



Zain Group

Q3 2017

Earnings Conference Call

Nov 14, 2017

Chaired by:

Ziad Itani

Arqaam Capital



Anne: Ladies and gentlemen, welcome to Zain Group third quarter 2017 results conference call. This call is recorded and is open to analysts and investors of Zain Group and is not open to any members of the media. I will now hand over to your host, Mr Ziad Itani from Arqaam Capital. Mr Itani, please go ahead.

Ziad Itani: Thank you Anne. Good afternoon everyone. This is Ziad Itani, and on behalf of Arqaam Capital I'd like to welcome you all to Zain Group Q3 2017 results conference call.

It is my pleasure to host Zain's Group seniors management on the call. By now, you should have received the company's presentation and earnings release, which are also to be found on the company's website.

The call will start with a discussion of the key trends in this quarter followed by a Q&A session. Without further delay, I'll now hand over the call to Mohammad. Thank you very much.

Mohammad Abdal: Thank you, Ziad. And welcome everyone to Zain's Q3 2017 earnings conference call. This is Mohammad Abdal of Zain Group Chief Communications Officer and I'm joined today by Scott Gegenheimer our Group CEO of Operations and Ossama Matta our Group CFO.

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, Mohammad. Good afternoon everyone and thank you for joining us on today's call.

It's been a busy period for us since our last call. I will start by going through a few of the highlights for the quarter and then go through the group results before handing over to Ossama to go through the details.

First, let's start with Omantel. On the last call, I mentioned that Omantel was in the process of buying our treasury shares and this transaction closed on Aug 24th. We sold 425.7 million treasury shares to Omantel for USD 846.1 million representing 9.84% stake in Zain at 600 fils per share.

Additionally, last Sunday as most of you know, Omantel has increased their investment in Zain by acquiring an additional 12.1% stake from Alkhair which takes their ownership to 21.9%. (USD 1.35 Billion). Omantel has become the second largest shareholder in Zain Group after the Kuwait Investment Authority (KIA). They will have 5 board seats in Zain.

Omantel has made it clear they are confident with the current management team. Nevertheless, I would like to point-out that current executive management team, including Bader Al-Kharafi, Ossama and myself will stay in place for foreseeable future.

With Omantel's 21.9% ownership, the two management teams will work closely together to explore mutually beneficial synergies and business enhancing opportunities across the region.

Second, we signed a binding agreement to sell and lease back our passive infrastructure ie: the towers in Kuwait for USD 165 million to IHS Holding and Towershare...This is the first tower deal in the region and marks the beginning of a strategy to unlock value from our passive infrastructure across our markets.

Third, Zain Saudi operation announced on October 25th a capital restructuring that will include writing-off accumulated losses followed by a capital increase of SAR 6 billion through a rights issue. The restructuring plan will go a long way in improving the financial performance, profitability and leverage ratios of the Zain Saudi.

Fourth, we are seeing more traction from our smart city arm NXN (formerly neXgen). Following the smart metering deal with Kuwait Ministry of electricity and water in Q2; NXN has just signed a MoU with the National Digitization Unit (NDU) of the Kingdom of Saudi Arabia, marking the kingdom's first step towards harnessing open data to help accelerate the digital transformation of the Kingdom.

Moving on to the KPI's and financial results for Q3. Slide 6. Our Group customer base ended Q3 at 45.3 million customers, which is a drop of 1% from the previous year, affected mainly by the recent biometrics in a few of our markets and especially KSA.

For Q3 2017, Zain Group recorded consolidated revenues of USD 860 million, down 6% Y-o-Y. EBITDA for the quarter reached USD 346 million, down 23% Y-o-Y, reflecting an EBITDA margin of 40%. Net income for the quarter amounted to USD 133 million, down 6% Y-o-Y reflecting earnings per share of 10 Fils (USD 0.03).

For the 3rd quarter of 2017, foreign currency translation impact, predominantly due to the 63% currency devaluation in Sudan cost the company USD 148 million in revenue and USD 20 million in net income. Excluding the currency translation

impact, Y-o-Y revenues and net income would have grown by 11% and 9% respectively for Q3 2017.

