

Our ref: KIPCO/TM 298/19 dated July 31, 2019

Boursa Kuwait Company
KUWAIT

السادة / شركة بورصة الكويت
المحترمين
دولة الكويت

Subject: KIPCO's Analyst/Investor Conference call
Minutes for Q2/2019

الموضوع: محضر مؤتمر المحللين/المستثمرين لمشاريع الكويت
القابضة "كيبكو" للربع الثاني من السنة المالية 2019

With reference to the above subject, and the requirements of article No. (2-4-8) "Continuing Obligations in the Premier Market" of Boursa Kuwait rule book issued via resolution No. (1) of year 2018, and since KIPCO has been classified in the premier market, Kindly note that the quarterly analyst/investor conference was conducted through a conference call at 1:30 PM (local time) on Tuesday 30/7/2019.

بالإشارة الى الموضوع اعلاه، والى متطلبات المادة (2-4-8) "الإلتزامات المستمرة للسوق الأول" من قواعد البورصة الصادرة بموجب القرار رقم (1) لسنة 2018، وحيث أن كيبكو تم تصنيفها ضمن مجموعة "السوق الأول"، نود ان نحيطكم علما بأن مؤتمر المحللين/المستثمرين قد انعقد عبر مكالمة هاتفية جماعية في تمام الساعة الواحدة و النصف عصراً (التوقيت المحلي) من يوم الثلاثاء الموافق 2019/7/30.

Kindly note that no material information has been discussed during the conference. Please find attached the minutes of the conference (Arabic & English) and the investors presentation for Q2-2019.

كما يرجى العلم بأنه لم يتم تداول أي معلومة جوهرية خلال المؤتمر، وتجدون مرفق طيه محضر المؤتمر باللغتين العربية والإنجليزية والعرض التقديمي للمستثمرين عن الربع الثاني لعام 2019.

Sincerely,

وتفضلوا بقبول فائق الاحترام ،،

كيبكو
KIPCO
شركة مشاريع الكويت (القابضة)
Kuwait Projects Company (Holding)

Faisal Hamad Al Ayyar
Vice Chairman (Executive)

فيصل حمد العيار
نائب رئيس مجلس الإدارة (التنفيذي)

Transcript: KIPCO Q2 2019 earnings call

Introduction: Good afternoon everyone. This is Ahmed El Shazly from EFG Hermes. I would like to welcome you all to the KIPCO Second Quarter 2019 Results Conference Call. It is a pleasure to have with us in the call today the following speakers from KIPCO: Mr. Pinak Maitra (Group CFO) and Mr. Moustapha Chami (Vice President, Finance and Accounts department). At this time, I would like to handover the call to Mr. Pinak Maitra, who will give the presentation. Thank you.

Pinak Maitra: Thank you, Ahmed. Good afternoon everyone. We are glad that all of you have joined us for our second quarter earnings call of 2019. Please note the presentation we are using is also available on our website along with second quarter financial statements.

As we have done before, we draw your attention to page 2 of the presentation which reads out a brief disclaimer. Some of the statements that we will be making today, and information available in the presentation are forward looking. Such statements are based on KIPCO's current expectations, predictions and estimates. They are not guarantees of future performance, achievements or results.

I will now hand over to Moustapha to provide you with a performance update on page 4 of the presentation.

Moustapha Chami: Thank you, Mr. Pinak. The Group generated revenue of US\$1.225 billion for the first half of the year 2019, which is marginally below the revenue generated during same period of 2018 (almost 1% lower). This is mainly attributable to revision in reporting of the financial statements' closing process at Burgan Bank by virtue of which they have reported only five months' results of its subsidiaries instead of six months. The resultant reduction in interest income vs. same period of last year has been partially compensated by increase in revenue from Hospitality & Real estate

sector and the share of results of associates mainly in the Industrial and Insurance sectors.

We have reported a net profit of US\$45 million for the period. This is an increase of 13% compared to the first half of last year. This translates into an EPS of 7.0 fils per share or 2.3 cents per share, an increase of 19% over H1 2018 EPS of 5.9 fils per share or 1.9 cents per share.

In the second quarter (the three months ended June 30, 2019), KIPCO reported a 10% rise in net profit to US\$ 23 million compared to US\$ 21 million reported in the same period of 2018.

Now, I will hand it back to Mr. Pinak.

Pinak Maitra:

Thank you Moustapha. The next page 5 details performance of Burgan Bank, KIPCO's flagship banking arm. As you know Burgan Bank holds its own investor call. For this quarter Burgan Bank will hold its investor call at 3PM Kuwait time (1 PM GMT), about an hour and half from now. As such we will focus on key highlights of their first half results.

