



ZAIN GROUP

Financial Results Presentation

9 Months-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

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



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Zain at a glance

As of 9 Months-2014

43.7

MILLION
ACTIVE
CUSTOMERS

108

MILLION PEOPLE
UNDER
LICENSE

\$ 570

MILLION IN NET
INCOME

13.3

MILLION
CUSTOMERS IN
IRAQ

11.1

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

\$ 3.3

BILLION
IN REVENUES

\$ 1.4

BILLION
IN EBITDA

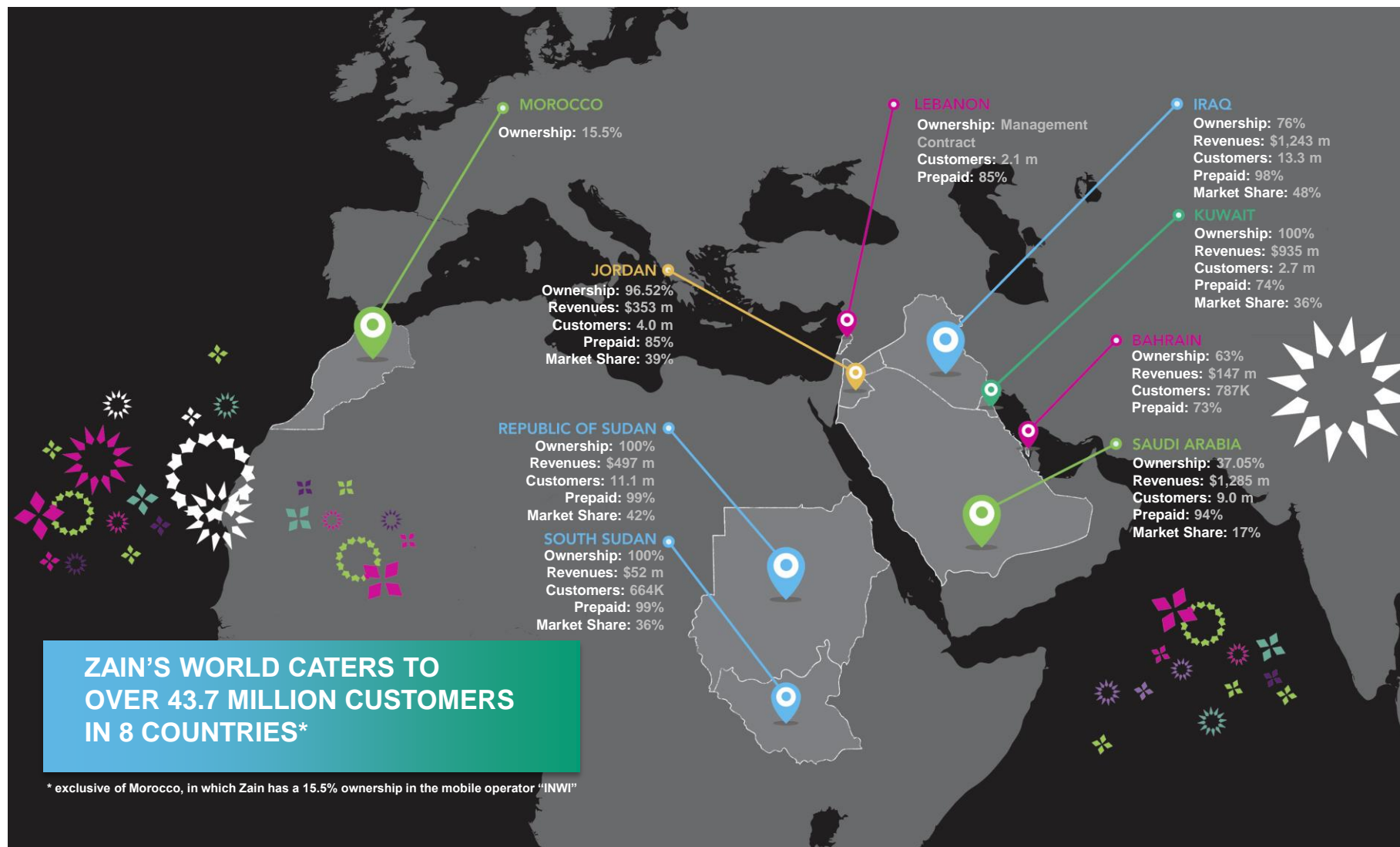
**MARKET
LEADER**

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



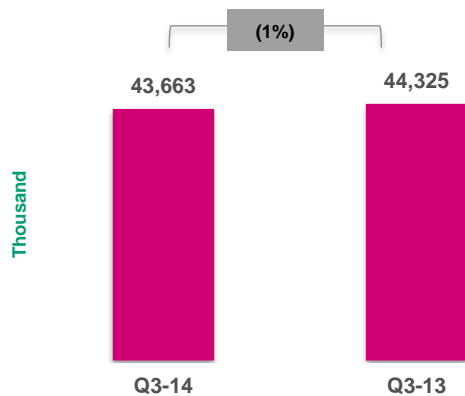
The World of Zain

As of 9 Months-2014

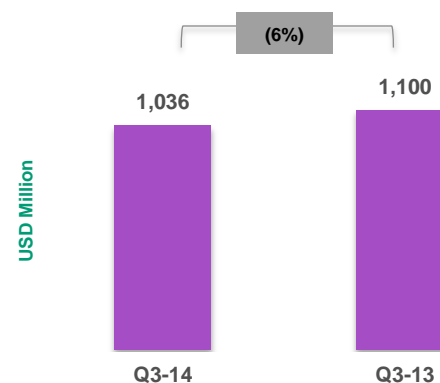


5 Key Performance Indicators as of Q3-2014

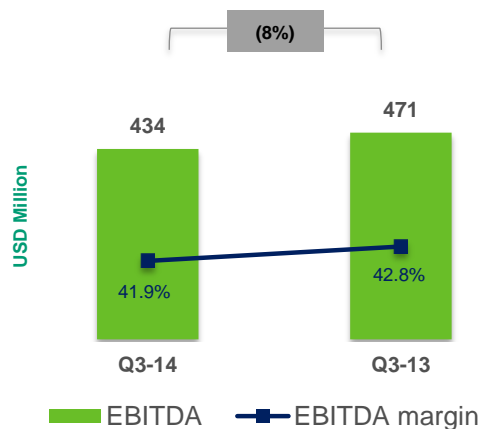
Customers



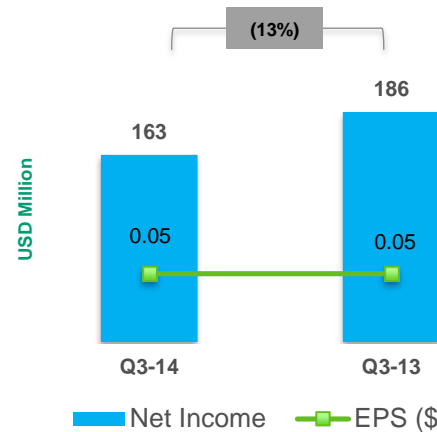