For the first nine months of 2017 on Slide 7, Zain Group generated consolidated revenues of USD 2.5 billion down 8% Y-o-Y. The Group's consolidated EBITDA for the period reached USD 1.04 billion, down 19% Y-o-Y, reflecting an EBITDA margin of 41%. Consolidated net income reached USD 404 million. Earnings per share for the nine months stood at 31 Fils (USD 0.10).

For the first nine months of 2017, foreign currency translation impact, predominantly due to the 61% currency devaluation in Sudan from average rate of 6.4 (SDG / USD) in the year to date to September 2016 to 16.5, cost the company USD 441 million in revenue and USD 76 million in net income. Excluding this currency translation impact, Y-o-Y revenues and net income would have grown by 8% and 16% respectively for the first nine-months of 2017.

It is unfortunate that one main factor outside of our control, the Sudan currency devaluation issue, has impacted overall results for the quarter and year-to-date. Nevertheless, we draw confidence from the future prosperity of Sudan given the recent lifting of the US sanctions and expected stability of the country's currency.

Going to slide 9, total Group CAPEX for the nine months excluding Zain KSA reached USD 274 million and accounts for 11% of the total Group revenues. CAPEX, including Zain KSA of USD 477 million, it will represent 12% of the total Group revenues.

One notable Technology item I would like to mention is our successful 5G test in Kuwait that achieved maximum throughput speeds of over 70 Giga Bits Per Second (Gbps) over 2GHz spectrum. This speed represents one of the highest-ever recorded in the region, placing Zain at the forefront of 5G innovation for the benefit of its consumer and enterprise customers.

We continue to undertake transformational programs across all markets and have seen operational progress on several fronts. These include multiple data monetization, smart city and Enterprise (B2B) initiatives across our operations, all which are fast-growing and profitable business areas.

And with that I will now handover to Ossama to discuss the results in more detail. Thank you.

Ossama Matta:

Thank you Scott, and good afternoon everyone.

Before moving to our key markets, I would like to start off on a positive note regarding our leverage portfolio that is on slide 10. We've made significant debt repayments post the sale of our treasury shares with debt of USD 390 million being settled in September itself. As of September 2017, our net debt stood at USD 2.1 billion compared to USD 3 billion three months earlier (June 2017) This

represents a current net debt to EBITDA ratio of 1.5 times, compared with 2.1 in H1, 2017.

Subsequently, USD 248 million was repaid in October and it will be reflected in the FY results which will further improve the ratio. This is a very healthy range for the industry as many of you would be well aware of and gives us financial flexibility to explore new opportunities to grow the business further.

Starting on page 14 which is Zain Kuwait, as Scott mentioned, it was a busy time in Zain Kuwait regarding the Tower Sale and we look forward to completing the deal soon and banking the USD 165 million. Operationally Zain Kuwait remains the most profitable company in the Group representing 32% of total Group revenue. The operation continues to maintain its market lead in both value share and customers as it now serves 2.5 million customers.

Despite the intense competition in the market that continues to erode value on several fronts, Zain Kuwait's revenues for the 3rd quarter increased by 6% compared to Q3-16, reaching KD 81 million (USD 270 million) up from KD 77 million (USD 255 million) last year, the increase is mainly due to higher trading revenues. Nevertheless, operating revenues for the quarter were under pressure, but to minimize the impact we introduced new CVM and BTL activities to retain our customer base, however this has resulted our high end package customers moving to lower packages. Our prepaid operating revenue went up by 12% mainly due to many appealing marketing and data monetization initiatives and offers. The EBITDA margin remains healthy and one of the highest in the Group and stood at 42% at the end of the 3rd quarter with EBITDA reaching KD 34 million (USD 114 million) down from KD 39 million (USD 129 million) last year, mainly from the reduction in gross margin from 79% last year to 71% this year. This is mainly due to the increase in cost of handsets and the benefit we received last year from change in policy for provisions for doubtful debts. Net income for the quarter increased by 10% Y-o-Y reaching KD 23 million (USD 78 million) on account of lower handset subsidy amortization by 73%.

