Zain Group
Financial Results

Q4 2017

Disclaimer

- Mobile Telecommunications Company KSCP “Zain Group” has prepared this presentation to the best of its abilities, however, no warranty or representation, express or implied is made as to the adequacy, correctness, completeness or accuracy of any numbers, statements, opinions, estimates, or other information contained in this presentation.

- Certain portions of this document contain “forward-looking statements”, which are based on current expectations and reasonable assumptions, we can however give no assurance they will be achieved.

- The information contained in this presentation is subject to change and we disclaim any obligation to update you of any such changes, particularly those pertaining to the forward-looking statements.

- Furthermore, it should be noted that there are a myriad potential risks, uncertainties and unforeseen factors that could cause the actual results to differ materially from the forward-looking statements made herein.

- Accordingly, this presentation does not constitute an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for, or otherwise acquire or dispose of, securities in any company within Zain Group.

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** or visit **www.zain.com/en/investor-relations/**

Content



1. Results Review
2. Operations review
3. Financial Statements

Zain At A Glance – 2017

14.7 MILLION
CUSTOMERS IN IRAQ

6,500 TB
AVERAGE **DAILY DATA** VOLUME

40.2%
EBITDA MARGIN
ONE OF THE HIGHEST IN THE REGION

$3.4 BILLION
IN REVENUES

4G LONG TERM EVOLUTION
(LTE) NETWORK IN KUWAIT, SAUDI ARABIA, JORDAN, BAHRAIN, SUDAN & LEBANON

$1.4 BILLION
IN EBITDA

46.6 MILLION
ACTIVE CUSTOMERS

$527 MILLION
IN NET INCOME

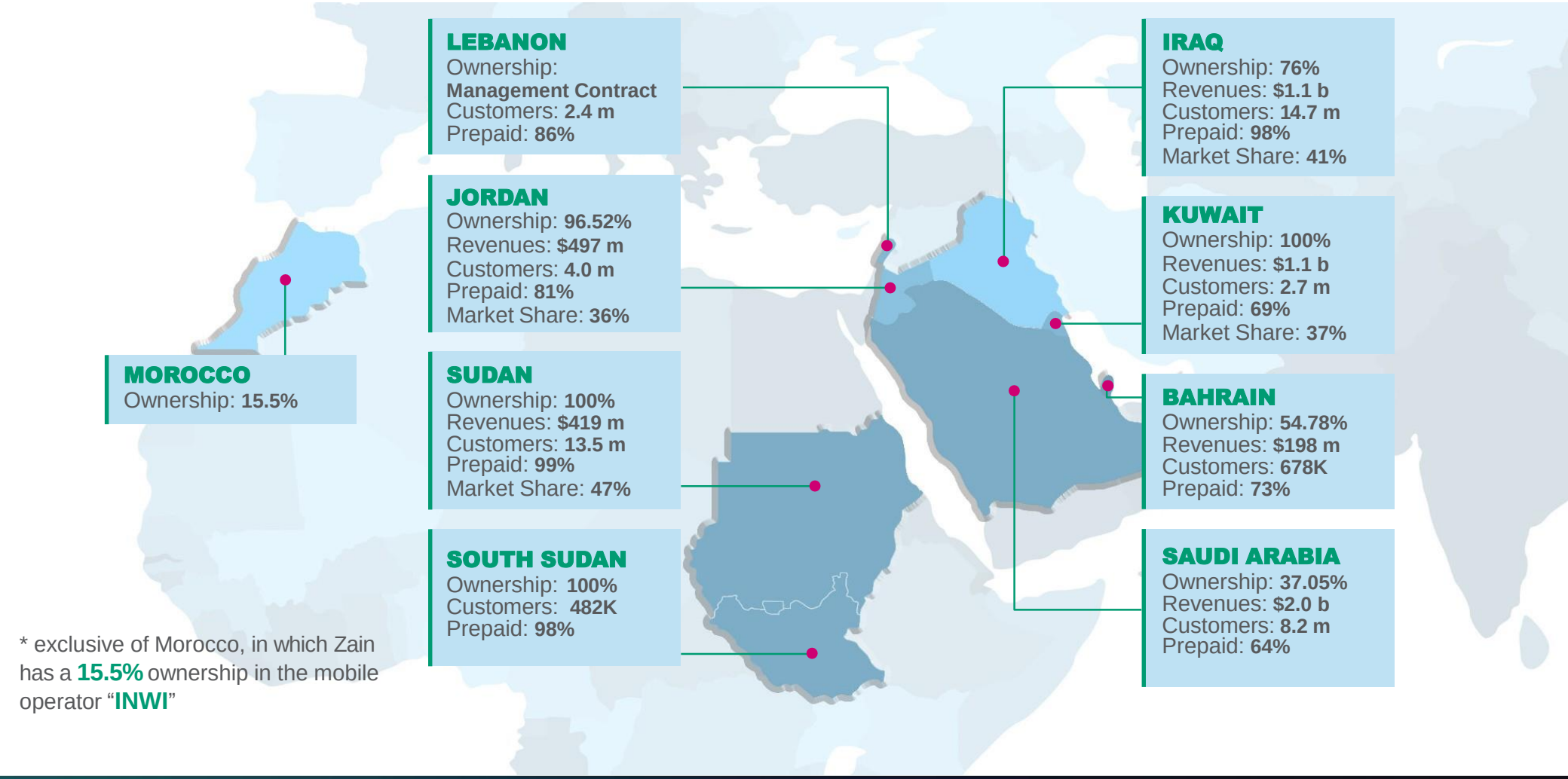
AROUND 6,200
EMPLOYEES

1 MARKET LEADER
IN KUWAIT, IRAQ, REPUBLIC OF SUDAN, JORDAN & LEBANON

13.5 MILLION
CUSTOMERS IN REPUBLIC OF SUDAN

The World of Zain

ZAIN'S WORLD CATERS TO 46.6 MILLION CUSTOMERS IN 8 COUNTRIES*



LEBANON
Ownership:
Management Contract
Customers: **2.4 m**
Prepaid: **86%**

JORDAN
Ownership: **96.52%**
Revenues: **$497 m**
Customers: **4.0 m**
Prepaid: **81%**
Market Share: **36%**

SUDAN
Ownership: **100%**
Revenues: **$419 m**
Customers: **13.5 m**
Prepaid: **99%**
Market Share: **47%**

SOUTH SUDAN
Ownership: **100%**
Customers: **482K**
Prepaid: **98%**

MOROCCO
Ownership: **15.5%**

IRAQ
Ownership: **76%**
Revenues: **$1.1 b**
Customers: **14.7 m**
Prepaid: **98%**
Market Share: **41%**

KUWAIT
Ownership: **100%**
Revenues: **$1.1 b**
Customers: **2.7 m**
Prepaid: **69%**
Market Share: **37%**

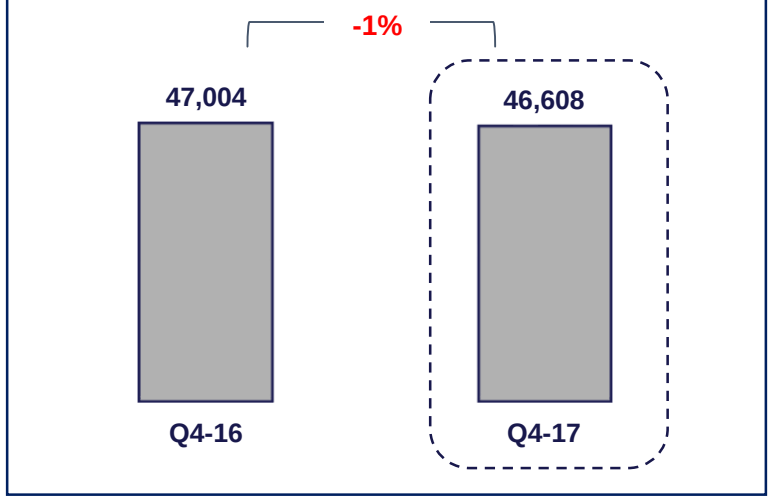
BAHRAIN
Ownership: **54.78%**
Revenues: **$198 m**
Customers: **678K**
Prepaid: **73%**