Revenues



EBITDA / Margin

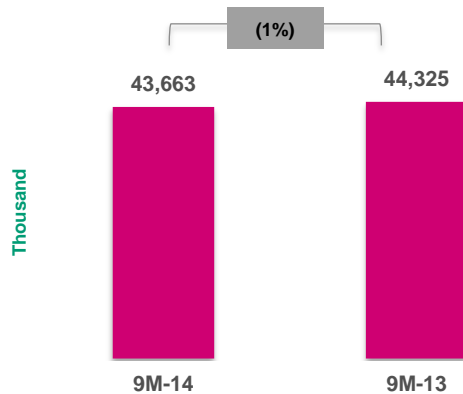


Net Income / EPS

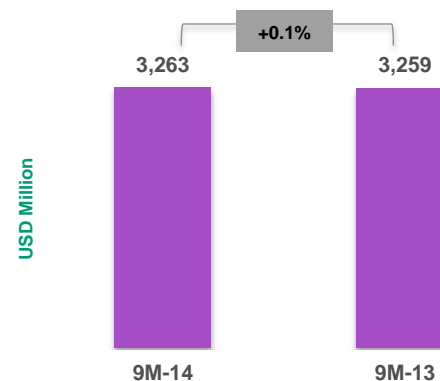


Key Performance Indicators as of 9 Months-2014

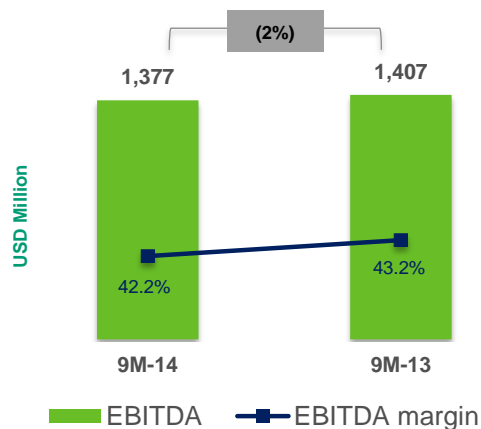
Customers



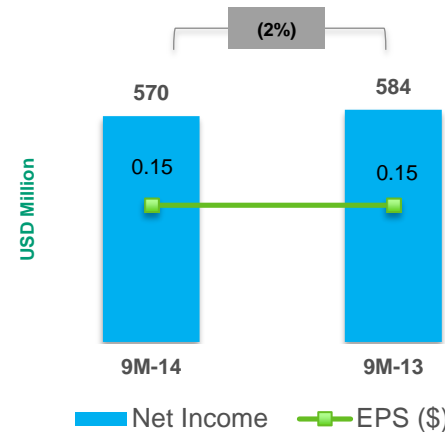
Revenues



EBITDA / Margin

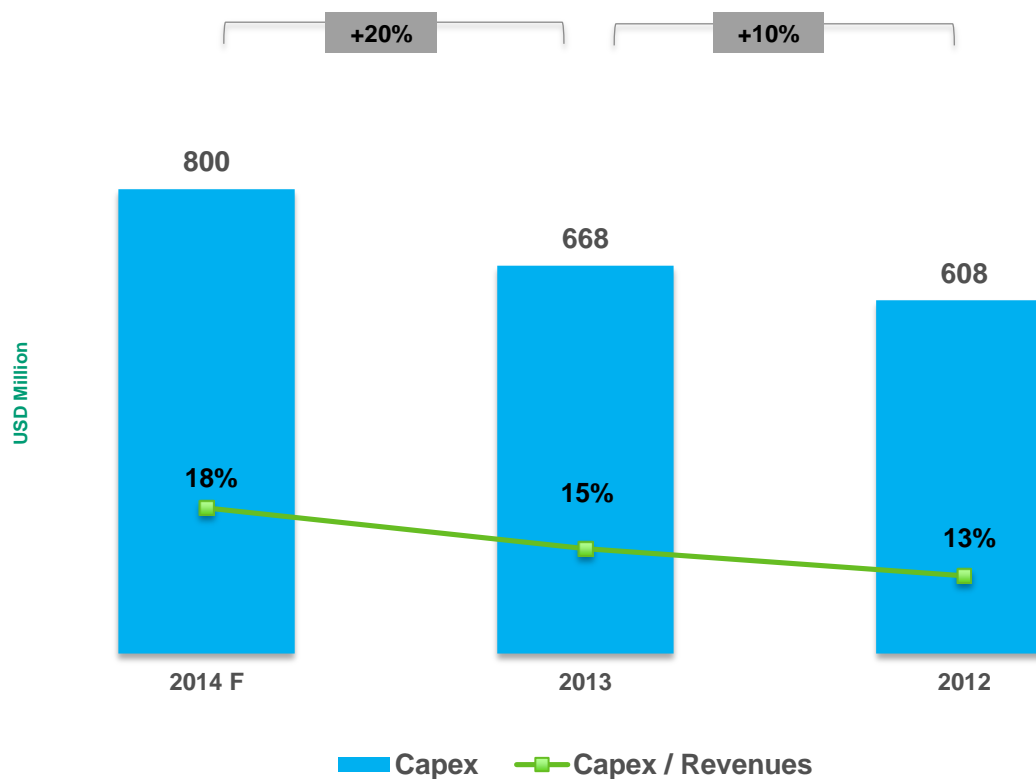


Net Income / EPS



Key Performance Indicators

Capex & Capex / Revenues

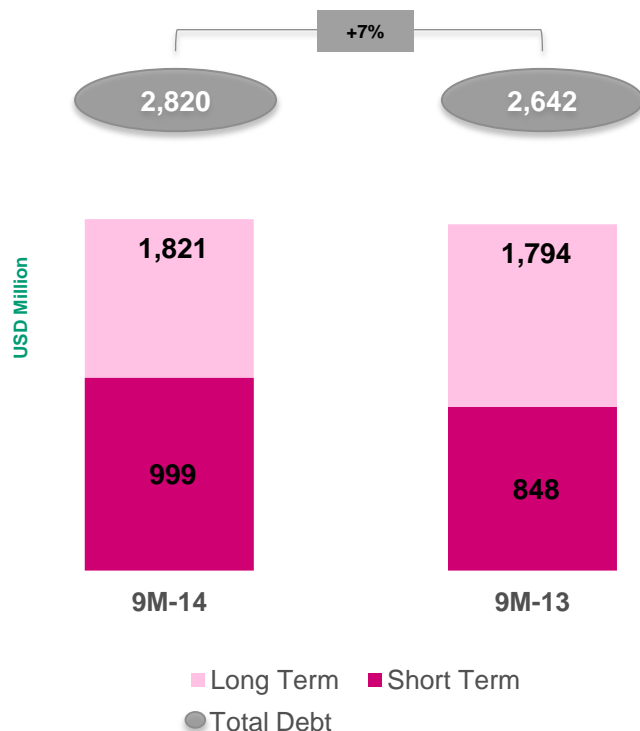


F = Forecasted

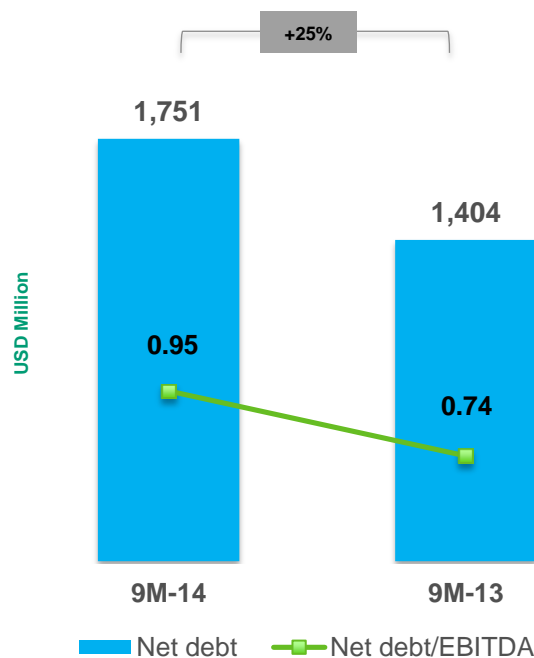
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Key Performance Indicators as of 30/9/2014

Total Debt



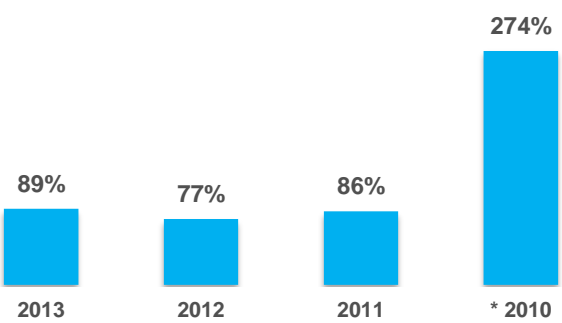
Net Debt & Net Debt / EBITDA



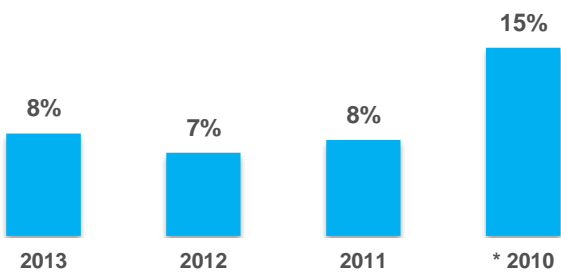
- Net Debt = Total interest bearing debts (excluding letter of guarantees) after deducting Cash and Cash Equivalents