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

Going forward, we expect the recent launch of iPhone X and other appealing smartphones to boost revenues in the coming quarter and beyond. Zain Kuwait is a very critical part of the Group's overall results, and we are currently investing heavily in upgrading the network to ensure we maintain our leadership position in this market.

Moving to slide 15, Zain Iraq, as I mentioned in our previous call, Zain Iraq is continuing to show "signs of hope", gradually improving and promising better results in the coming quarters. Successful customer acquisition initiatives in the northern regions of the country coupled with impressive growth in data usage, the operator for Q3 2017, achieved USD 288 million revenues, an 8% increase Y-o-Y. EBITDA jumped by 13% and reached USD 102 million, reflecting a 35% EBITDA

margin. Notably, net income for the quarter reached USD 13 million, up from USD 5 million last year, on account of healthy top line performance.

The operator's customer base increased by 16% Y-o-Y to reach 13.7 million, the largest within the Group, representing 30% of the Group's total customer base.

Zain Iraq's socio-economic conditions are improving across various parts of the country, and this is resulting in impressive growth especially in the Northern and South-West areas of Iraq. Combined with the reduction of intense price competition that eroded value for all operators, the Group and Iraq management teams are confident that Zain Iraq is moving in the right direction and we expect to report even better results in the future. We have a young dynamic team there who are very focused on taking the operation to its former glory where it was one of the most profitable operations in Zain Group.

Sudan which is on slide 16, the significant 63% currency devaluation in Sudan for the quarter 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 43% compared to Q3-16 to reach SDG 1.8 billion (USD 102 million, down 48% in USD terms). EBITDA increased by 46% to reach SDG 771 million (USD 43 million, down 47% in USD terms), and net income increased by 76% to SDG 291 million (USD 16 million, down 36% in USD terms).

The rate change including FX translation impacted the revenue by USD 390 million, EBITDA by USD 186 million and net income by USD 74 million for the 9 months ended 30 September 2017

Excluding the above-mentioned FX impact, Y-o-Y revenues would have grown by 22%, EBITDA by 27% and net income by 24%.

The operation serves around 13 million customers which grew by 4% Y-o-Y due to a more concerted focus on CVM activities and BTL campaigns reducing churn combined with data monetization initiatives. The operator's customer base is the second largest within the Group, which represents 29% of the Group's total customer base.

The expansion of 4G services to key cities across the country combined with 4G marketing initiatives saw Data revenues (excluding SMS and VAS) grow by an impressive rate of 63%, accounting for 15% of total revenues.

As mentioned in previous calls, we have the utmost confidence in our team in Sudan and it's unfortunate that this operations' outstanding performance is ruined by the unavoidable currency issue.

Saudi Arabia which is on slide 17. I believe many on this call have a good amount of info regarding Zain KSA's turnaround and forward strategy as they had their

analyst conference call a few weeks ago. The big news from Zain KSA is the Capital restructuring which is needed to improve the balance sheet and better position the company to pay dividends.

As already reported, Zain KSA recorded its 3rd consecutive quarterly net profit. For Q3, 2017 Revenues were up by 10%, reaching USD 494 million due to growth in data revenues. The company's cost optimization program continues to improve EBITDA, as the operation recorded an impressive 29% increase in EBITDA to reach USD 168 million, with an EBITDA margin of 34%, up from 29% last year. The operator recorded net profit of USD 1 million, compared to net losses of USD 71 million in the prior period.

The introduction of the biometric identification requirement and capping number of SIM's for each unique identity during the year saw the operator's total customer base shrink by 21%, to stand at 8.3 million customers at the end of September 2017.

Saudi Arabia is well known for the youth's ever-increasing appetite for broadband and Zain KSA is targeting this audience. Impressively, the operator witnessed a 42% rise in data revenues (excluding SMS and VAS) Y-o-Y, which now represents 50% of total revenues.

