter reached USD 344 million, down 22% Y-o-Y, reflecting an EBITDA margin of 40%. Net income for the quarter amounted to USD 145 million, down 2% Y-o-Y reflecting earnings per share of 11 Fils (USD 0.04).

For the second quarter, specifically, foreign currency translation impact, predominantly due to the 61% currency devaluation in Sudan cost the company USD 157 million in revenue, USD 62 million in EBITDA and USD 25 million in net income.

Excluding the above-mentioned currency translation impact, Y-o-Y revenues, and net income would have grown by 12% and 15% respectively for Q2, 2017.

Going to slide 9, total Group CAPEX for the six months excluding Zain KSA reached USD 143 million and accounts for 8.5% of the total Group revenues. CAPEX, including Zain KSA of USD 121 million, it will represent 8.7% of the total Group revenues.

It is worth mentioning that Zain launched iflix, Streaming Video on Demand (SVoD) service across several of our markets. This follows the announcement earlier in the year that Zain and iflix had formed a joint venture entity named 'iflix Arabia', the take-up of the service has met our targets and we will continue to grow this line of business.

Although not strictly falling in Q2, I would like to elaborate a bit more on the Treasury Share sale to Omantel as I mentioned at the beginning of this call.

The 2 weeks' auction period for these treasury shares commenced last Thursday 10th Aug. and ends this Thursday 24th Aug, and we will advise all our stakeholders immediately after the completion of the transaction.

From Zain Group's perspective, once we close this transaction successfully on 24<sup>th</sup> August it will impact Zain positively in the following ways: first, we're going to be receiving USD 846 million in cash, which will help us reduce our leverage, which now stands at 2.1 Net Debt / EBITDA levels, and it'll strengthen Zain's balance sheet. Noting we haven't yet decided on how much of this cash will be used to reduce our debt. At the same time, additional cash will also improve our liquidity position and our working capital and supporting our strategic goals as we continue to seek opportunities in visual space and invest in upgrading and modernising our network. Omantel's offer price translates into a P/B of two times, which will raise the shareholder's equity by KD 255 million. The market sentiment is positive on this deal and as of today our share price is up by 11% since this announcement and adding USD 700 million in market capitalisation, which increases our shareholders value by the same amount.

Regarding the statement issued by Zain KSA on August 6, regarding entering exclusive negotiations with the consortium led by IHS and Towershare management for the sale

and leaseback of our towers, I'd like to add the following. First, it's our strategy to monetize non-core assets such as our towers across the Group and we have started with Zain KSA and Kuwait. The board and management of Zain KSA believe this transaction will increase shareholders value. Both IHS and Towershare have a successful track record across Africa and Asia, so our expectation is that we will close this deal before the end of 2017. At this stage, it's really a work in progress and there's nothing material here to report more than what Zain KSA has already added or advised to the Tadawul and the media.

With that, I'd like to hand over to Ossama to discuss the results in more detail. Thank you.

Ossama Matta: Thank you Scott and good afternoon everyone. As Scott indicated, it was a busy quarter with a lot of major happenings, and I can tell you that as CFO, the cash injection from the Omantel deal of USD 846 million is very warmly welcomed, as will be the expected proceeds of the Kuwait and KSA Tower sale, assuming all materialize which we are confident they will.

While the above are welcomed, the Sudan currency issue continues to hurt us on multiple fronts and it is very unfortunate that such a financial effect impacted negatively the excellent operational performance of Sudan and the Group overall.

Starting on page 14, which is Zain Kuwait. Zain Kuwait remains the most profitable company in the Group representing 33% of total Group profit. The operation continues to maintain its market lead in both value share and customers as it now serves 2.6 million customers.