Before we move to the operating results, we would like to inform you all that Burgan Bank has successfully completed tender buy back of its previously issued tier 1 securities worth US\$230mn, which were due for redemption on 30 September 2019. The Bank has replaced these bonds by successfully re-issuing US\$500mn perpetual tier 1 securities during July 2019. It gives us immense pleasure to highlight that the orderbook was 4.4x oversubscribed reflecting the confidence that regional and international investors have in the Burgan Bank's growth strategy and prudent financial management. The result of this demand was that new bonds were issued at a price of 5.75% vs 7.25% coupon of our 2014 issued bond.

As was in case of Q1 2019, Burgan Bank's first half results for 2019 include a one-month lag i.e. they have reported only five months' performance of its subsidiaries instead of six months. As highlighted in our last call, this change in accounting will enable Burgan Bank to accelerate its financial closing process for earliest possible release of the Group's financial statements to its stakeholders. As such, the results should be read within this context.

- On top of page 5 you can see loan book was marginally lower by 1.5% in first half of 2019 vs. year-ended 31st December 2018. This was mainly due to lower loan volumes in Burgan Bank Turkey by US\$245mn due to devaluation of the Turkish Lira and limited loan growth in that market. AGB loan volumes were also lower by US\$50mn. This was partially offset by higher loan growth in Kuwait operations by US\$95mn coming primarily from corporate customers.
- Deposits grew by 11% vs December 2018 mainly driven by Kuwait operations where around US\$1.6bn deposits were added from December 2018. This was offset by around US\$257mn reduction in deposits in Turkey and Algeria in total.
- Operating income for first half ending 30th June 2019 was US\$384 million, lower by US\$75 million compared to the first six months ended 2018. Of this decline, approximately US\$30 million was due to the one-month lag in consolidation of results of subsidiaries coupled with one-off gains in H1'18 mainly from dividend income and recoveries. Net Interest Margin was at 2.4%. Headline cost to income ratio deteriorated by 261bps in first half of 2019 vs last year mainly on the back of lower operating revenues.
- As a result of the above-mentioned movements, the Group posted a net income of US\$148 million in first half of 2019 vs US\$166mn in H1 2018.
- Asset quality remained good as we reported a net NPA ratio of 2.3% flat with 31st December 2018. We continue to have prudent provisioning levels where around 91% of provisions are in the general category. Because of

this, coverage ratio was 249% after including these provisions along with the value of collateral. The Bank reported a healthy CET1 Ratio of 11.6% and CAR of 17.0% as at 30th June 2019, which points to an optimal capital structure.

On page 6, we have provided details on performance of the regional operations of Burgan Bank. Regional loan book remained broadly stable, with slight decline coming from Turkey operations which as we mentioned earlier was largely owing to TRY depreciation. Overall, share of our regional loan book was 32% of total Burgan Bank loan book and regional deposits accounted for 31% of Group's customer deposit base. The quarterly results on headline basis in first half of 2019 are lower in the regional operations compared to first half of 2018 due to the time lag in reporting that I mentioned earlier. However, when we look at important performance indicators at the bottom half of the slide, performance of all our regional operations are depicting an improving trend which is satisfying despite the challenging macro-economic environment. As you can see the net interest margins of our major regional operations have improved except for BoB, while average cost to income ratio has also visibly improved.

I will hand it back to Moustapha for Gulf Insurance Group section>

Moustapha Chami: Thank you Mr. Pinak. Our insurance company GIG is expected to announce their results by next week. We have therefore not disclosed the half year numbers in this call. As you can see on page 7, we have highlighted their Quarter 1 numbers. In half-yearly results, GIG is expected to maintain the growth trend they showed during first quarter.

Further, our primary focus during first half of the year remained on digitalization of customer journey. There have been significant developments in this regard in the second quarter of 2019. Our smart phone application and GIG health online have been revamped to provide customers with an improved experience. These

applications went live in second half of June. We are in the midst of enhancing our digital distribution capabilities with a seamless omni-channel experience. Additionally, we are upgrading our core insurance system with another state-of-the-art system to boost operational efficiency. We believe that in doing this, we will increase customer retention and improve cross selling.

I will now hand over to Pinak to take you through the remaining portion of the presentation.

Pinak Maitra: Thank you Moustapha. On next slide, slide 8, for United Gulf Holding Company and United Real Estate Company, we have shown Q1 numbers as they have not yet announced their results. We have therefore not disclosed their half year numbers in this call. In half-yearly results, both the companies are expected to maintain the growth trend they showed during first quarter.