We hope to finalize Zain KSA's Tower Sale soon and this will boost the operation on multiple levels. Also, I would like to reiterate what was covered in Zain KSA's call a few weeks ago regarding a major payment that happened during Q3 this year, Zain KSA paid the second installment of the Murabaha facility for the amount of SAR 432 million, which represents 5% from the loan amount. Additionally, the company met its obligation with regard to the 30% payment of the spectrum within the timeline that was required by the regulator for an amount of SAR 254 million. After these payments Zain KSA still maintains a healthy cash balance of SAR 1.9 billion that will allow it to meet future financial obligations.

The transformation efforts in Zain Saudi Arabia are improving the KPIs on multiple fronts and we at the Group will continue to work closely with the team there in further growing the operation.

Going to slide 18 which is Zain Jordan. Zain Jordan is one of our strong operations having a great innovative team. Despite intense price competition the operator's customer base increased by 1% Y-o-Y serving 4.2 million customers at the end of September and maintaining its market leading position.

Revenues for the quarter increased by 3% compared to prior year to reach USD 130 million, while EBITDA and net income decreased by USD 5 million each to reach USD 59 million and USD 24 million, respectively. The drop was mainly due to the free off-net calls to customers which led to significantly higher interconnection costs, resulting a decrease in gross margin. This move was

needed to match what the competition has done, hence we launched tariff with free off net minutes. EBITDA margin for the quarter reached 45%.

The launch of 4G services there is proving fruitful as Data revenues (excluding SMS and VAS) grew by a healthy 14% Y-o-Y which now represent 37% of total revenues.

With that, I'll hand over to Mohammad for Q&A.

Mohammad Abdal: Thanks Osama. With that we'll now move to the Q&A and if we may ask you that you limit yourself to one question and one follow up. Operator can you please repeat your instructions for the Q&A session?

Anne: Ladies and gentlemen, we will now start our Q&A session. If you wish to ask a question, please press 01 on your telephone keypad. Please limit your questions to two questions each to give time to everyone to ask a question. And if we've got more time, you may press 01 again to follow up question. Thank you for your holding. And do we have our first question?

We have our first question from Nishit Lakhota from Sico. Please go ahead.

Nishit Lakhota: Thank you for the call as always. I have two questions from my end. From this Omantel deal, or rather change or management control or ... How do you see Zain Group benefiting out of the synergies? If you can be a bit more, elaborate on these expected synergies. Because we understand the synergies from Omantel's perspective. I'm trying to see how Zain Group would benefit from Omantel's management control that are changing, majority on the board.

And second is on the dividend side. We've seen that you've reduced your debt from the money that you got from the sale of treasury shares and now possible tower sale. Do you see a possibility of a more generous dividend, for this year or any special dividend being considered, at current? So if you can give some idea on that. Thank you.

Scott Gegenheimer: Thanks for the questions. Regarding Omantel and the synergies, it's a little early to be talking specifics on what kind of impact we're going to have. We've had discussions with them already and we're discussing mainly on the wholesale and procurement side. But again probably on the next call we'll give you a better update on what synergies and what the actual amounts are.

Regarding the dividend, we have not had any specific conversation on the board or with the shareholders yet, but our general policy has been 70% to 80% of our net income. And that I expect will continue for the next couple of years.

I hope that answers your questions.

Nishit Lakhota: Yeah sure. Okay thank you.

Anne: Our next question is from Bahaa Makarem from Arqaam Capital. Please go ahead.

Bahaa Makarem: Hi thank you guys for the call. I had a couple of questions. First one being what is the lease back rate that you expect on the tower sale in Kuwait? And can you give us any idea on what minority percentage ownership of the IHS entity you'll have?

Second question, will the 6 billion Saudi Rials planned be underwritten, for Zain KSA, by yourselves? Thank you.

Ossama Matta: Thank you for these questions. Regarding the leaseback rate on the towers, this is a commercial agreement between the operation and the tower company, and we cannot disclose this now, especially that it's our company will be seeking other operators to collocate.

So, regarding the minority interests, we will maintain a significant minority interest, but not to the level that we jeopardize the independency of the tower company. Because they should be independent to attract other operators.

Regarding your 3rd question. All the rights issue should be underwritten fully by the banks. This is a requirement by the CMA. For us, from our side, we will be basically covering the debt that we have with Zain KSA, because this is what we will convert to equity.

Does this answer your question?