It was expected to see revenues for the 2nd quarter increase by 8% Y-o-Y, reaching KD 88 million (USD 289 million) up from KD 81 million (USD 270 million) last year due to many appealing marketing initiatives and offers targeting high-end customers. The EBITDA margin was 40% at the end of the 2nd quarter with EBITDA reaching KD 35 million (USD 114 million) down from KD 40 million (USD 132 million), due to the fact that we changed the policy for provisions for doubtful debt last year. However, the net

income for the quarter increased by 5% reaching KD 23 million (USD 74 million) on account of lower handset subsidy amortization

Data revenues (excluding SMS and VAS) represented 32% of total revenues.

Given the importance of Zain Kuwait's contribution to the overall Group results, the Group and Kuwait management are working very closely to maintain market leadership in this crucial market.

Moving to slide 15, Zain Iraq, I'm glad to say that after the disappointing Q1 2017 results from Zain Iraq due to price competition and other socio-economic issues, things are looking much brighter for this key operation for the second quarter. For Q2 2017, Zain Iraq managed to achieve USD 270 million revenues, a 1% increase Y-o-Y and 6% increase as compared to Q1 2017. The operation's EBITDA reached USD 93 million, reflecting a 35% EBITDA margin. Net income amounted to USD 10.4 million for Q2, a 52% Y-o-Y decrease mainly due to higher FX variance losses but a much-improved result as compared to Q1 2017.

The period witnessed impressive growth in data usage and customer acquisition due to initiatives mainly in the northern regions of the country including Kurdistan and also due to the liberation of the key areas like Mosul, Salah-Aldeen and Anbar.

Notably, the operator's customer base increased by 15% Y-o-Y to reach 12.9 million, representing 28% of the Group's total customer base at the end of June 2017.

Given the improved socio-economic conditions across various parts of the country, the fact that we are growing impressively in the Northern areas of Iraq, combined with the reduction of intense price competition, the Group and Iraq management teams are confident that Zain Iraq is moving into the right direction and we expect to report even better results for Q3 2017 and beyond.

For Zain Sudan, which is on slide 16, as Scott mentioned at the beginning, the significant 61% currency devaluation in Sudan from 6.4 (SDG / USD) in Q2 2016 to 16.5, affected the Group's overall and the operation's financial results in USD terms. However,

in local currency (SDG) terms, the operator continues to perform remarkably well, where revenues for the quarter grew by 38% Y-o-Y to reach SDG 1.7 billion (USD 107 million, down 45% in USD terms). EBITDA increased by 22% to reach SDG 683 million (USD 42 million, down 51% in USD terms), and net income increased by 1% to SDG 288 million (USD 18 million, down 60% in USD terms).

The rate change including FX translation impacted the YTD revenue by USD 260 million, EBITDA by USD 122 million and net income by USD 55 million

Excluding the above-mentioned FX impact, Y-o-Y revenues would have grown by 25%, EBITDA by 25% and net income by 20%.

The operation serves around 13 million customers which grew by 3% Y-o-Y. The operator's customer base is the largest within the Group, which represents 29% of the Group's total customer base.

The launch of 4G services in key cities across the country combined with 4G marketing initiatives saw Data revenues (excluding SMS and VAS) grow by an impressive rate of 69%, accounting for 15% of total revenues.

The team in Sudan is very strong and it's unfortunate that this operations' outstanding performance is ruined by the unavoidable currency issue.

Moving to slide 17, which is Saudi Arabia. I will be brief about Zain KSA because I believe all on this call have a good amount of info, given that they had their analyst conference call a few weeks ago, and since Scott already covered the Tower Sale.

Revenues for the quarter were up by 8%, reaching USD 513 million. The company recorded a significant 70% increase in EBITDA to reach USD 169 million, with an EBITDA margin of 33%, up from 21% last year. The operator recorded net profit of USD 2 million, compared to net losses of USD 89 million in the prior period.

The introduction of the biometric identification requirement during the year and the impact of seasonality saw the operator's total customer base shrink by 15%, to stand at

9 million customers at the end of June 2017. Also note that Expats can now only have 2 sim cards in KSA, which doesn't help matters.