Moving to Page 10, that is OSN. Significant market opportunity exists in MENA pay TV sector which coupled with growing demand of SVOD in the region presents high growth avenue for OSN. We have exclusive linear as well as non-linear rights to a majority of western premium entertainment content for more than 20 countries.

As KIPCO's review of strategic options on OSN is in progress, we are not discussing the financial performance of OSN in detail. However, in the first six months, OSN business performance has shown positive trends. Revenue is around budget target and cost reduction goals have been exceeded. As result EBITDA has been ahead of budget by 30 %.

Since its launch in April 2019, our streaming platform Wavo continues to grow above our launch expectation. During the quarter, Wavo added more than 90,000 paying customers. The customer base at the end of the quarter crossed 100,000 paying customers. WAVO's success can be attributed to the diversity of premium content available on the best-in-class platform ranging from top rated TV shows

like Chernobyl, Game of Thrones, latest Hollywood movies, Arabic movies & drama and a huge library of blockbuster movies. Our platform continues to stabilize and improve to provide a better customer experience. In the third quarter, customer will see additional features that will increase their experience on the platform. This will continue for the rest of 2019. As a result, OSN management team feels that Wavo is well positioned to harvest the opportunity to deliver quality content to large number of customers across the MENA region who want it.

Moving on to page 11. United Industries reported US\$ 26million net profit for first half of 2019 which is higher by 34% as compared to first half of 2018. The growth can be attributed to increase in its share of income from Qurain Petrochemical Industries Company.

JKB is expected to announce its results soon. We have therefore not disclosed the half year numbers in this call. In half-yearly results, JKB is expected to maintain the growth trend that they showed during first quarter.

We now move on to page 12 that covers our funding profile. As you can see, we are well positioned in terms of overall debt maturity of our borrowings which is close to 5 years.

Our focus remains on long term and stable funding profile which matches with the long-term investment horizon of our assets. As you may be aware, we have successfully completed our rights issue subscription of KD 95 million in July 2019. We received an overwhelming response from our shareholders, leading to an oversubscription of 17% to the rights issue.

That concludes our today's presentation. We now hand over to the moderator to invite our listeners to raise any questions they may have.

Ahmed El Shazly: Hi, I have one question. Are you currently looking at any investment opportunities and if so, are there specific sectors that you are looking at? Also, are there any plans for exits from your current investments?

Pinak Maitra: Thank you. In terms of investment areas where we are interested to acquire, it's in the education sector and obviously anything in digital in the banking and insurance space, so that's in terms of the acquisition space. In terms of exits, we obviously have a couple of opportunities that we are progressing, one in the healthcare space. We have a rule, which is a 15-15 rule, we look at the long-term potential of these businesses, are they growing at 15% in revenue and are their net margins after 5 years going to be 15%. If any business of any operating company that does not meet the criteria, then we basically plan to exit in the next 5 years. Currently that's perhaps how I would describe the exit question.

Ahmed El Shazly: Okay, thank you.

Rakesh Tripathi: Thank you for the presentation. I had two specific questions. The first one was on your dividend receipts. Could you give a brief estimate of the dividends that have been received at the parent level in H1 2019? Second one is on the status of OSN, is there an update?

Pinak Maitra: Thank you. The expected dividend for 2019 is USD100mn, broadly in line with what we gave you in first quarter. We have received USD82mn dividend up to date. So, that is the answer of the question in terms of dividend receipts of the parent company.

In terms of OSN, we continue to progress with all the so-called check-list that our advisors have provided us and we continue to make good progress. These are as we had guided you earlier. Likely to see more advise from the strategic advisor to come during second half of the year. So, we will give you an update as the advisors ask us to. Operationally the business is doing better, in terms of content rights our position is getting stronger. In market place, we are seeing lesser competition. So,

in broad terms, we are seeing a more favorable environment and the success of WAVO is something that is better than what we had originally hoped for. So cautiously, we seem to be moving in the right direction.

Moderator: At this time, there are no further questions.

Pinak Maitra: Thank you everybody. We appreciate all of your participation in this call.

Ahmed El Shazly: Thank you everyone.