Bahaa Makarem: Yeah that's perfect actually. Thank you.

Anne: Our next question is from Eric Chang from HSBC. Please go ahead.

Eric Chang: Hi gentlemen. My question is just more from a corporate governance perspective. You're having five new, well four new board member from Omantel pretty soon. What I'd like to know, those five seats, are these five board members are elected for a term of how many years? And how does it work that in Kuwait, a company, a owner has 20% stake, 22% stake can get a majority of board seats?

Scott Gegenheimer: Thanks for the question. Regarding the election on seats, generally it's every three years. We had our election in March of this year. So this current board will go for the next two and a half years.

My understanding of the deal is that the companies that have representative on the board will stay the same companies, and it's just, they're just, and so in actually instead of having an election through an AGM, they're just going to change the representative of the individual companies that are appointed to the board. So there won't be an AGM calling for this.

As far as how it's split up, to be honest that's more of a shareholder issue and the management really doesn't get involved in it, so I can't really speak to how they

control the five board seats and then how the deal was done on there. So I can only speak to the current five board seats will be with Omantel and it's just a change of representatives of the individual companies that are already appointed there.

Eric Chang: Okay. Thank you very much.

Scott Gegenheimer: I hope that answered your question. Thanks.

Eric Chard: Thank you.

Anne: Ladies and gentlemen, as a reminder if you wish to ask a question, please press 01 on your telephone keypad. Thank you for holding until we've got further questions.

Ziad Itani: Yeah so while we're waiting I have a question regarding Bahrain. This is Ziad. What's going on basically with the operational margins? They've been deteriorating drastically at around 30% now, in spite of growth in data revenues.

Scott Gegenheimer: For Bahrain we've gone through a thing. Bahrain has been a difficult situation just because of the regulatory environment and the competition in there. And so one of the things we've done specifically in there is looked at how do we reduce our costs dramatically there.

We started going into a cost optimization program, looking at all sorts of things when it comes to you, whether it's headcount, whether it's the number of shops we operate there. We have to look at a different operating model we have in Bahrain versus some of the other markets, just because of the size of the market and how strong the competition is.

So we've already made quite a few changes in the last six months there, but I think we've got a lot more room to do. We've gotta change completely the operating model. In the next say three to five years we've gotta look at how do we pull out 50% of our costs out of that operation in order to be sustainable in the long run.

And so that's what we've been doing, is looking at different ways of doing this, through either digital transformation, looking at our operating model and how we operate and should we be, offering services to all people in the country? Or should we be doing more maybe a digital operator and going after postpaid.

A lot of things are on the table on there, but again we've been looking at cost structure, trying to pull out as much costs as possible out of there. So you have seen fluctuations, the margins and net income are fairly small. So you can have some changes on a quarterly basis quite significant just because of the net income is not significant to make these changes and it has a bigger impact on it.

So hopefully it gives you a little bit. And then the next call we can give you a little bit better update on some of the specific projects we're working on there.

Ziad Itani: Okay good. Thank you. And just one more question please. With regards to the capital mobility. Are you seeing an improvement in Iraq and Sudan? I mean in Iraq with higher oil prices, liberation of most of the territory. And Sudan you just mentioned that the removal of the US restrictions should also help. So where are we on that front?

Scott Gegenheimer: Well again the higher price in oil helps quite a few of the countries. At least the GCC countries that have the oil. And the countries that don't have the oil, when it talks about ... Even Sudan doesn't really have oil. It's South Sudan.

So even though that the trade restrictions have opened up from the US, the oil flow hasn't been going between South Sudan and North Sudan, so you haven't seen a lot of the transient fees coming across into Sudan.

So we haven't really seen significant changes in Sudan when it comes to some of the cashflow per se, or availability of hard currency in the country. So we hope that that will change over time as you see more foreign direct investment in the country, you'll be able to see more flows from there.

From Iraq and some of the other countries, yes. Especially Iraq, you've seen a lot more free flowing currency, but that was related more in the past to some of the issues that we had, that we settled last year with some of the lawsuits that we had that's opened up the restrictions on pulling cash out of the country.

Hope that answers your question. Thanks.