Impressively, the operator witnessed a 42% rise in data revenues (excluding SMS and VAS) Y-o-Y, representing 50% of total revenues

Saudi Arabia is a key market for the Group and we will continue to work closely with the team there in further growing the operation. It will be interesting to see how Q3 results shape given the summer-seasonality factor for 2 to 3 months. It will definitely be a challenging period.

Going to slide 18, which is Zain Jordan, The operator's customer base jumped by 3% Y-o-Y, serving 4.2 million customers at the end of June, and maintaining its market leading position despite intense price competition.

Revenues for the quarter increased by 1% Y-o-Y to reach USD 122 million, while EBITDA and net income decreased by 3% and 10% to reach USD 57 million, and USD 23 million respectively, with EBITDA margin of 47%.

The launch of 4G services there is proving fruitful as Data revenues (excluding SMS and VAS) grew a healthy 15% Y-o-Y which now represent 37% of total revenues.

With that I will hand over to Mohammad for Q&A.

Mohammad Abdal: Thank you Ossama. With that, we'll now move to the Q&A and I ask that you limit yourself to one question and one follow-up. Operator, could you please repeat your instructions?

Operator: Absolutely. Ladies and gentlemen, if you would like to ask a question over the phone today you may do so by pressing star-one on your touchtone keypad. Please ensure that your mute function is turned off as well as your speakerphone so that the signal can reach our equipment. Again, that is star-one if you would like to ask a question and we'll pause for just a moment to allow everyone a chance to signal.

And we'll take our first question from Maddy Singh from Morgan Stanley.

Maddy Singh: Yes, hi, thanks for the call. Firstly, on Sudan, if you could share what was the organic revenue growth, because I think part of the local currency revenue growth was also coming from the translation of dollar revenues into Sudanese pounds. And then secondly, in Saudi Arabia, can you please just remind what is the timeline of the tower transaction? Thank you.

Ossama Matta: Thanks for the question. Regarding Sudan, the organic growth will be around 26%. 13% comes from revenues in dollars that's been translated at 16.5 compared to last year and this is mainly coming from the international interconnection revenues.

Scott Gegenheimer: Regarding your second question, probably by 3 to 6 months, but it'd be before year end hopefully for KSA and Zain Kuwait as well.

Maddy Singh: Sounds good, thank you.

Operator: Our next question comes from Ziad Itani from Arqaam Capital.

Ziad Itani: Hi, thank you for the presentation. I have a question on the Kuwaiti market. Looking at the ARPU, it's down close to 10% Y-o-Y and the same can be said for the subscriber base. However, your revenues are up 7%. You mentioned that you have new revenue streams in your own business segments that are generating revenue, so maybe you can elaborate on that?

Scott Gegenheimer: Sure. The new revenue streams, there's a couple of things that we're doing in the Kuwait market. One is focusing on the enterprise market and so that's a new area for us that we really spent a lot of time on in the last year setting up a new organisation for that and really driving new revenue streams. And the growth on the enterprise market for us has been significant; I won't give out the exact details on the numbers here, but we think that there's a lot of room for opportunity for growth on there.

The other one we mentioned before, which is the MEW, where we won smart metering for electricity and water, and this project will be kicking off shortly as well. It's a two-year

project but we expect a lot of growth from the smart city projects and this is just the first project that we expect. But going forward we think there's still a lot of opportunity to grow in our markets outside of our core business that we already have. Hopefully that answers your question. Thanks.

Ziad Itani: Yeah, so already you're generating revenues from that smart metering project?

Scott Gegenheimer: No, not from the smart metering project, only from the enterprise piece. The smart metering project we'll be kicking off some of the revenue probably in Q1 of next year. That's when you'll start to see an impact on that.