SAUDI ARABIA
Ownership: **37.05%**
Revenues: **$2.0 b**
Customers: **8.2 m**
Prepaid: **64%**

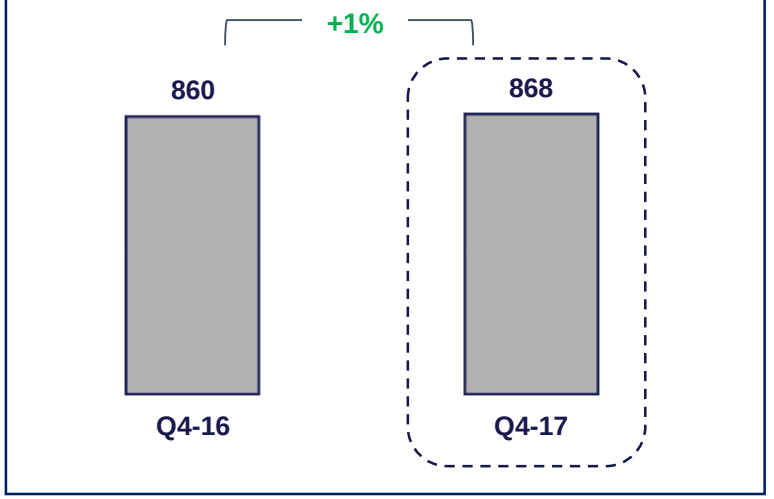
* exclusive of Morocco, in which Zain has a **15.5%** ownership in the mobile operator "**INWI**"

Group Financial Highlights – Q4 2017

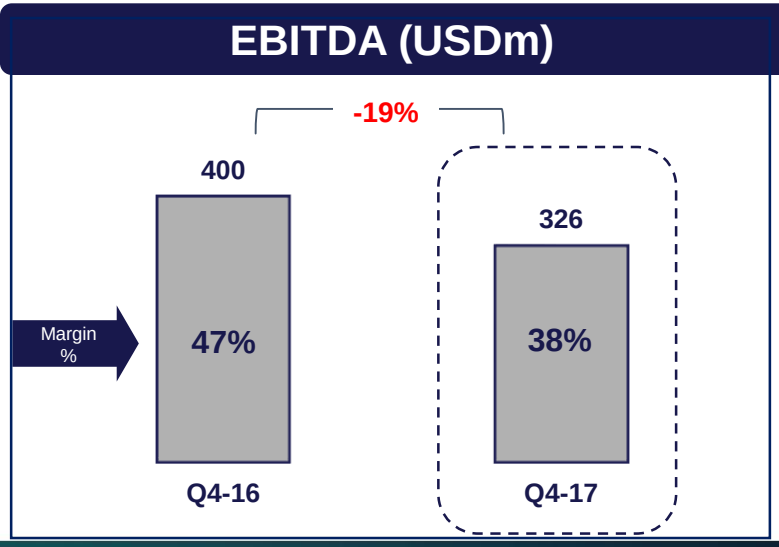
CUSTOMERS (000)



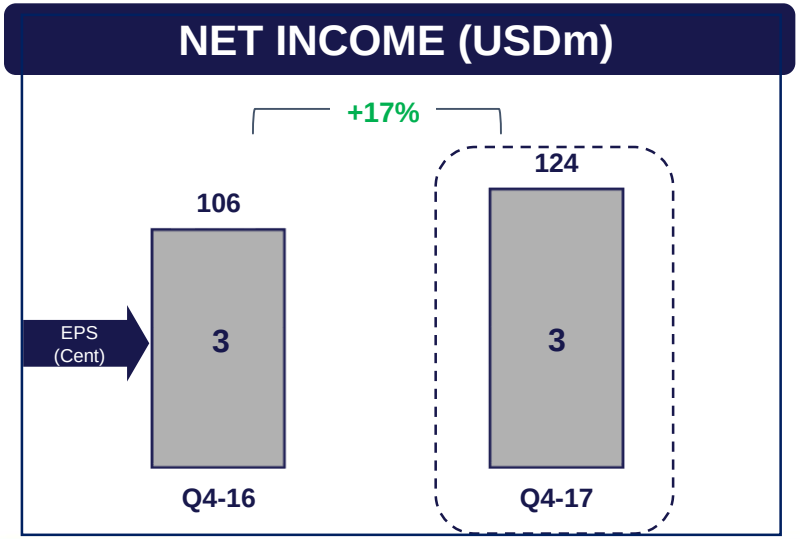
REVENUES (USDm)



EBITDA (USDm)

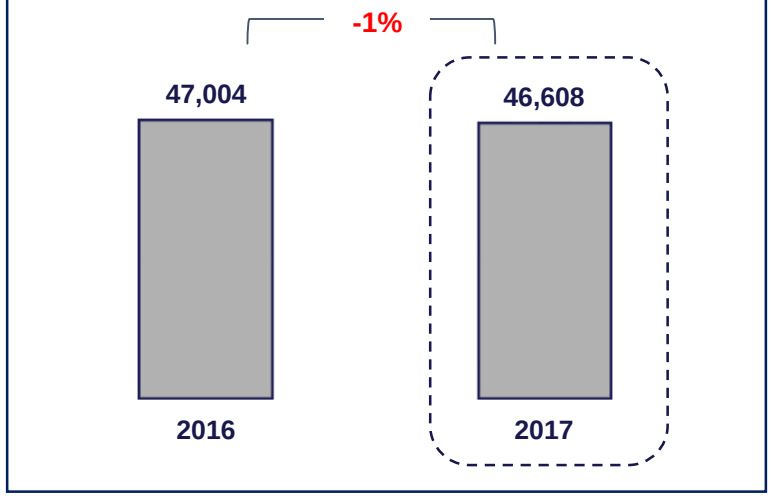


NET INCOME (USDm)