Zain Dividends

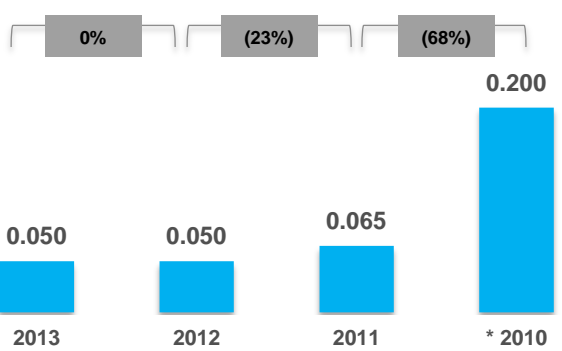
Dividend Payout Ratio



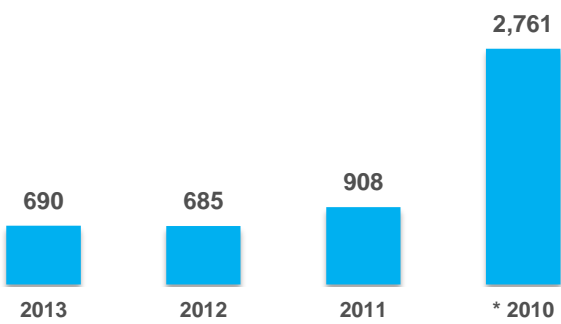
Dividend Yield (%)



Dividend Per Share (KWD)



Cash Dividend (USD m)

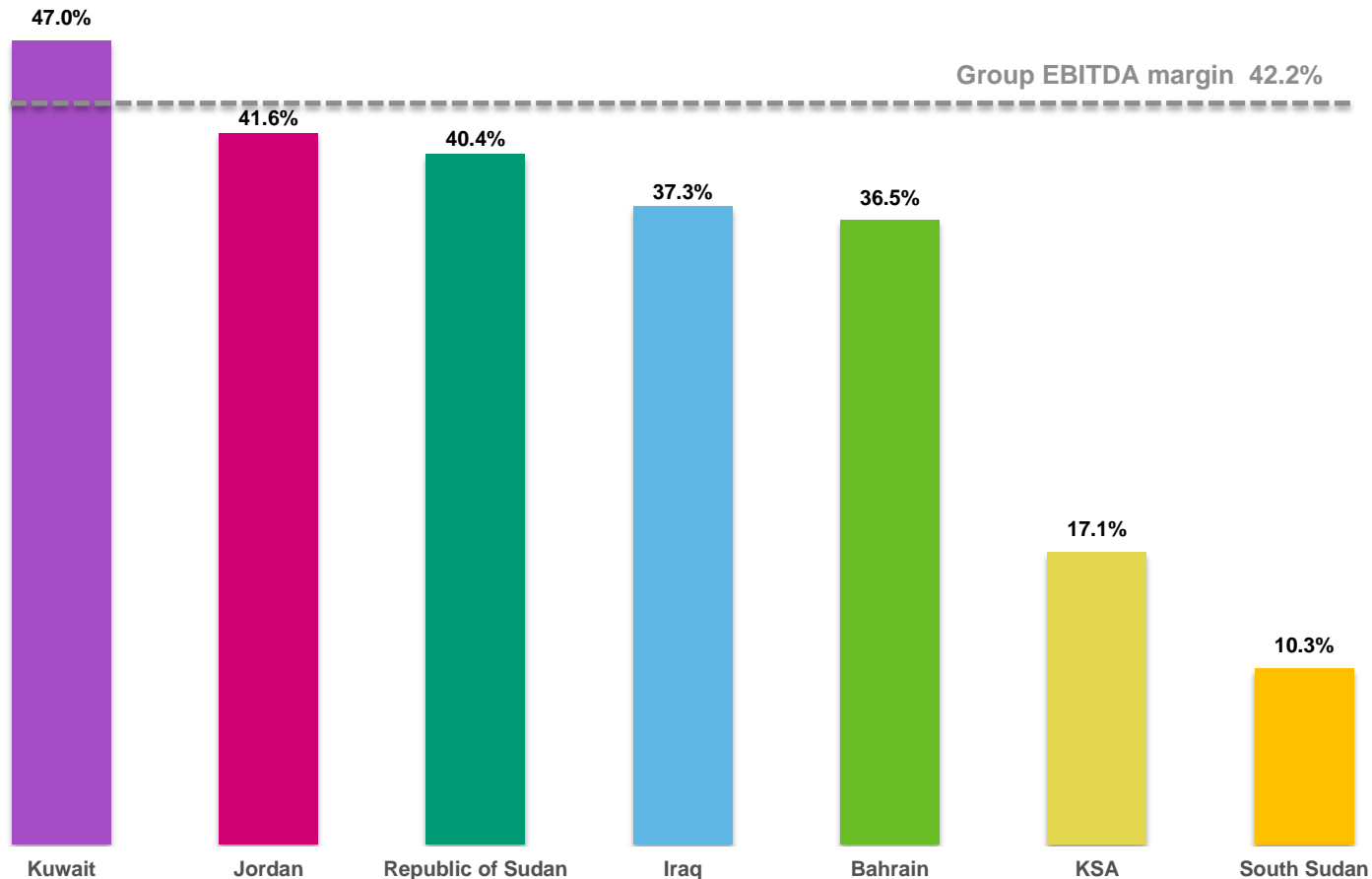


* Zain Group distributed normal and exceptional dividends of fils 200 reflecting the distribution of proceeds of the sale of Zain Africa assets to Bharti Airtel. However the EPS is made up of Normal EPS = Fils 80, Exceptional EPS = Fils 195

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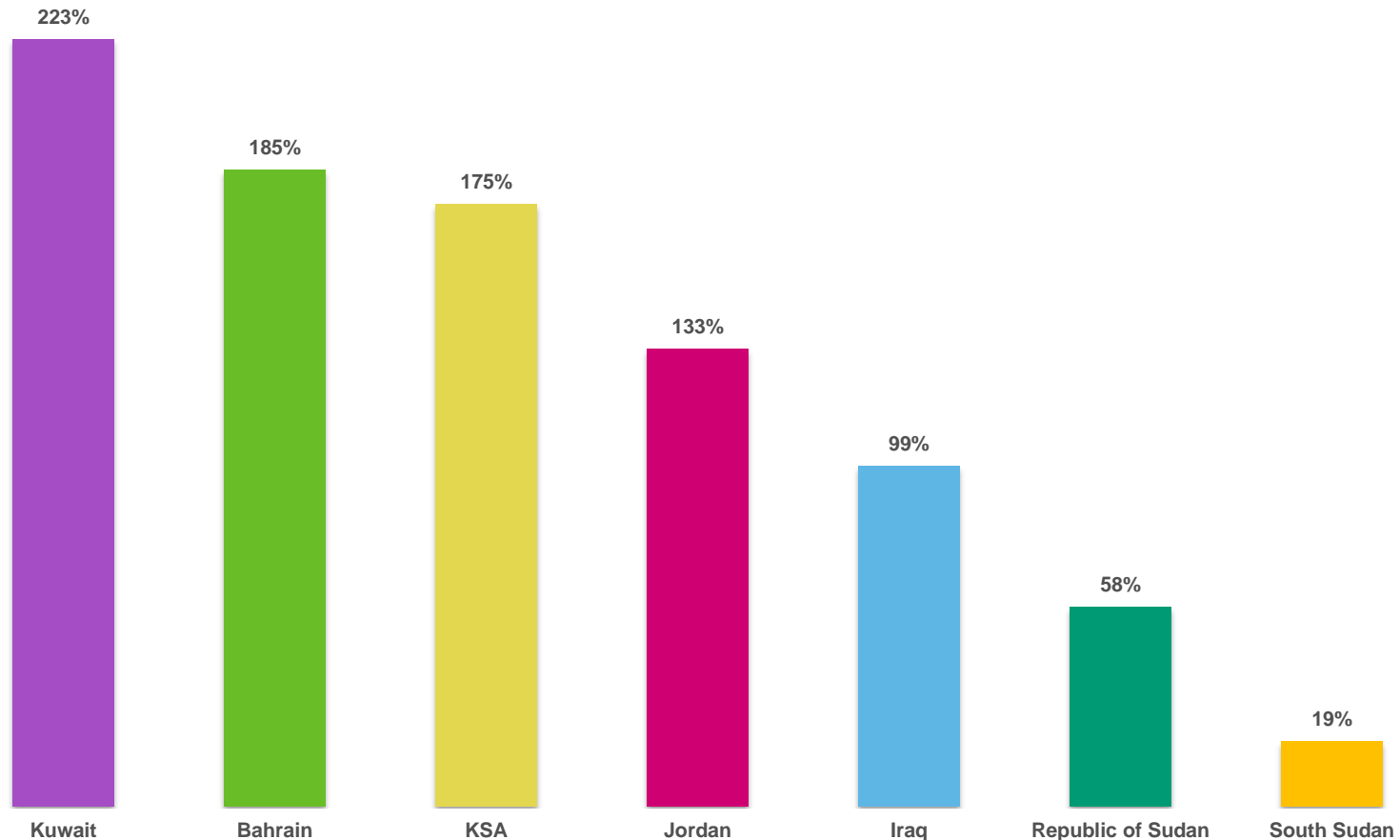
EBITDA Margins