Ziad Itani: Yes. Perfect, thank you.

Anne: We have a follow up question from Bahaa Al Makarem from Arqaam Capital. Please go ahead.

Bahaa Makarem: Thanks again guys. Just a couple more questions. The first one being, are there any signs of any kind of regulatory constraints on the Oman consolidation? Is there any kind of threat coming from outside? Or is it basically a signed, sealed, delivered deal?

The second question is, regarding the favorable ruling in favor of Zain versus SPF, for about KD 160 million. Is there any update on this? Has the process accelerated since you know, since the clampdown in KSA? Thank you.

Scott Gegenheimer: Okay.

Ossama Matta: Regarding the change of control and the restrictions. If there are any restrictions on the consolidation of Zain with Omantel, or the acquisition of Omantel 22%. There are no serious issues, nothing actually on this.

We have looked at it. Some of the regulators would require a notification, which we already did. Others require some waivers or consent, which we already did and we acquired.

On the debt side, some of the facilities that we have requires also a consent from the lenders, which we already did recently and we got the consent. So from this point of view we don't have any issue.

The update on the SPF, it's actually in the notes of the financials. We won the case against SPF in the arbitration. And now we are in the process of enforcement in Zain KSA. It's taking some time, but we are proceeding. We are proceeding with this.

Bahaa Makarem: Thank you.

Anne: Our next question is from Omar Maher from EFG Hermes. Please go ahead.

Omar Maher: Thank you. Good afternoon gents. One quick question regarding the EBITDA margin in Kuwait. If my calculation is correct, it's 42% this quarter so I'm just hoping you could clarify how much of the decline in the margin this year versus the historical levels of 50% EBITDA margin roughly.

How much of this difference is coming from the accounting adjustment that you did earlier this year, regarding the accounting for handsets? And how much is actually due to operating pressure due to the competition and the market?

And the second part of my question is if you could give us some guidance or ... I know that you don't provide guidance. So if you could give us some expectation on the direction of EBITDA margin for next year? Thank you.

Ossama Matta: As I mentioned before regard Zain Kuwait, the reason for the drop in EBITDA is mainly due to two things. One is the cost of handsets. The revenue has increased yes, but the increase is mainly coming from trading revenues. There is a pressure on the operating revenues because of the competition and because of the packages in the market, that's why doing CVM activities and below the line we had to have customers move from high packages to lower packages. We retained the customers, yet there was a drop in revenues.

When we look at the prepaid side, we see an upside on the prepaid as compared to prior year. Also take into consideration that last year we changed the provision for doubtful of debt policy, which we benefited at that time by USD 13 million.

So this coupled with the reduction of the margin, has impacted the EBITDA, but if you look at the below EBITDA items, which is amortization of customers, it has dropped by 73%, that's why on the net income side, we have increased compared to last year. I believe the trend for next year will be similar to Q3 in terms of EBITDA margin. We should not be dropping below that.

I hope this answers your question?

Omar Maher: Yes Osama thank you. And just as a follow up, what I was trying to understand is how much of the roughly 8% or 9% point drop in EBITDA this quarter is coming from the change in the accounting for the handsets revenue.

Ossama Matta: You have the drop of the gross margin. The gross margin was 79%, it dropped to 71%, and this is mainly from the handsets, and this goes straight to EBITDA. You're talking about 8% points.

Omar Maher: That's very clear thank you.

Ossama Matta: Okay. But this is offset by the drop in the amortization below EBITDA.

Omar Maher: Yes. Thank you very much.

Ossama Matta: Sure.

Anne: Our next question is from Bahaa Makarem from Arqaam Capital. Please go ahead.

Bahaa Makarem: One final question guys. I had a question regarding the auxiliary operational income. I noticed there was a substantial drop in Q3. Is there any reason for this? Can you shed any light on it? Thank you.

Ossama Matta: Can you repeat your question please?

Bahaa Makarem: Yes. Regarding auxiliary operational income, which is the difference between the group EBITDA and reported EBITDA by country, there was a significant difference, which increased this year ... Decreased sorry, by about 90% year on year.