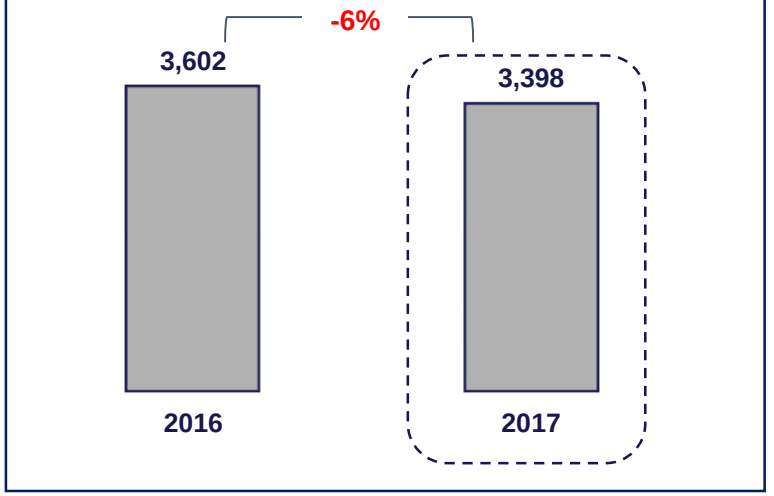


Group Financial Highlights – FY 2017

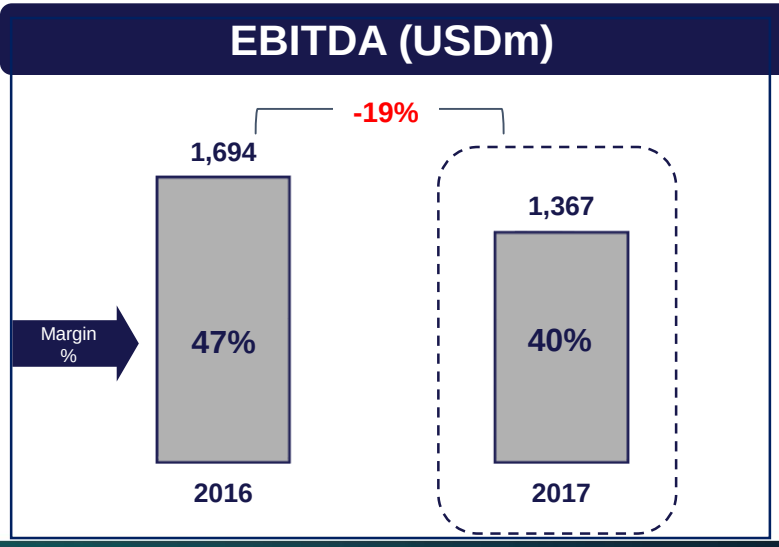
CUSTOMERS (000)



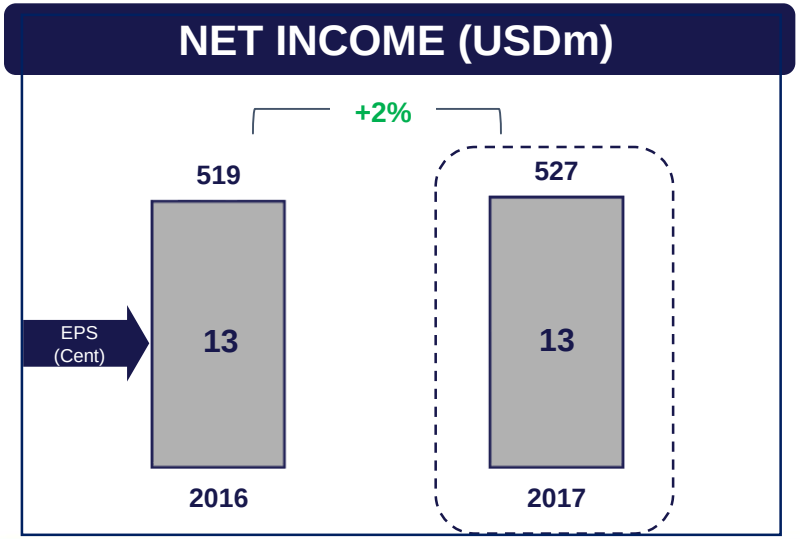
REVENUES (USDm)



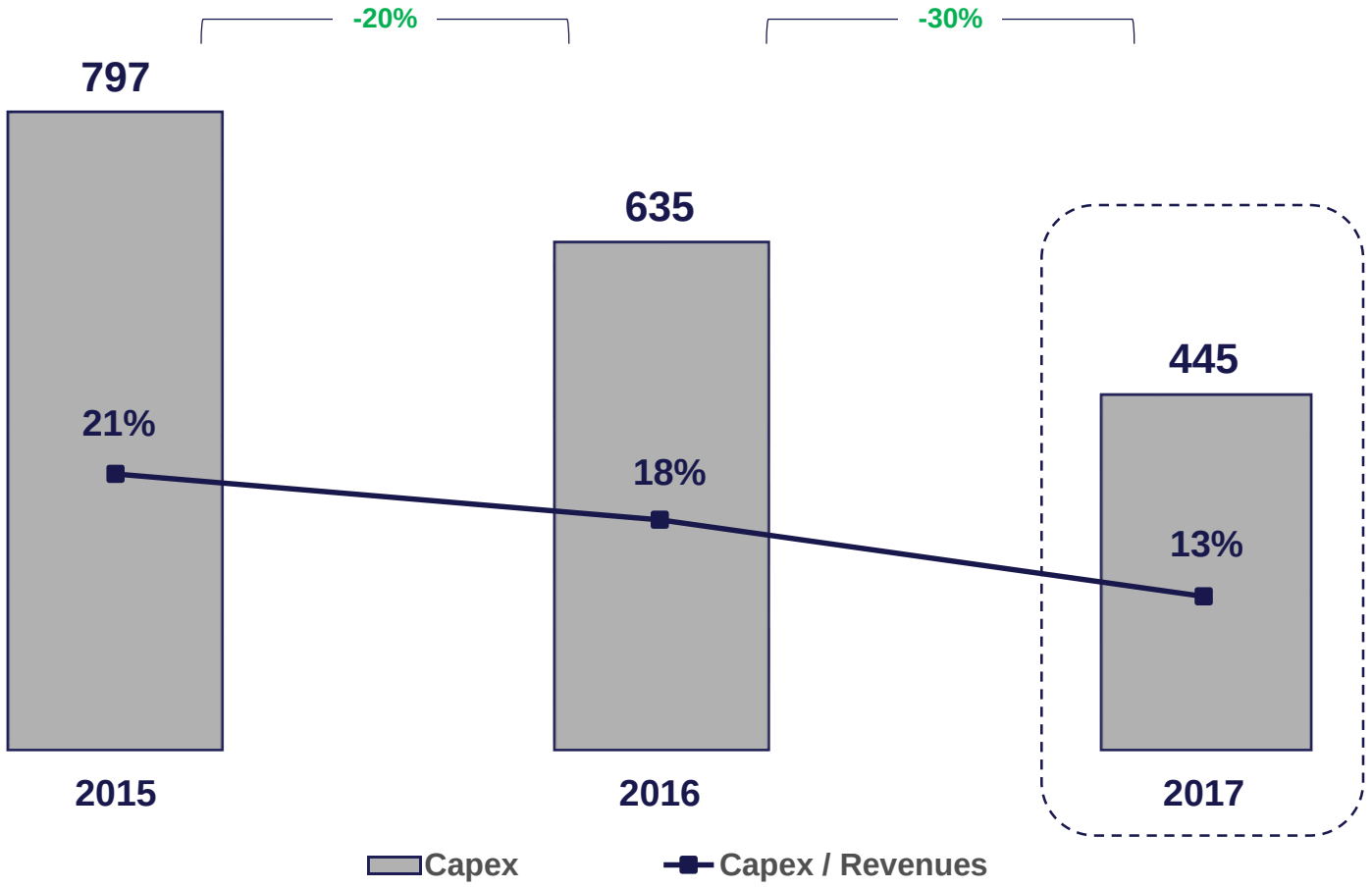
EBITDA (USDm)



NET INCOME (USDm)