As of 9 Months-2014



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Penetration Rates As of 9 Months-2014

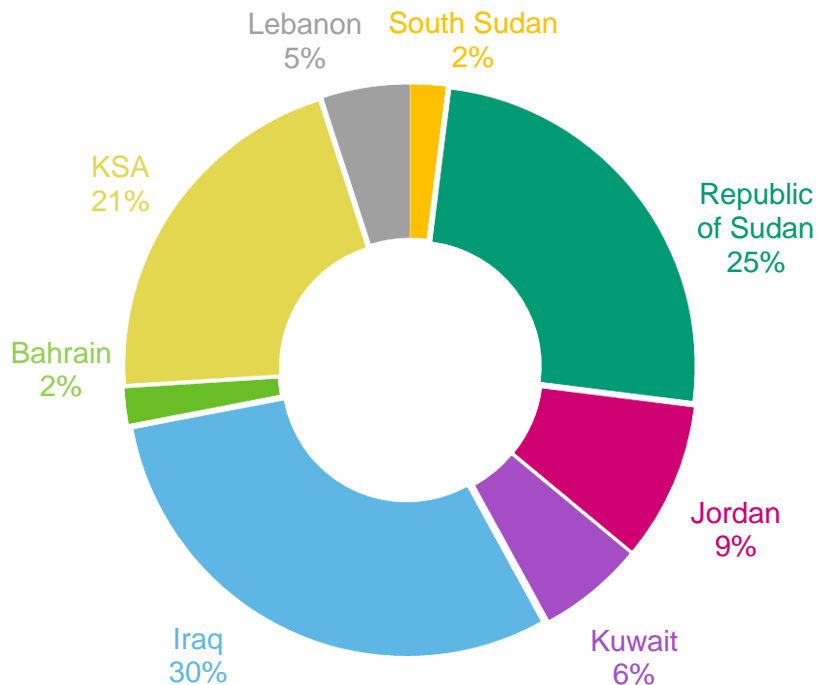


Source: World Cellular Information Services (WCIS).

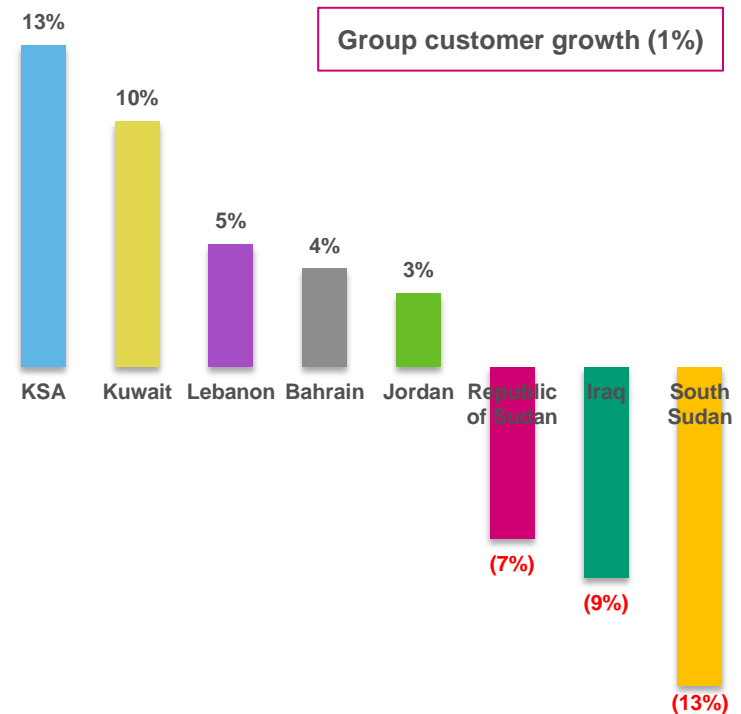


Our Customers As of 9 Months-2014

Customers Contribution



Customers Growth Q3-14 vs. Q3-13

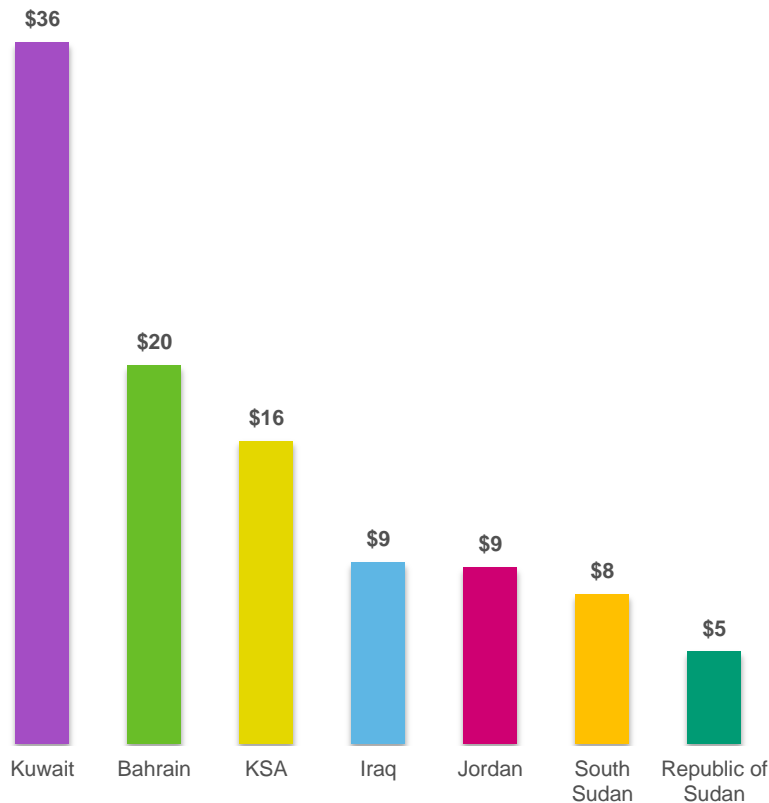


* Customer base drop in Iraq, Republic of Sudan and South Sudan is due to the registration policy implemented by the country regulators.