Ziad Itani: Okay, and regarding the margins as well in Kuwait, they declined substantially especially in the first half of this year to close to 40% from 50% usually. What's the main reason behind this? Because you mentioned you have operational network associated costs, so have you been shifting from CAPEX to OPEX? Are you at the moment expensing handset sales instead of capitalising them?

Ossama Matta: No, we cannot do that of course, shifting CAPEX to OPEX.

Ziad Itani: Because you have to be compliant with IFRS15.

Ossama Matta: Yes, we are a listed company and we are audited and everything is done properly. But to add to what Scott is mentioning, the reason also regarding the increase in revenues in Kuwait is due to the trading revenues, and this is where you have the margin on the trading revenues on handsets is very minimal, close to zero and sometimes it's negative. And this will impact also your EBITDA margin. Compared to last year, we used to take the cost of the handsets and amortise it over the contract, the life of the contract between us and the customers. Now we take the revenues, we book it as well as the cost to complete. So that's why you have a lower margin. To compare Kuwait, you need to look at the EBIT, not the EBITDA. After taking the amortisation, when you compare on the EBIT side you will see that our EBIT margin is 26.8% compared to last year, which was 27.9%. It's very close.

Ziad Itani: That's very useful, thank you.

Ossama Matta: Sure.

Operator: And we'll take our next question from Nishit Lakhotia from SICO.

Nishit Lakhotia: Yes, thank you for the call. I have a few questions specific on the numbers for – on the second quarter. One is on the net monetary gain that you booked on because of hyper-inflation accounting. It appears that there is a huge amount of net monetary liability sitting at South Sudan level, which is resulting in such a gain of KD 24 million at the Group level. So, if you can just elaborate exactly, is that correct and what exactly is this amount of liability that you have at the South Sudan level on that front?

Secondly, I have a question at the operating expenses level. If you look at the segment reported EBITDA, it actually went up on a quarter-on-quarter basis, but at the Group level, it has gone down. So, it seems that at the corporate level, there was a huge jump in your expenses in second quarter on a quarter-on-quarter basis, maybe close to KD 10 million if my calculation is correct.

And finally, just one question on the interest income. Why did it shoot up in second quarter so much? Is there any derivatives in that KD 9 million income from interest income in second quarter? Thanks.

Ossama Matta: Okay, regarding South Sudan, we are applying IAS 29, which is basically looking at the inflation and the price index. And we look at the monetary assets and monetary liability and the difference between the two will impact the P&L. So, if you look at the CPI, which happened to be in May because we took the May CPI, it was 2,273% this is the inflation percentage over the cumulative three years and the consumer price index was 3,576 as compared to January 2012. So, with this, this will have an impact on the P&L and it is coming from two fronts, one which is related to the fixed assets. You have to increase the fixed assets, adjust the fixed assets and the related credits will go to P&L because you're increasing the asset. And the other one, because we have a negative equity in South Sudan, you have also to adjust that and you have to debit the equity and the credit P&L. But what we did also is we have reversed or we have provided for impairment in the Q2 by KD 21.2 million KD, so we have booked KD 24

million of net monetary gain, but we have impaired KD 21.2 million. So, this is – hopefully it explains the impact of IAS 29 in South Sudan.

Nishit Lakhota: Okay. Just to follow up on this, sorry: will it be done every quarter, every half-yearly? Is there a set time period? Because last time you did was in 4Q, so is it every half-yearly you will be doing this evaluation?

Ossama Matta: We monitor this every month, and we report of course to the stock exchange every quarter. So yes, we are looking at this on a monthly basis.

Nishit Lakhota: Okay, fine. Thanks.

Ossama Matta: But the impact on the P&L will continue to be minimal because, it doesn't make any sense to increase the assets and sometimes the operation is struggling in terms of performance in South Sudan, because it's a very tough one, so that's why we impair.

Nishit Lakhota: So, basically it will net off? Basically, both these items would net off most of the time?

Ossama Matta: Yes.

Nishit Lakhota: Okay.