CAPEX & CAPEX / REVENUES

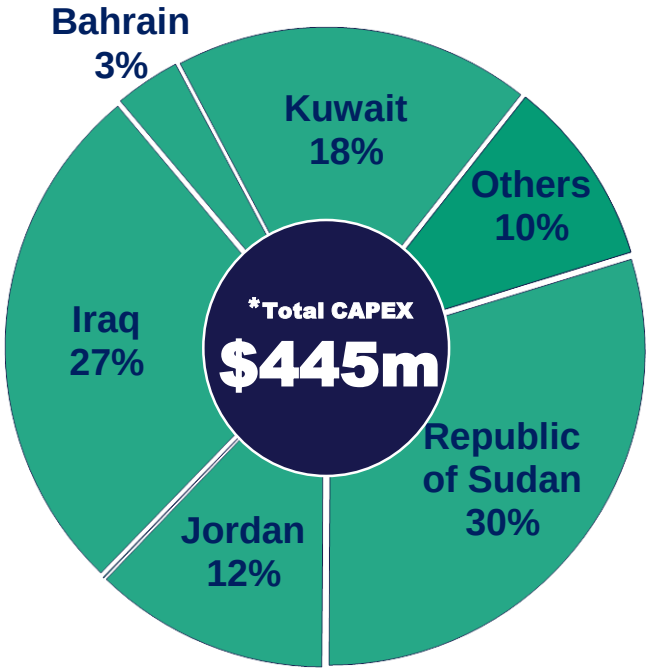


** Capex excluding Zain KSA*

** Capex includes only tangible assets*

TOTAL CAPEX

CAPEX BREAKDOWN



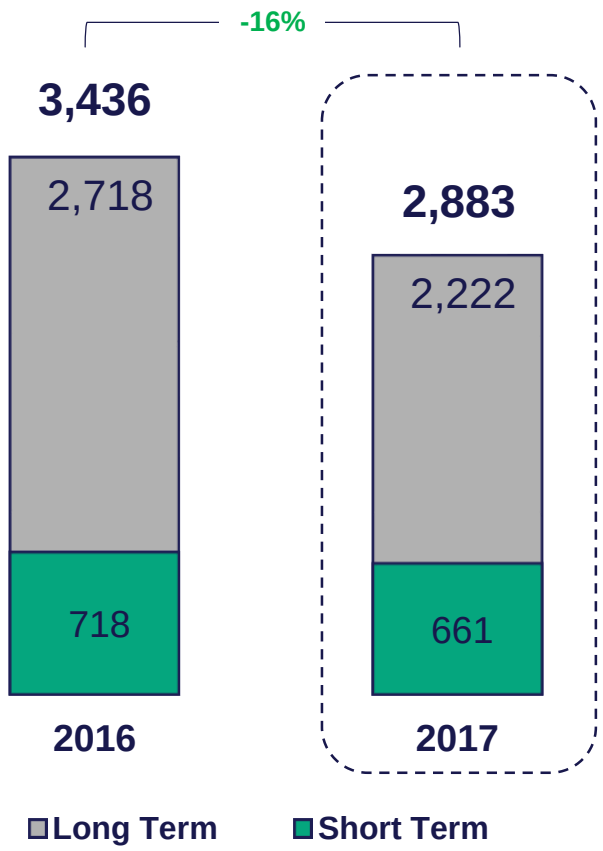
OPCO	2017 (USDm)	% OF REVENUES
Kuwait	82	8%
Iraq	119	11%
Sudan	133	32%
KSA	308	15%
Jordan	54	11%
Bahrain	15	8%
Others	43	N/A

* Group Total Capex (excluding KSA) = **USD 445 million**

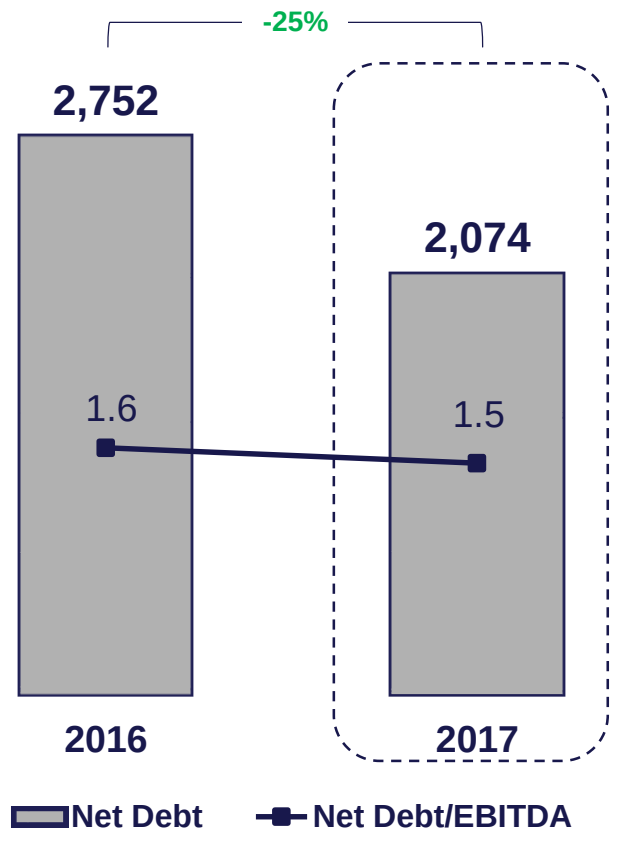
** Capex includes only tangible assets*

Group Financial Highlights

TOTAL DEBT (USDm)



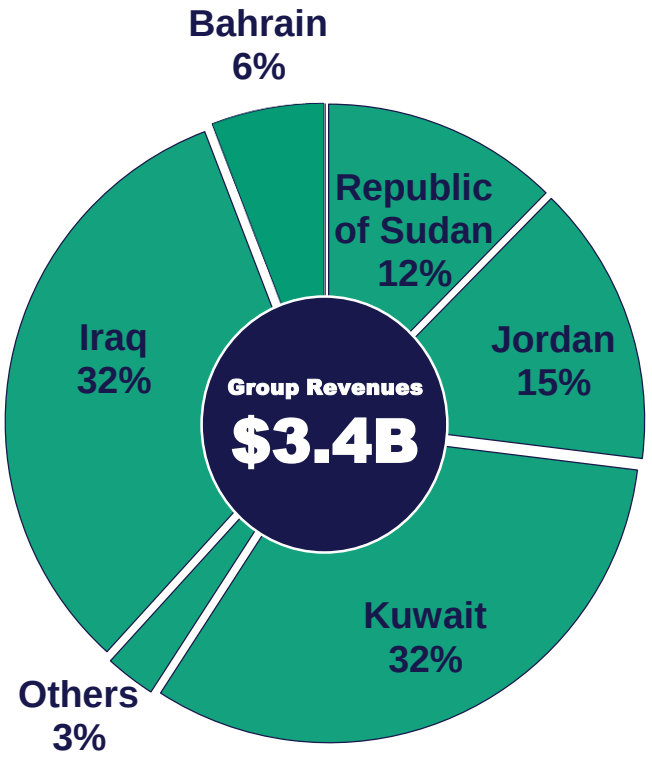
NET DEBT (USDm) & NET DEBT/EBITDA



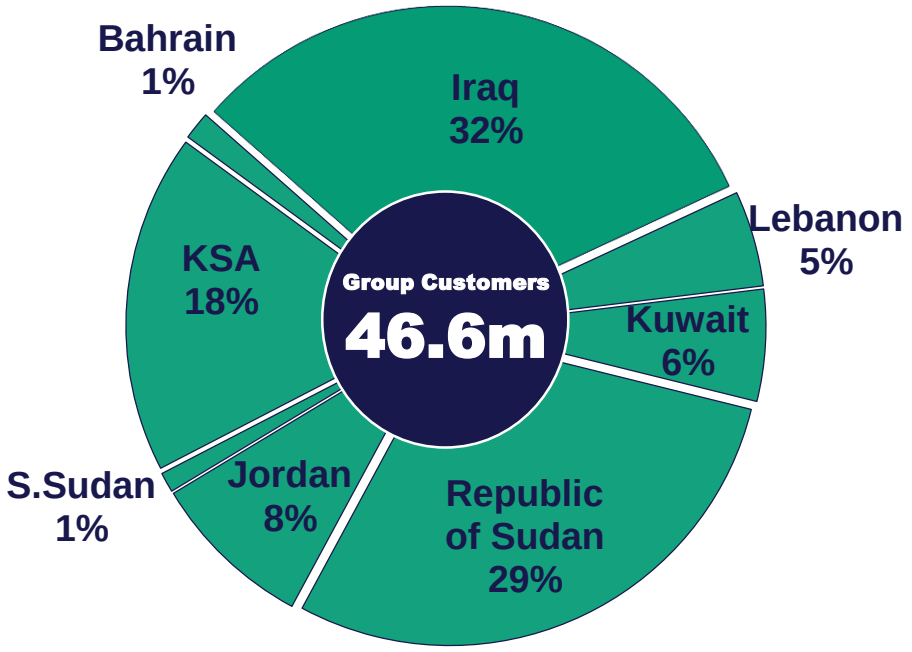
Net Debt = Total interest bearing debt (excluding letters of guarantee) after deducting cash and cash equivalents