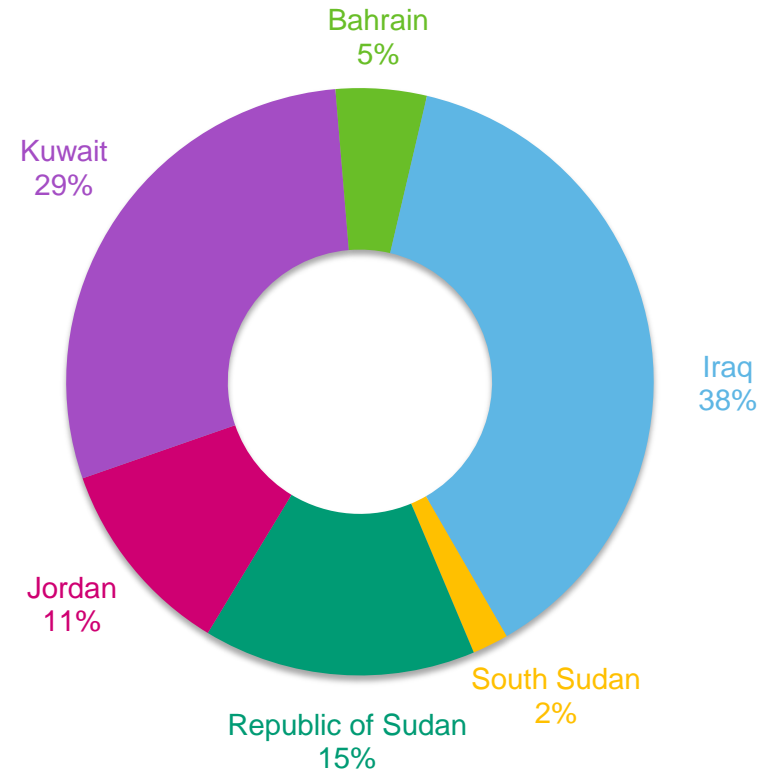
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Blended ARPU & Revenue Contribution as of 9 Months-2014

Blended ARPU



Revenue Contribution



FINANCIAL RESULTS PRESENTATION

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State of Kuwait

Key Statistics – September 2014

3.5 m
Population

\$43,030
GDP/Capita

223%
Penetration

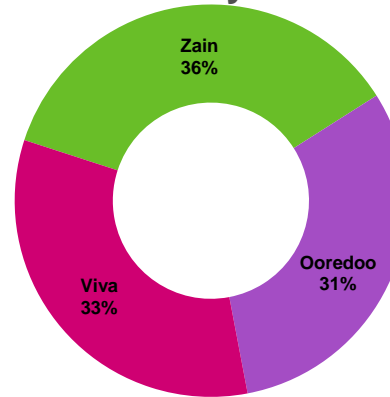
1983
Year of launch

2.7 m
Customers

100%
Ownership

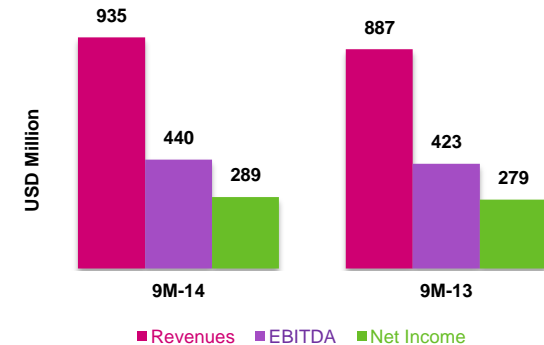
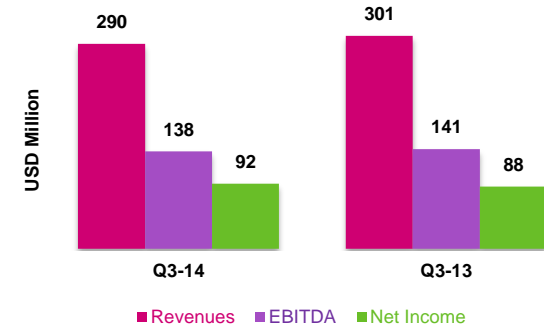
\$36
ARPU

Market Share by Customers



Technology : 4G LTE Nationwide
Number of sites : 1,807
Coverage : 100%

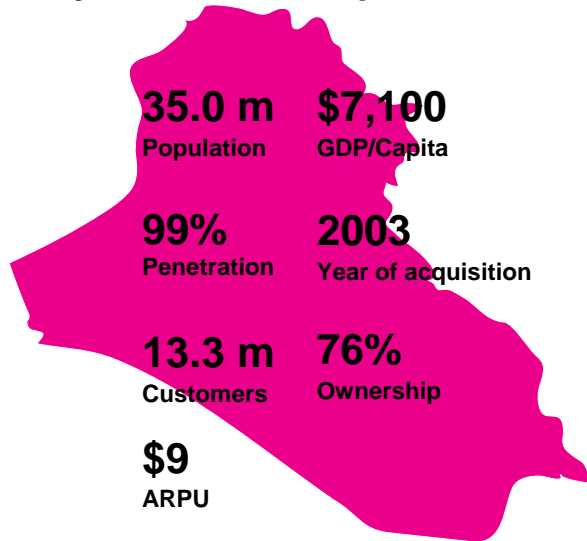
Financials



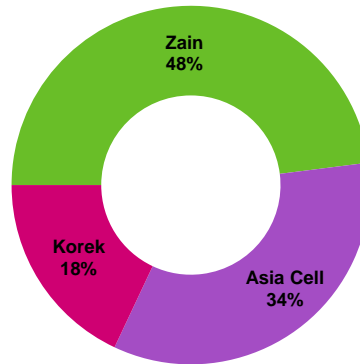
- The Group's flagship operation was established in 1983 and made history in 1994 by becoming the first telecom operator to launch commercial GSM service in the region. Zain has been listed on the Kuwait Stock Exchange since 1985 with a market capitalization circa USD 10 billion closing at Fils 660 as of September 30th, 2014.
- Despite intense competition in a highly penetrated country, Zain Kuwait remained the market leader with 36% market share, serving 2.7 million customers, which grew by 10% Y-o-Y.
- For the first 9 months of 2014 Zain Kuwait continued to report remarkable performance where revenues jumped by 5% to reach USD 935 million compared to USD 887 million last year mainly due to the increase in data and service revenues. EBITDA and net income both increased by 4%, mainly on account of increase in revenues. The operator reported a healthy EBITDA margin of 47% for the period.
- Notably, data revenues (excluding SMS & VAS) formed 31% of total revenues, reflecting an annual growth of 14%. Zain's nationwide 4G LTE network covered the entire population of Kuwait through a total of 1,807 network sites.

Republic of Iraq

Key Statistics – September 2014

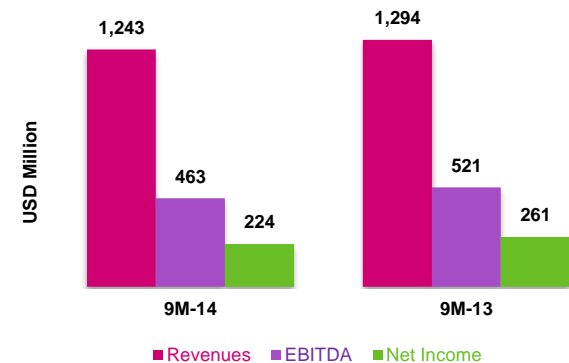
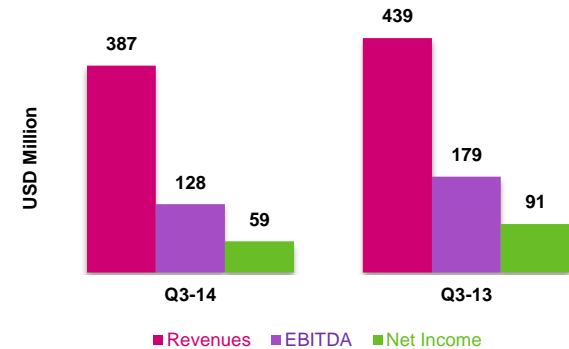