Ossama Matta: This is evident also in the Q2 results ended June. It is there. You can see there is an impairment of KD 21.2 million. On the interest income, the reason it has increased is mainly due to the shareholder loan that we have between Group and Zain KSA. Before, we used to take provisions for these shareholder loans. Now the company is performing well, it is positive in terms of net income and also there is a plan already in place to do a rights issue, which would include converting debt to equity, the shareholder loan to equity. That's why we stopped taking provisions for the interest income and that's why you would see the increase.

Nishit Lakhotia: So, this interest income is for one quarter you've recorded, or this is for the first half?

Ossama Matta: It's for the first half.

Nishit Lakhotia: Okay, fine. Thanks. and regarding the operating expenses at the corporate?

Ossama Matta: Regarding the operating expenses, when we do the consolidation, there are a lot of eliminations done at the consolidation level. Part of it is the management fees that we book at the operations and it's also here at the Group management, this will be our revenues. And other expenses that sometimes we incur at the Group for the operations but we don't allocate, for example the Ramadan campaign and some branding activities that we do at the Group level. We assume the cost of it at the Group level to be the biggest expense. Some other also consultancy services or consultancy or certain projects that requires certain consultants, we do it at the Group level without allocating it to the operation. This is mainly it.

Nishit Lakhotia: Okay, thank you so much.

Operator: And ladies and gentlemen, just as a reminder, if you would like to ask a question today please press star-one. Also, if you find that your question has been answered, you may remove yourself from the queue by pressing star-two.

We will now take a question from Dilya Ibragimova from Citigroup.

Dilya Ibragimova: Hi. Thank you for the opportunity. I had a quick question please on the price strategy in Kuwait. It seems like after Ramadan period, promotional period, the prices have – well, effective prices are improving, data bundles are coming down, some of the social media unlimited offers are taking out as well, and that's on the smartphone side on the post-paid. Nevertheless, on the post-paid data devices, it seems like the data pricing is still fairly aggressive with terabytes of data being available. Are you trying – what – from your side, are you trying to improve market share for example in the data market or what's your thinking there? If you could give us a bit more colour, that would be great.

Scott Gegenheimer: Thanks for the question. It's not an easy question to answer. The competition we have set plans in how we are trying to drive. Data is becoming more and more important. Overall, we are about 25% of our overall revenue is data and we continue to grow that and that's where the opportunity is. But each market is unique and we have to look at the competition, and there has been a lot of strong competition in the Kuwait market when it comes to data and pricing levels. And you'll see it ebb and flow depending on what quarter you're in, what time of the year when you have different promotions going on. So, it has been a challenge. We have been trying to go out. We try to stay away from direct competition. It's one of the reasons that we've been focusing on enterprise in some of the other areas and moving into smart metering and some of the areas that aren't direct, head-to-head competition.

It's the same thing with handset subsidies. So, you've seen the handset subsidies come down dramatically because we are trying to move away from that, and that's helped the P&L, maybe not on the top line because right now we are expensing a lot of it as we sell the handsets. And so the revenue is growing a little bit, which is artificial because it's not reoccurring, but at the same time we are saving on the net income because of the amortisation of the handset subsidies that we were given in the past is not decreasing dramatically on it.

So, it's a tough market, there is no question about it, but we need to drive the data side. I think the pricing has room for more improvement and increases. If you look at some of our other markets, we've actually had price-ups. If you look at, for instance, in Saudi, we've had three price-ups in the last 18 months there on data pricing. Sudan has had price-ups as well. Kuwait we've had a little bit and will continue to try to do that. I still think the pricing in if you look at the benchmarking around the region, around the world, data pricing in Kuwait is still fairly cheap and I think there is room for growth when raising pricing. We still have a few unlimited offers in big packages, 500 gigabyte and terabyte packages, which I think we need to figure out how to monetise better. But data monetisation is important across the whole Group. Hopefully that answers your question. Thanks.