Group Financial Highlights

REVENUE CONTRIBUTION

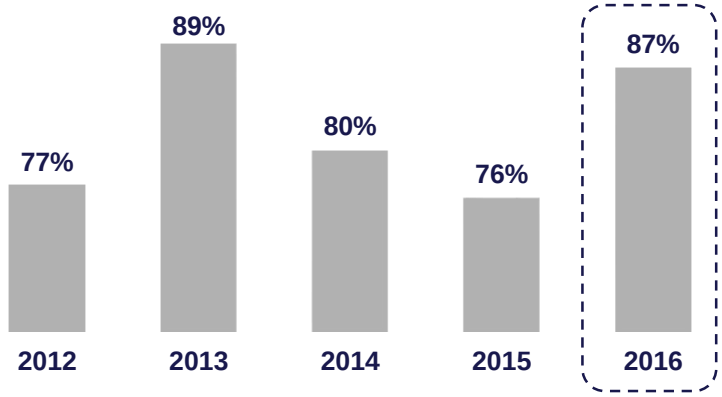


CUSTOMER CONTRIBUTION

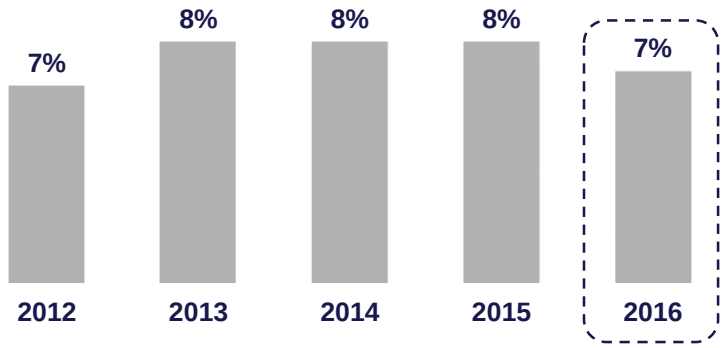


ZAIN DIVIDENDS

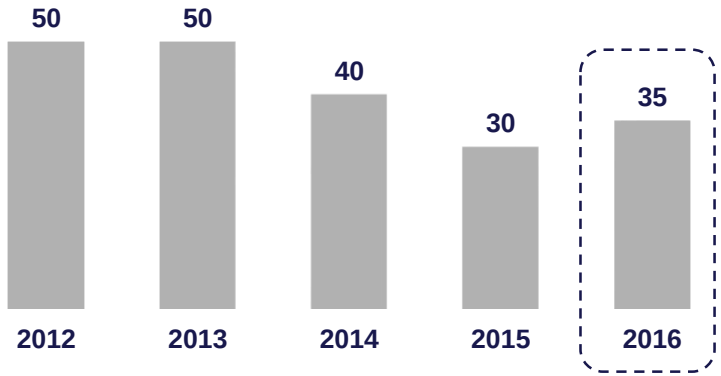
DIVIDEND PAYOUT RATIO



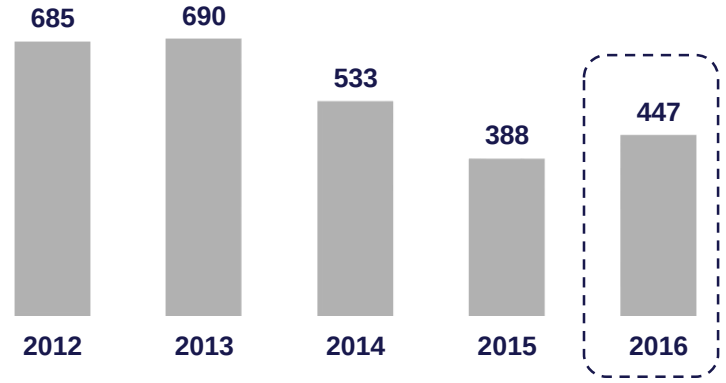
DIVIDEND YIELD (%)



DIVIDEND PER SHARE (Fils)



CASH DIVIDEND (USDm)