Market Share by Customers



Technology : 2G
Number of sites : 4,047
Coverage : 98%
License : expires in 2022

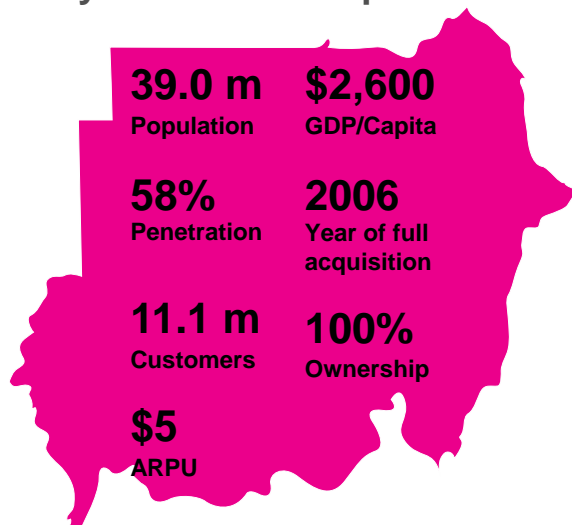
Financials



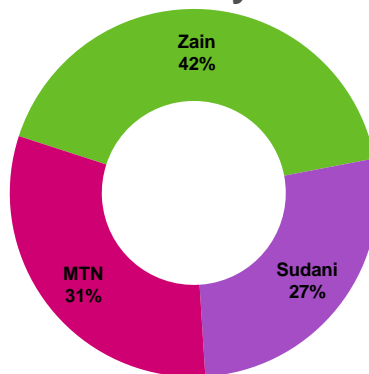
- Zain has been providing mobile services in Iraq since December 2003 and is the largest mobile operator in the country today. After securing a 15-year license in August 2007, Zain Group owns 76% of the mobile entity.
- Since the escalation of social instability in Iraq in recent months that has seen several million people displaced internally coupled with Zain Iraq enduring frequent temporary network shutdowns and associated higher network operational costs. Despite these exceptional circumstances that adversely affected the operation's financial performance specifically for the third quarter of 2014, the operation's revenues for the first nine months reached USD 1.24 billion, a moderate 4% decrease, with EBITDA reaching USD 463 million, down 11% and net income amounting to USD 224 million, down 14% Y-o-Y.
- The operator is preparing for its regulatory requirement to undertake an IPO in Iraq in the near future at an appropriate time that is conducive to its business operations.
- Data revenues (excluding SMS & VAS) represent only 4% of total revenues, reflecting an annual growth of 12%, leaving further room for growth given the imminent granting of 3G spectrum this year. The management foresees significant growth in all key financial indicators from the introduction of 3G services in the country which is expected in early 2015.
- Zain Iraq is the largest contributor to Zain Group's customers, accounting for 30% of the base, while its revenues represent 38% of the Group's total consolidated revenues. As of H1-2014, the operator had a total of 4,047 network sites, covering 98% of the population.

Republic of Sudan

Key Statistics – September 2014

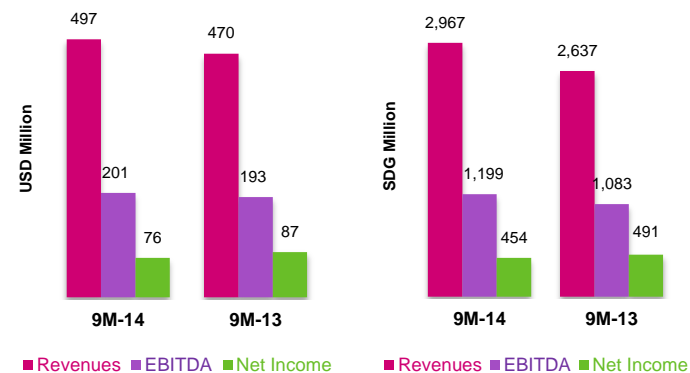
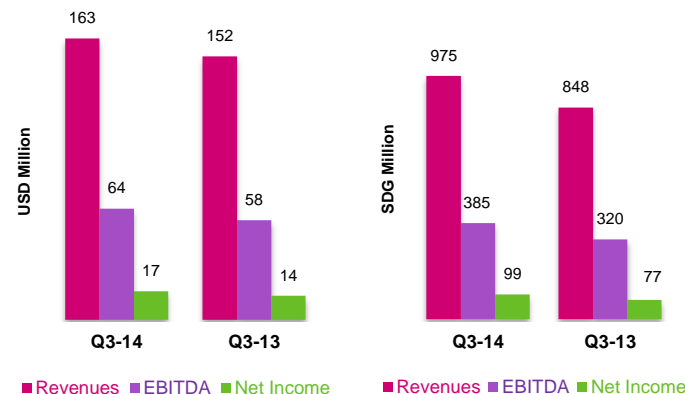


Market Share by Customers



Technology : 3G
Number of sites : 2,350
Coverage : 86%
License : expires in 2029

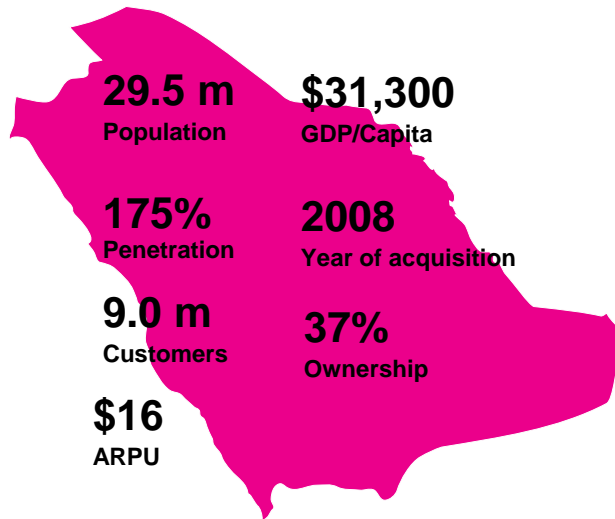
Financials



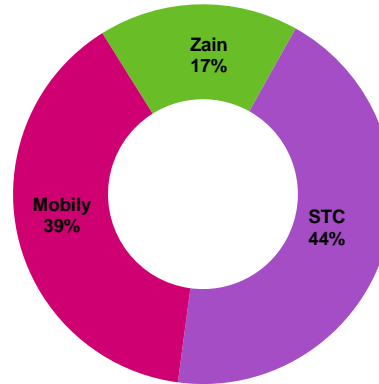
- In February 2006, Zain acquired the remaining 61% stake of Mobitel, Republic of Sudan's first mobile operator, in a deal valued at USD 1.3 billion, resulting in 100% ownership. The company rebranded to Zain in September 2007 and subsequently renewed its license for a period of 20 years.
- In local currency (SDG) terms, the operator continues to perform well, where revenues jumped by 13% Y-o-Y to reach SDG 2,967 million for the first nine months of 2014, mainly coming from the increase in voice, data and interconnect revenues. EBITDA increased by 11% to reach SDG 1,199 million, mainly on account of the healthy top line performance and efficient opex management. Net income for the same period decreased by 8% affected by the currency variance. Excluding the forex loss variance, net income would be higher by 18%.
- Zain Sudan witnessed a 7% reduction of customers due to the new registration policy implemented by the country's regulator, now serving 11.1 million customers through a total number of 2,350 network sites, with 86% population coverage. Data revenues in SDG terms (excluding SMS and VAS) formed only 6% of total revenues, with a remarkable growth of 75% Y-o-Y.