Dilya Ibragimova: Yes, it does. Thank you very much. Could I just ask one more question on Iraq? I think in the presentation you mentioned that you are improving or you're growing better in the north region and looking at the market share it seems like the local operator like Korek is losing a bit of market share there. Could I just ask whether you're seeing lower competitive pressure? And also, it seems like the growth has picked up across the market. Is this consumption improving? Or just any colour from what you're seeing, that would be great. Thank you.

Scott Gegenheimer: Okay, it's a couple of things in Iraq. Obviously Anbar and Mosul have come back online and we are seeing some revenue growth from there. It's not nearly back to where it was at levels a couple of years ago, mainly because of the internal displacement in the country, but we are seeing revenue growth come back into that area. In the north, yes, we've been making leads on it. We've spent a lot of money in building our own network and getting our coverage right, so we've started to see overall revenue growth in the north mainly because of coverage and better distribution up there, and so that's helped a lot. But there has been a lot of price wars over the last, say, two years in Iraq, and so we have to be a little careful about how fast we grow our market share because if we grow it too fast then it ends up causing a price war.

This is one of the reasons that sometimes we don't always like to disclose details on these calls because the competition picks it up and if they think, 'Oh, one territory in Iraq grows, we need to go after it and start hammering it.' And so we have to be a little careful on what's being disclosed publicly, especially in Iraq because the competition really digs into territories and looks at – they don't look at the overall, they look at each individual segment in Iraq, in each territory, and they want to make sure that they are leading in certain areas.

So, it's a difficult market up there and the regulation and the regulatory environment is not helping there, especially with the licenses. We're doing a lot of lobbying in there and trying to get the extensions to license. I think we mentioned in the past the 3G license there where it's a seven-year license and the business model just doesn't work with the seven-year license and the amount we paid, I think we paid USD 370 million in there. So, we are spending a lot of time lobbying with the regulator and with the prime minister out there to try to do that, along with the other operators, to extend the licenses and give

us a little bit more breathing room to be able to try to grow and be able to invest more in the country.

There is a lot of opportunity in Iraq when it comes to data and the growth there. We are still only 3G there and we have a lot of room for growth on the coverage. We're not even close to talking about a 4G license yet, but probably maybe next year they will be talking about it. But we need to continue to grow our profitability before we invest in new licenses there.

Ossama Matta: Just to give some colour also regarding certain territories in Iraq, we are not going to name the territory but we used to make like USD 3.7 million a month in one of the territories. This is before the war and the price war. It dropped in 2016 to USD 360,000 from USD 3.7 million. Now we are in USD 1.3 million a month, so we are going fast again. So this gives you some clarity about what's happening also in the market and the potential there.

Dilya Ibragimova: That's very helpful. Thank you very much.

Operator: And we have a follow-up question from Maddy Singh from Morgan Stanley.

Maddy Singh: Yes, hi. I just wanted to follow up on what Nishit was asking on the EBITDA. There is a big positive contribution from others, which is basically not specific to any market. So, if you add all the country-level EBITDA – Kuwait, Jordan, Bahrain, Sudan, Iraq – and then you compare that with the reported EBITDA, which is around USD 700 million for the first half, there is about USD 76 million worth of EBITDA which is not clear which head it is coming from. So, can you please explain what are these items? For last year, actually this amount was almost close to USD 175 million. So, it's a substantial amount and we don't know how to forecast this.

And then I also wanted to just follow up on the question on the Kuwaiti treatment of handset sales there. Am I right to understand that now all of the handset cost is expensed during the period within the quarter and it is not capitalised anymore? Thank you.

Ossama Matta: Yes, regarding the handsets, now the cost of the handsets is being booked during the period, so the coming next year, regarding IFRS15, we will be compliant in terms of accounting for handsets.

Regarding the EBITDA at the Group level, as I mentioned, there is a lot of activities between Group and the operations. When we consolidate we eliminate a lot of them, and last year you had a huge difference, as you mentioned. It is mainly some of the reversals which we did last year at the Group level.