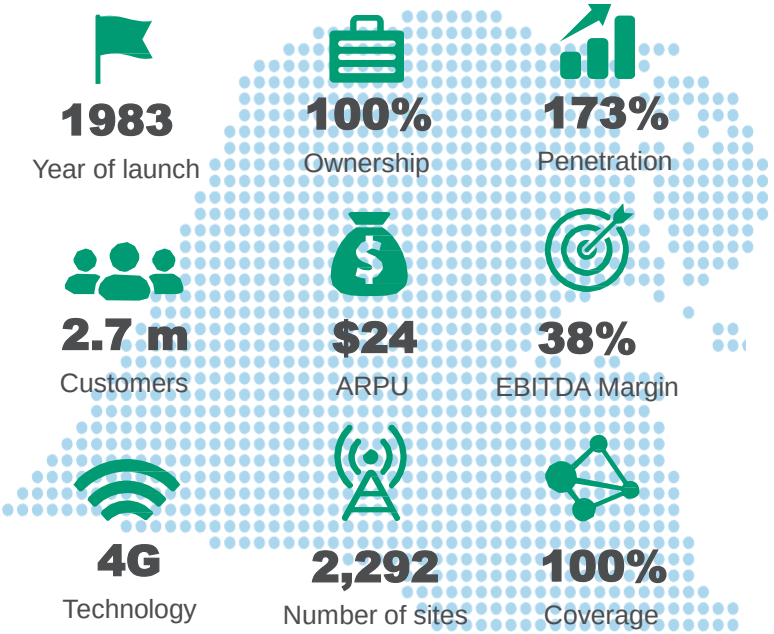


Content

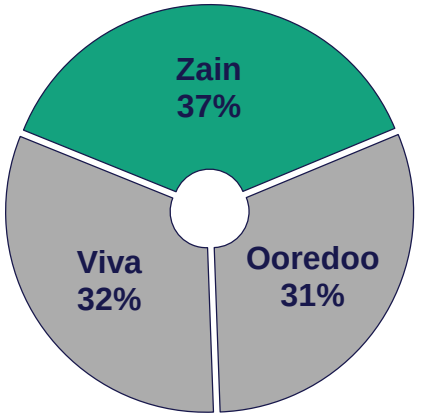


1. Results Review
2. Operations review
3. Financial Statements

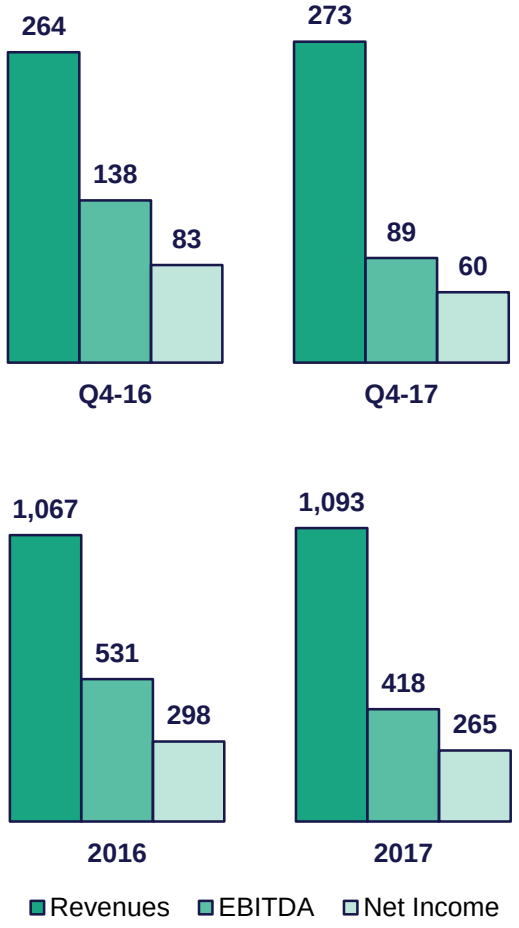
ZAIN KUWAIT



MARKET SHARE



FINANCIALS (USDm)



- Intense price competition impacted the results
- More data cost due to shifting revenue from voice to data
- Introduction of iflix, TV/Video on mobile, as part of new packages to improve customer loyalty
- Successful launch of iPhone X
- Strong concentration on cost optimization initiatives
- Data revenues (excluding SMS & VAS) formed 32% of total revenues

ZAIN IRAQ

2003
Year of acquisition

76%
Ownership

95%
Penetration

14.7 m
Customers

$7
ARPU

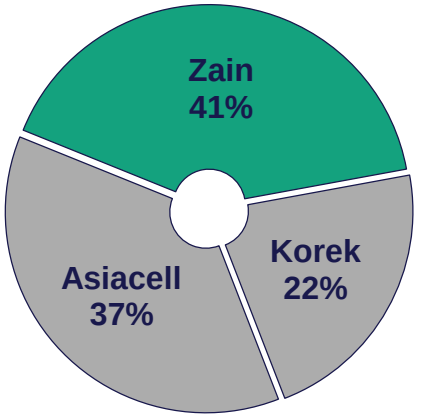
35%
EBITDA Margin

3G
Technology

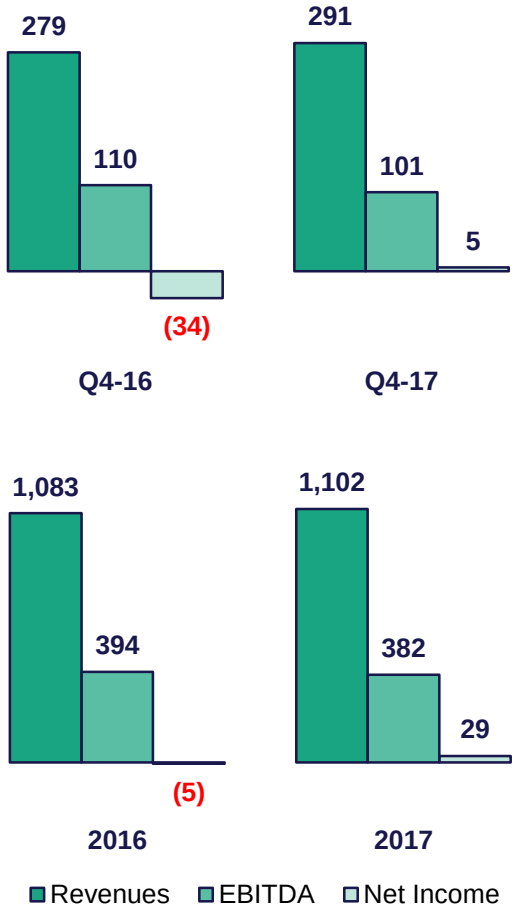
4,482
Number of sites

99%
Coverage

MARKET SHARE



FINANCIALS (USDm)



- Solid FY performance, supported by strong acquisition initiatives in the regions
- Stopped the irrational price war among operations
- Restore service in the liberated areas
- Customer base jumped by 16% to reach 14.7 million
- Strong focus on cost optimization

ZAIN SUDAN

2006
Year of acquisition

100%
Ownership

71%
Penetration

13.5 m
Customers

$3
ARPU

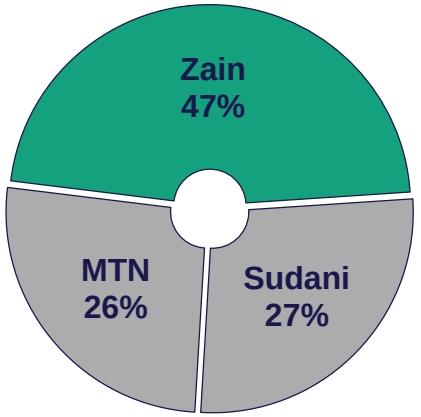
40%
EBITDA Margin

4G
Technology

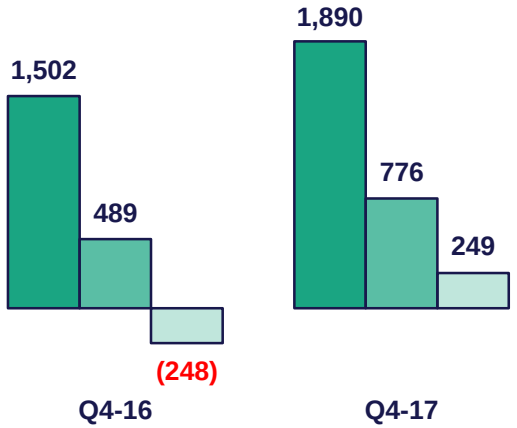
2,542
Number of sites

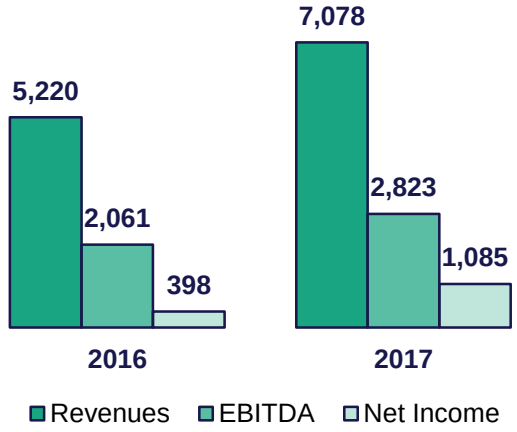
90%
Coverage

MARKET SHARE



FINANCIALS (SDGm)





- Maintained market leadership, quality of service and remained operator of choice.
- Impressive YoY growth in local currency SDG terms
- Customers grew by 8%, to reach 13.5 million
- 53% currency devaluation effected the financial results in USD terms (from an average of 8 to 16.9 SDG/USD)
- Significant cost optimization savings
- Data revenues (excluding SMS & VAS) grew 58% YoY, and formed 16% of total revenues