Kingdom of Saudi Arabia

Key Statistics – September 2014

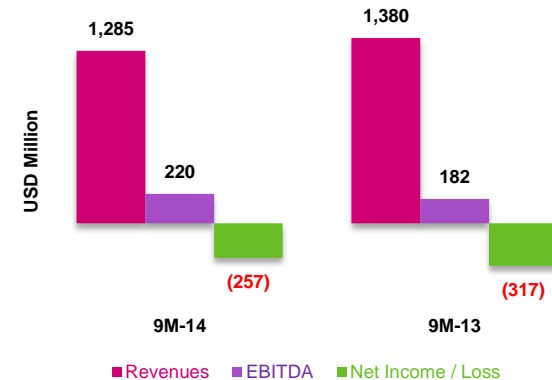
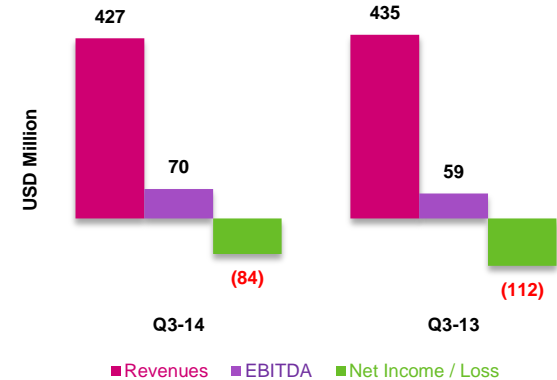


Market Share by Customers



Technology : 4G LTE
Number of sites : 6,180
Coverage : 93%
License : expires in 2033

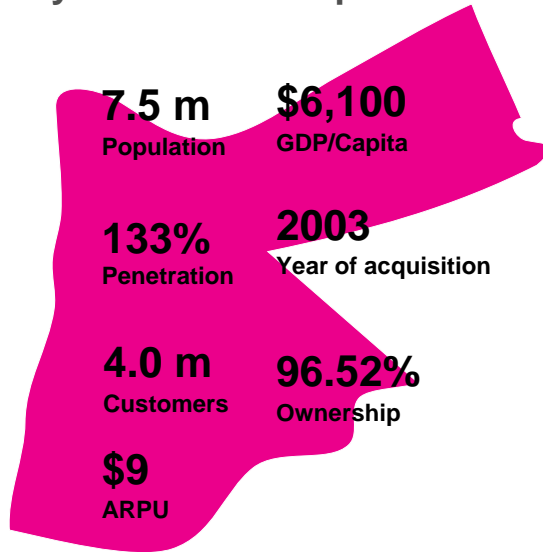
Financials



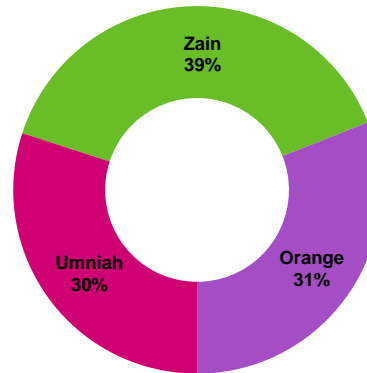
- Zain launched commercial operations in the Kingdom on August 2008. The Group holds a 37% equity stake, a Saudi consortium owns 21%, and the remaining 42% are free float. Zain KSA is listed on the Saudi Stock Exchange (MTC KSA, 7030) with a market capitalization circa USD 3 billion (share price SAR 10) on October 14th, 2014.
- The operator witnessed the highest customer growth among the group with 13% increase Y-o-Y to now serve more than 9 million customers representing 21% of the total group customer base. For the first nine months of 2014, revenues decreased by 7% due to the international price war which existed in H1-13, while EBITDA showed impressive growth of 21% to reach USD 220 million mainly driven by better gross margins. The operator managed to shrink its losses by 19% to reach USD 257 million as compared with losses of USD 317 million last year mainly due to positive EBITDA performance.
- The operator witnessed 43% rise in data revenues (excluding SMS & VAS) Y-o-Y which represents 17% of total revenues as the company expands its state-of-the-art 4G LTE network that currently covers 52% of the population.
- Zain Saudi Arabia's network covered 93% of the population through a total of 6,180 network sites, with the remaining population covered by national roaming agreements. Notably 85% and 52% of the population are covered by 3G and 4G networks respectively.

Kingdom of Jordan

Key Statistics – September 2014

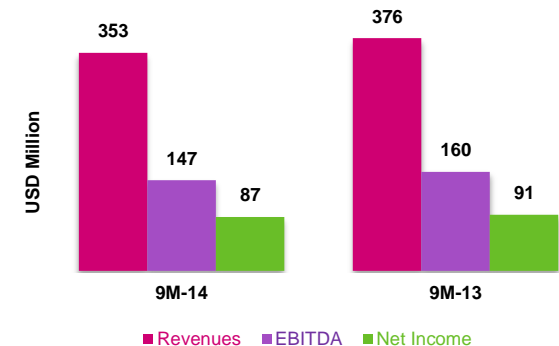
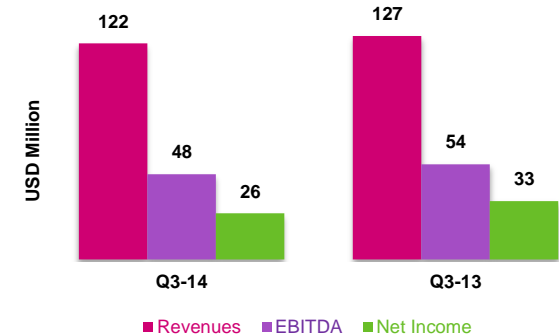


Market Share by Customers



Technology : 3G
Number of sites : 2,126
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 39% customer market share with 4 million customers. Y-o-Y Revenue, EBITDA and net income decreased by 6%, 8% and 4% respectively to reach USD 353 million USD 147 million and USD 87 million respectively, mainly due to lower voice revenues affected by the increase in special sales tax and lower interconnect revenues.
- Data revenues (excluding SMS & VAS) represented 23% of total revenues, which grew by 14% as compared with the same period last year. The operator covers the entire population through its 2,126 network sites.
- Zain Jordan recently acquired additional 3G frequencies and 4G spectrum for USD 270 million and expects to launch commercial 4G services in early 2015, this is an exclusive licence and as the only operator offering such, it is expected that all the financial metrics from this operation will be enhanced substantially.

Kingdom of Bahrain

Key Statistics – September 2014

1.3 m
Population

\$29,800
GDP/Capita

185%
Penetration

2003
Year of launch

787
Thousand
Customers

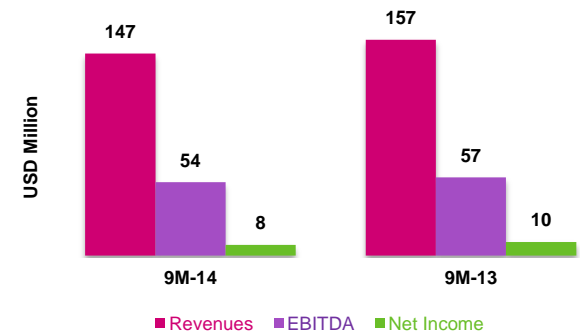
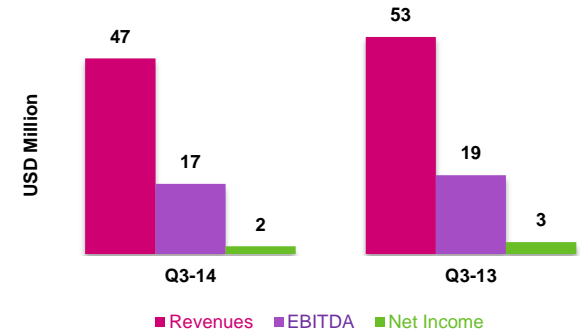
63%
Ownership

\$20
ARPU

Technology : 4G LTE
Number of sites : 404
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.
- With an ARPU of USD 20, Zain Bahrain has the second highest ARPU in the Group.
- Zain Bahrain completed an Initial Public Offering (IPO) of 15% of its share capital on 30th September, 2014. The operator anticipates shares to be traded on the Bahrain bourse late 2014.
- Data revenues (excluding SMS & VAS) represented 30% of overall revenues, which grew by 4% as compared with last year.