On regarding this year, this is the level of EBITDA that you should be working on to forecast for the future, compared to last year. As I said, last year there were some provisions that we have reversed at the Group, but for this year, this is mainly it. So, taking the elimination between us and the operations, you will end up at this EBITDA level.

Maddy Singh: But normally eliminations are negative, not positive.

Ossama Matta: Yes, exactly. We used to take also some provisions related to the management teams for Saudi, but we are not doing that any more, so this has helped us. This is mainly it. Well, if you want to, I can get back to you on this in more detail.

Maddy Singh: Yes, please do, because I just want to understand what are the drivers behind this.

Ossama Matta: Yes, sure.

Operator: And once again as a final reminder, ladies and gentlemen, that is star-one if you would like to ask a question at this time.

We have a question from Alex Short from Charlemagne Capital.

Alex Short: Hi, thank you very much. I was just wondering, questioning about your Iraqi business. Do you think it can return to the sort of levels you saw like before all of this conflict was happening?

And the other question I have is the treasury share sale. Will any of that money go to a dividend at all or not? Thank you.

Scott Gegenheimer: Regarding Iraq, we definitely think that there is a bright future in the country. There is a lot of opportunity to grow. The penetration rates are fairly low when you look around the region, although it's – right now it's 86%, but there is lot of dual SIMs in the market. Lot of room for growth on data as well, but we have to work with the government closely to be able to continue to drive and get new licenses with reasonable pricing. That's one of our biggest issues in trying to grow the market and open it up, is the regulatory environment and taxation. If you look at – it was a year-and-a-half ago, I think, when they put in a 20% sales tax, which really had a major impact. There was no elasticity in our market because they put in the sales tax in across the board, not just on telecom but on everything, on electricity and water and food, and that's had a major impact on our operations.

Competition has definitely had an impact. I think cooler heads are prevailing and we'll continue to start to see some uplift in pricing, but there has to be a way with the government to be able to really drive growth. And we've had meetings both with the World Bank and IMF and the country people and area officials to talk a little bit about how do you continue to drive the growth in telecom and how that drives the growth in GDP. Generally, most markets you see about a 10% increase in penetration rates, whether it's voice or whether its data now and you get about a 1% increase in GDP. And so we are trying to lobby with the government to help streamline and be able to allow us to continue to grow our network at a reasonable cost.

And that's something it seems like has changed – the regulatory has changed recently and I think things are changing more than what they had, and if you would've asked me six months ago with the previous regulator, it was more difficult. We kept on having lawsuits. We kept on having – you know, attacking our markets. Most countries in emerging markets, they look at the telecom market as a way to close their budget deficit and we've got to change that mindset. And I think there is a lot of room and opportunity for growth in Iraq but the government has got to be able to help push that as well.

So, we are looking forward to the future in Iraq.

Regarding the treasury shares, at this point I have not had a discussion with the Board and the shareholders, so I can't really answer specifically and I don't necessarily think that. I think what we'll do is pay down some of the debt, reduce our interest expense and then keep some of the cash for moving into new markets, in some of the areas in the data and digital space that we've talked about in the past. But I don't necessarily see a special dividend, but again, it's up to the Board and to the shareholders. Okay?

Alex Short: Okay, perfect. Thanks a lot.

Scott Gegenheimer: Sure, thanks.

Operator: And it appears we have no further questions in the queue at this time. I would like to turn the conference back over to our speakers for any additional or closing remarks.

Mohammad Abdal: Thank you, Nicole. please refer to the Investor Relations website for additional updates and feel free to contact the IR team for further information. We look forward to your future participation in our Q3 2017 update, the date for which we will announce in the forthcoming months.

Operator: And once again, ladies and gentlemen, that does conclude today's conference. We appreciate your participation. You may now disconnect.

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