ZAIN KSA

2008
Year of acquisition

37%
Ownership

168%
Penetration

8.2 m
Customers

$17
ARPU

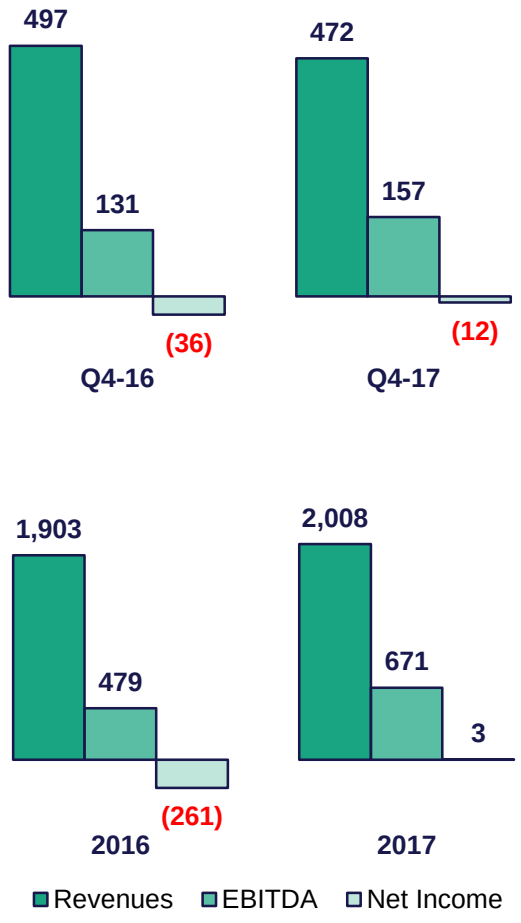
33%
EBITDA Margin

4G
Technology

8,263
Number of sites

96%
Coverage

FINANCIALS (USDm)



- The operator achieved its 1st ever full year net profit:
- License extension impact also contributed to the net income
- Focus on new revenues stream like B2B
- Re adjust the efforts to minimize the impact of “2 sims” limitations
- Increase the cost optimization efforts and initiatives
- Data revenues (excluding SMS & VAS) grew by 30% YoY, and formed 50% of total revenues

ZAIN JORDAN

2003
Year of launch

96.52%
Ownership

100%
Penetration

3.9 m
Customers

$9
ARPU

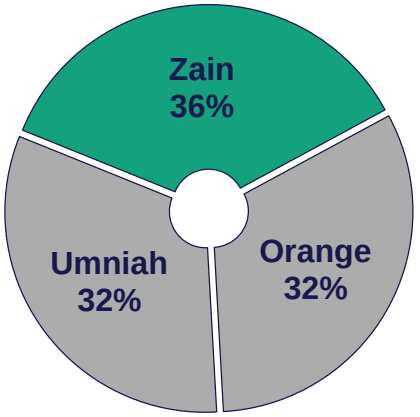
45%
EBITDA Margin

4G
Technology

2,813
Number of sites

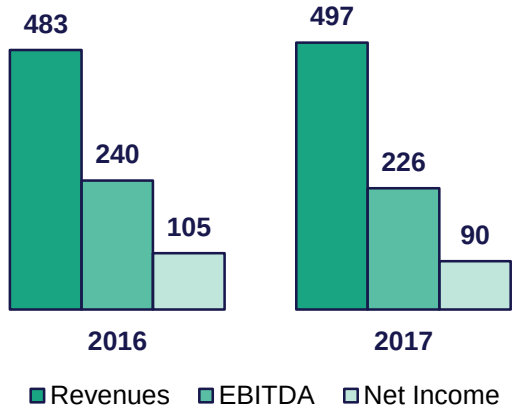
100%
Coverage

MARKET SHARE



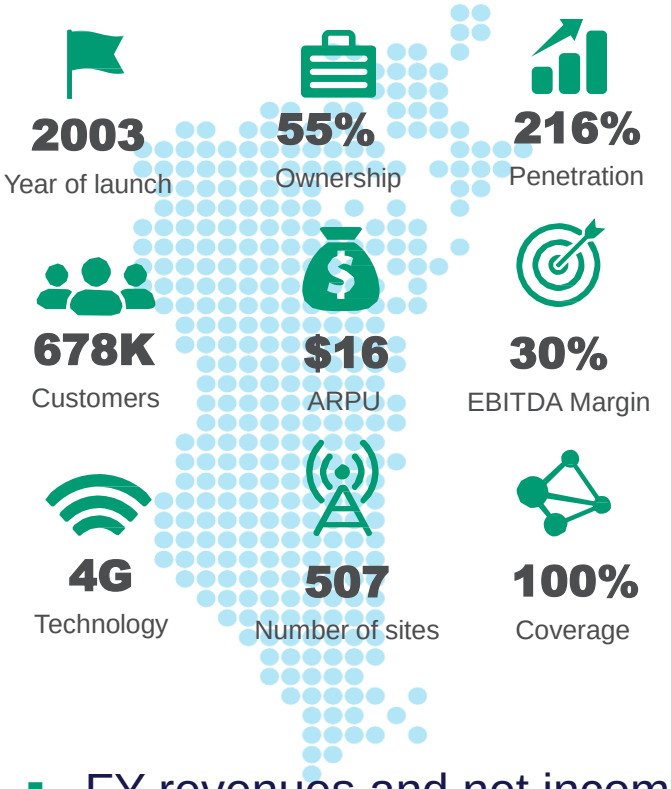
FINANCIALS (USDm)





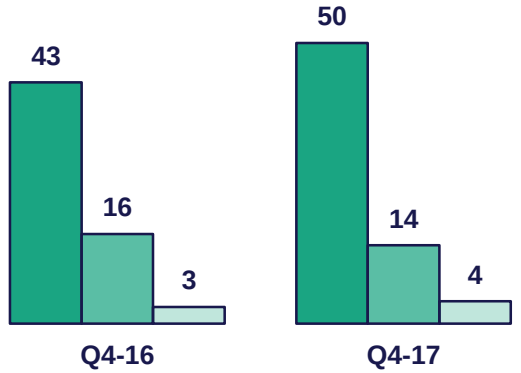
- Aggressive price competition and free off net minutes effected the FY performance
- Revenues improved despite the tough competition
- Higher data and interconnect revenues
- Data revenues (excluding SMS & VAS) grew by 12% YoY, and formed 37% of total revenues

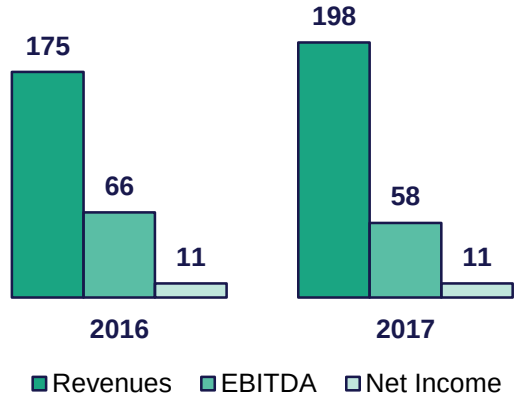
ZAIN BAHRAIN



- FY revenues and net income increased by 13% and 1.2% respectively
- Data revenues (excluding SMS & VAS) grew by 23% YoY, and formed 44% of total revenues