Financials



Republic of South Sudan

Key Statistics – September 2014

11.7 m
Population

\$1,400
GDP/Capita

19%
Penetration

2006
Year of full
acquisition

664
Thousand
Customers

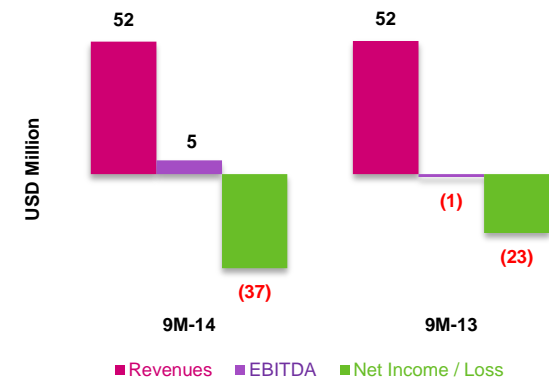
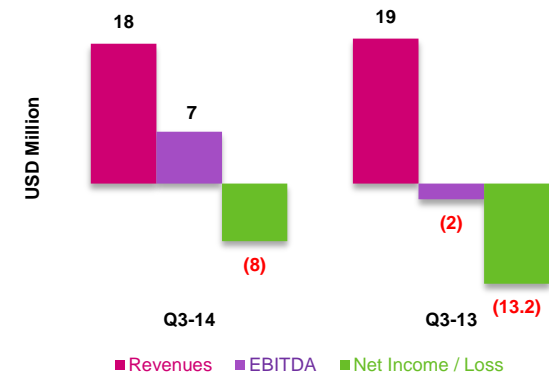
100%
Ownership

\$8
ARPU

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

- 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.
- Zain is the key leader in the South Sudanese market with 36% 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 176% Y-o-Y representing 9% of the total revenues for the first 9 Months of 2014.
- As of Q3-2014 the operator had a total of 265 network sites, covering 45% of the population.

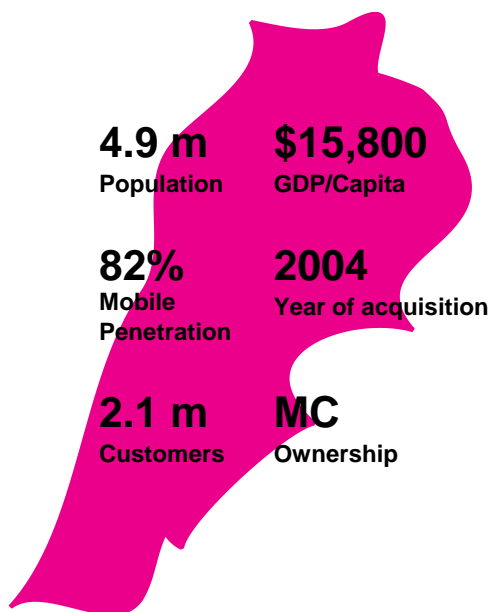
Financials



22 Lebanon



Key Statistics – September 2014



Technology : 4G LTE
Number of sites : 1,171
Coverage : 99%
License : Management Contract (MC).

- Zain operates in Lebanon under a management contract since June 2004, when it was rebranded to mtc-touch, and subsequently to “touch”.
- The number of existing sites continues to increase as it reached 1,171 network sites as of September 2014, covering 99% of the population.
- The operation currently serves around 2.1 million customers.



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Balance Sheet



	Unaudited 30-Sep-14	Audited 31-Dec-13	Unaudited 30-Sep-13
	KD '000		
Assets			
Current assets			
Cash and bank balances	307,972	399,242	349,261
Trade and other receivables	394,521	350,300	337,241
Inventories	13,234	14,922	15,052
Investment securities- at fair value through profit or loss	2,163	1,930	2,014
	717,890	766,394	703,568
Non-current assets			
Investment securities – available for sale	44,001	46,363	46,539
Investments in associates and joint ventures	243,121	265,197	277,641
Due from associates	309,287	271,952	266,442
Other assets	21,355	18,726	17,777
Property and equipment	779,265	734,641	725,001
Intangible assets	1,068,528	993,667	1,002,958
	2,465,557	2,330,546	2,336,358
Total Assets	3,183,447	3,096,940	3,039,926

	Unaudited 30-Sep-14	Audited 31-Dec-13	Unaudited 30-Sep-13
	KD '000		
Liabilities and Equity			
Current liabilities			
Trade and other payables	572,538	542,566	537,312
Due to banks	287,674	198,402	239,140
	860,212	740,968	776,452
Non-current liabilities			
Due to banks	524,672	557,319	506,025
Other non-current liabilities	37,818	35,451	34,468
	562,490	592,770	540,493
Equity			
Attributable to the Parent Company's shareholders			
Share capital	432,706	432,268	432,149
Share premium	1,707,104	1,706,779	1,706,674
Treasury shares	(567,834)	(567,834)	(567,834)
Legal reserve	216,134	216,134	215,764
Foreign currency translation reserve	(669,081)	(684,716)	(669,160)
Treasury shares reserve	1,967	1,967	1,967
Investment fair valuation reserve	4,083	2,445	2,492
Share based compensation reserve	-	5,482	4,558
Hedge reserve	(1,287)	(1,164)	-
Retained earnings	479,729	509,296	460,948
	1,603,521	1,620,657	1,587,558
Non-controlling interests	157,224	142,545	135,423
Total equity	1,760,745	1,763,202	1,722,981
Total Liabilities and Equity	3,183,447	3,096,940	3,039,926

Income Statement

Nine months ended

30-Sep

2014

2013

KD'000

Revenue	921,397	924,687
Cost of sales	(256,938)	(262,939)
Gross profit	664,459	661,748
Operating and administrative expenses	(267,052)	(257,670)
Depreciation and amortization	(129,088)	(143,758)
Provision for impairment – trade and other receivables	(8,548)	(5,011)
Operating profit	259,771	255,309
Interest income	15,542	13,334
Investment income	1,748	2,062
Share of results of associates and joint ventures	(25,426)	(25,147)
Other income/(expense)	2,682	(8,309)
Finance costs	(20,402)	(17,518)
Loss from currency revaluation	(31,431)	(15,253)
Board of Directors' remuneration	(323)	(323)
Contribution to Kuwait Foundation for Advancement of Sciences	(1,124)	(1,709)
National Labour Support Tax and Zakat	(5,159)	(5,302)
Profit for the period before income tax	195,878	197,144
Income tax expenses	(18,017)	(11,633)
Profit for the period	177,861	185,511

Attributable to:

Shareholders of the Parent Company	160,955	165,623
Non-controlling interests	16,906	19,888
	177,861	185,511

Nine months ended

30-Sep

2014

2013

Fils

Earnings per share

Basic – Fils	41	43
Diluted – Fils	41	43

Cash flow statement

	Nine months ended			Nine months ended	
	30-Sep			30-Sep	
	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	195,878	197,144	Deposits maturing after three months and bank balances blocked	(16,171)	(3,278)
Adjustments for:			Investments in a subsidiary	(3,513)	-
Depreciation and amortization	129,088	143,758	Purchase of investments	(750)	(545)
Interest income	(15,542)	(13,334)	Proceeds from sale of investments	4,879	6,332
Investment income	(1,748)	(2,062)	Acquisition of property and equipment (net)	(110,946)	(113,646)
Share of results of associates and joint ventures	25,426	25,147	Acquisition of intangible assets	(105,753)	(38,730)
Finance costs	20,402	17,518	Interest received	6,312	4,141
Loss from currency revaluation	31,431	15,253	Dividend received	608	539
Operating profit before working capital changes	384,935	383,424	<i>Net cash used in investing activities</i>	(225,334)	(145,187)
Increase in trade and other receivables	(50,254)	(23,108)	Cash flows from financing activities		
Decrease/(increase) in inventories	1,485	(3,371)	Proceeds from bank borrowings	368,329	555,074
(Decrease)/increase in trade and other payables	(9,483)	8,053	Repayment of bank borrowings	(328,033)	(463,316)
Cash generated from operations	326,683	364,998	Loans to an associate	(20,445)	(22,866)
Paid to Kuwait Foundation for Advancement of Sciences	(3,949)	(5,058)	Capital contribution including share premium – employees stock option	763	1,801
National Labour Support Tax and Zakat paid	(3,807)	(4,646)	Dividends paid to Parent Company's shareholders	(194,602)	(193,000)
Income tax paid	(13,022)	(12,367)	Dividends paid to minority shareholders of subsidiaries	(2,647)	(3,302)
<i>Net cash from operating activities</i>	305,905	342,927	Finance costs paid	(14,855)	(30,819)
			<i>Net cash used in financing activities</i>	(191,490)	(156,428)
			Net (decrease)/increase in cash and cash equivalents	(110,919)	41,312
			Effect of foreign currency translation	3,478	2,062
			Cash and cash equivalents at beginning of period	282,687	188,921
			Cash and cash equivalents at end of period	175,246	232,295



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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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