Ossama Matta: I'll try to answer your question. If you add up the EBITDA of the operations, it will be definitely less than the group EBITDA consolidated. And the reason is because of the management fees.

The management fees that we charge the operation, is an expense, part of the operating expense and it is included in their EBITDA. And when you consolidate, this gets eliminated and, at the consolidation level you will have higher EBITDA than just adding up the EBITDA of the operation.

So for an example, in 2016 if you add them up, you will have USD 388 million, compared to USD 338 million in 2017. And the drop is approximately USD 50

million. This is mainly due to the translation impact of the devaluation of the currency in Sudan, USD 50 million.

And when you look at the group, group reported 448 versus 346. And this is a drop of 100 million, is mainly due to the devaluation of the currency one, two we had some reversals of provisions at the group level last year that we reversed. And these are excess provisions that we have taken back to income.

Bahaa Makarem: Yeah that's perfect. Thank you.

Anne: Our next question is from Nishit Lakhotia from Sico. Please go ahead.

Nishit Lakhotia: Yeah hi. Just a follow up question on the Zain Saudi rights issue. I understand you'll be fully underwriting it through your debt exposure, which is close to SAR 6 billion to Zain Saudi.

I wanted to know, If you look at the rights issue, there are three key elements here. One is Zain's Group, with 37% ownership and a debt that can practically take the entire rights issue on its own. Then you have ministry of finance, which have their own debt and that would be also, well possibly converted through this issue. And then you have the other shareholder.

So how are you approaching this rights issue? Will you be the residual in terms of you let the other shareholders and ministry of finance first convert the debt and other shareholder participate, maybe invest further cash into the company and then you take your call as to what you need to do? Or how are you approaching it? Thank you.

Ossama Matta: Yeah. First of all we are not underwriting the full from our side. We are not doing that. Our participation will be converting debt to equity to maintain our ownership, which is 37%. This is basically one.

Two, regarding the governments, I mean the ministry of finance is not a shareholder, and based on discussions, I don't think they are converting any debt to equity. There is a loan between us and them, and the maturity of that loan starting in 2021, if I'm not mistaken.

And what was your last question?

Nishit Lakhotia: So yeah. So I was just ... In fact I was wondering how will ministry of finance will convert? So because being a rights issue. But that makes it clear.

So it's basically Zain Group is looking at only the debt part of the rights issue and not increasing their stake by oversubscribing or by conversion of debt. Correct?

Ossama Matta: Yes. What we are trying to do is basically, in this rights issue is to bring in fresh cash so that we deleverage the company. If you look at the company, currently

the leverage is quite high. You're talking about more than six times of EBITDA, net debt to EBITDA. Or in terms of percentages, like more than 82% of debt to equity.

The plan is to deleverage this company by first of all converting debt to equity, which is our portion of it, by converting approximately 2.2 billion SAR, and bringing in fresh cash of 3.8 billion SAR from the market.

By doing so we will be able to reduce the interest in the company by approximately SAR 400 million a year. And that's why we were saying that doing the rights issue with the current performance and if the company continues to perform as it is performing now, we will be able to pay dividends. Because you will wipe off all the accumulated losses, do a rights issue, bring in fresh cash, reduce the leverage, company is profitable, you pay dividends.

Nishit Lakhota: Yeah. Thank you.

Anne: As a reminder ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad. Thank you for holding.

We have a question from Krishna from Vision Investment Services. Please go ahead.

Krishna: Was the entire proceeds from the sale of treasury shares used to repay debt?

Ossama Matta: Yes the bulk of it has been used to repay debt and around USD 200 million being in savings account now.

Krishna: All right. Thank you.

Ossama Matta: Sure.

Anne: Ladies and gentlemen, if you wish to ask any further questions, please press 01 on your telephone keypad. Thank you for holding.

As a reminder ladies and gentlemen, if you wish to ask any further questions, please press 01 on your telephone keypad.

We have no further questions. Mr Muhammad, back to you for the conclusion.

Mohammad Abdal: Thanks operator, 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 Q4 2017 update, the date for which we will announce in the forthcoming months.

Anne: This concludes today's conference call. Thank you all for your participation. You may now disconnect.