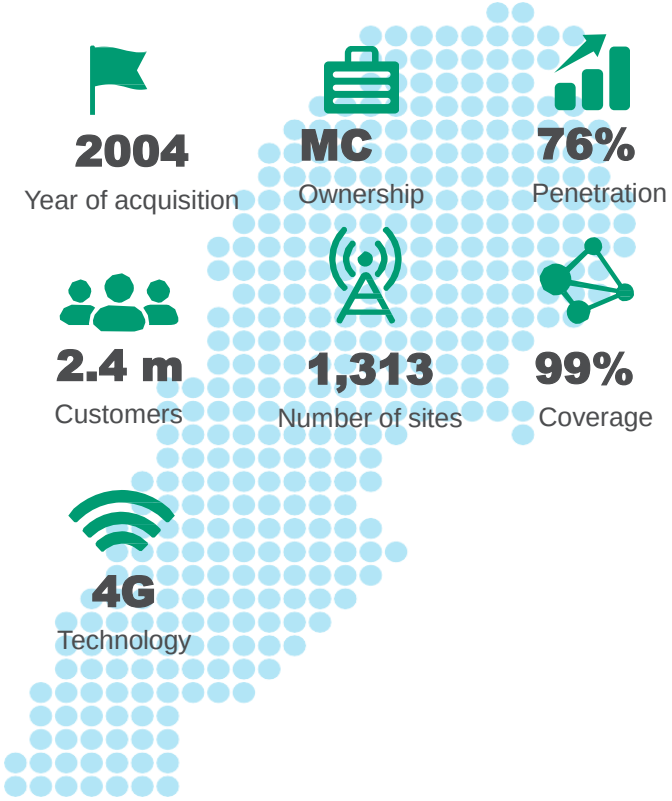
FINANCIALS (USDm)



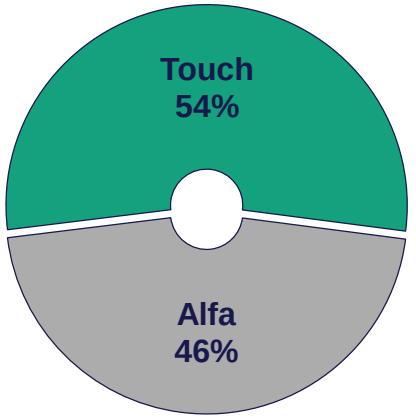


TOUCH - LEBANON

Management Contract



MARKET SHARE



- Zain operates in Lebanon under a management contract since June 2004, when it was rebranded to mtc-touch, and subsequently to “touch”

Content



1. Results Review
2. Operations review
3. Financial Statements

BALANCE SHEET

ASSETS	2017	2016
	KD '000	
Current assets		
Cash and bank balances	244,398	208,752
Trade and other receivables	455,801	450,386
Inventories	34,402	16,418
Investment securities at fair value through profit or loss	778	964
Non-current assets held for sale	7,656	-
	743,035	**676,520**
Non-current assets		
Investment securities available for sale	16,118	22,134
Investments in associates and joint ventures	188,412	190,396
Dues from associates	415,759	381,661
Other assets	15,131	15,598
Property and equipment	743,586	798,156
Intangible assets and goodwill	911,630	1,007,237
	2,290,636	**2,415,182**
Total Assets	**3,033,671**	**3,091,702**

LIABILITIES AND EQUITY	2017	2016
	KD '000	
Current liabilities		
Trade and other payables	515,384	570,920
Due to banks	199,564	219,154
	714,948	790,074
Non-current liabilities		
Due to banks	670,637	830,193
Other non-current liabilities	38,482	48,953
	709,119	879,146
Equity		
Attributable to the Company's shareholders		
Share capital	432,706	432,706
Share premium	1,707,164	1,707,164
Legal reserve	216,353	216,353
Foreign currency translation reserve	(1,189,469)	(1,100,094)
Treasury shares	-	(567,834)
Treasury shares reserve	-	1,967
Investment fair valuation reserve	3,251	3,484
Share of reserves of associates	(326)	(120)
Retained earnings	281,919	571,503
	1,451,598	1,265,129
Non-controlling interests	158,006	157,353
Total equity	1,609,604	1,422,482
Total Liabilities and Equity	3,033,671	3,091,702

INCOME STATEMENT

	2017	2016
	KD '000	
Revenue	1,029,547	1,087,774
Cost of sales	(290,891)	(266,764)
Gross profit	**738,656**	**821,010**
Operating and administrative expenses	(313,964)	(308,174)
Depreciation and amortization	(185,050)	(222,307)
Provision for impairment – trade and other receivables	(10,256)	(1,296)
Operating profit	**229,386**	**289,233**
Interest income	27,850	5,992
Investment income	781	(3,925)
Share of results of associates and joint ventures	127	(30,781)
Other (expense)/income	(12,207)	(22,793)
Finance costs	(40,100)	(32,598)
Provision for impairment loss on property and equipment	(37,826)	-
Loss from currency revaluation	(32,120)	(42,044)
Net monetary gain	45,789	30,781
Profit before, contribution to KFAS, NLST, Zakat, income taxes and Board of Directors' remuneration	**181,680**	**193,865**
Contribution to Kuwait Foundation for Advancement of Sciences	(1,100)	(666)
National Labour Support Tax and Zakat	(5,753)	(6,138)
Income tax expenses	(10,400)	(28,051)
Board of Directors' remuneration	(275)	(275)
Profit for the year	**164,152**	**158,735**
Attributable to:		
Shareholders of the Company	159,817	156,702
Non-controlling interests	4,335	2,033
	164,152	**158,735**

	2017	2016
Earnings per share (EPS)	Fils	
Basic – Fils	39	40
Diluted – Fils	39	40

CASH FLOW STATEMENT

	2017	2016
	KD '000	
Cash flows from operating activities		
Profit for the year before income tax	174,552	186,786
Adjustments for:		
Depreciation and amortization	185,050	222,307
Interest income	(27,850)	(5,992)
Investment income	(781)	3,925
Share of results of associates and joint ventures	(127)	30,781
Provision for impairment loss on property and equipment	37,826	-
Finance costs	40,100	32,598
Loss from currency revaluation	32,120	42,044
Gain on sale of property and equipment	(163)	(129)
Net monetary gain	(45,789)	(30,781)
Operating profit before working capital changes	**394,938**	**481,539**
Increase in trade and other receivables	(52,902)	(99,142)
(Increase)/decrease in inventories	(18,483)	9,463
Provision used (net)	-	(56,124)
Decrease in trade and other payables	(50,610)	(67,794)
Cash generated from operations	**272,943**	**267,942**
Payments:		
Income tax	(13,735)	(53,819)
Kuwait Foundation for Advancement of Sciences (KFAS)	(250)	(500)
National Labour Support Tax and Zakat	(7,491)	(13,869)
Net cash from operating activities	**251,467**	**199,754**

	2017	2016
	KD '000	
Cash flows from investing activities		
Deposits maturing after three months and cash at bank under lien	(6,364)	99,931
Proceeds from sale of investment securities	9,829	5,995
Investments in securities	(4,184)	(1,350)
Increase in dues from associates	(11,750)	(28,164)
Acquisition of property and equipment (net)	(133,657)	(167,372)
Acquisition of intangible assets	(11,863)	(41,160)
Investments in subsidiaries	(516)	(53)
Interest received	28,089	5,239
Dividends received	249	703
Net cash used in investing activities	**(130,167)**	**(126,231)**
Cash flows from financing activities		
Proceeds from bank borrowings	323,387	247,911
Repayment of bank borrowings	(491,111)	(169,544)
Proceeds from sale of treasury shares	255,172	-
Dividends paid	(136,834)	(117,840)
Dividends paid to non-controlling interests	(1,741)	(15,059)
Finance costs paid	(35,340)	(24,619)
Net cash used in financing activities	**(86,467)**	**(79,151)**
Net increase/(decrease) in cash and cash equivalents	34,833	(5,628)
Effects of exchange rate changes on cash and cash equivalents	(5,551)	(45,488)
Cash and cash equivalents at beginning of year	177,150	228,266
Cash and cash equivalents at end of year	**206,432**	**177,150**

THANK YOU

Website : zain.com
Email : IR@zain.com



Note: Mobile Penetration rates are sourced from *GSMA Intelligence* as of Dec-17