Investor Presentation | July, 2019

Disclaimer

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Note: : Exchange rate of USD/KD of 0.30315 has been used in the presentation for financial numbers



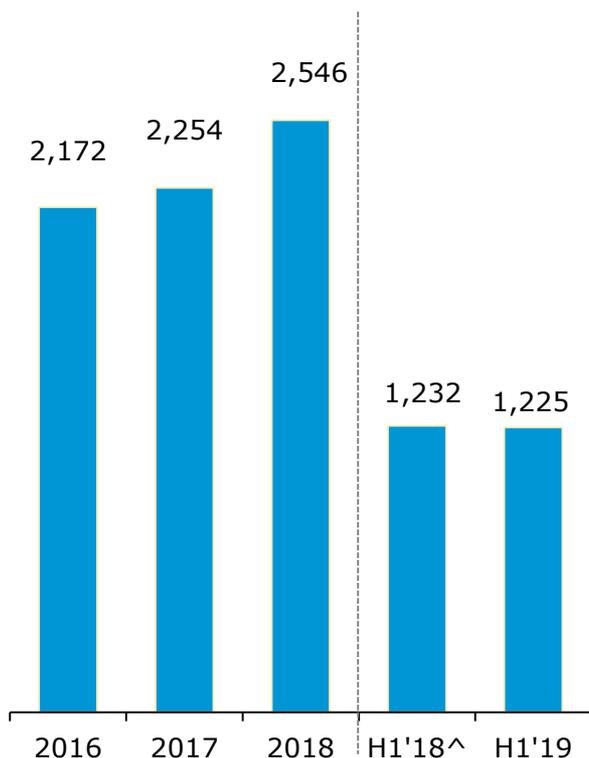
Performance Update



KIPCO consolidated: Financial performance

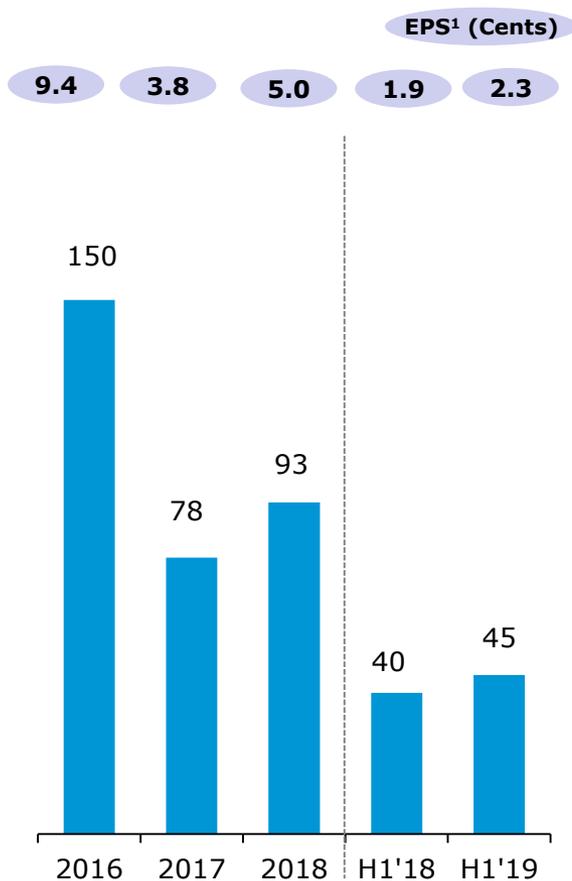
Revenue

USDmn



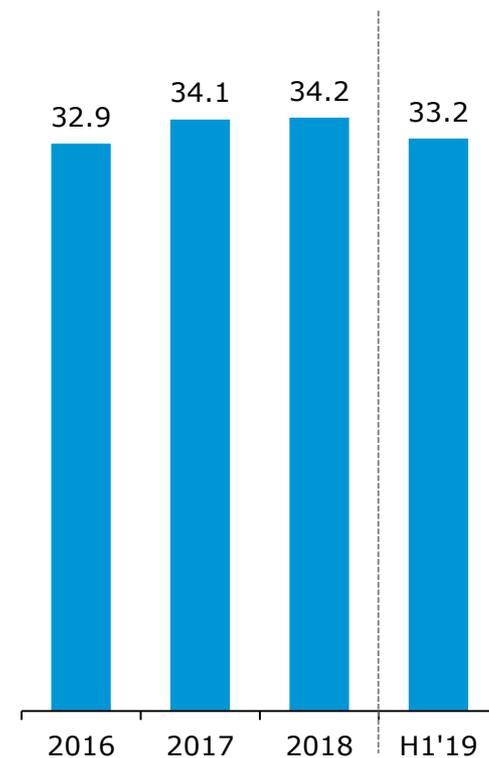
Net Profit

USDmn



Consolidated Assets

USDbn



[^] Restated to reflect change in classification of OSN as a discontinued operation, accordingly share of loss from OSN has been classified as loss from discontinued operation

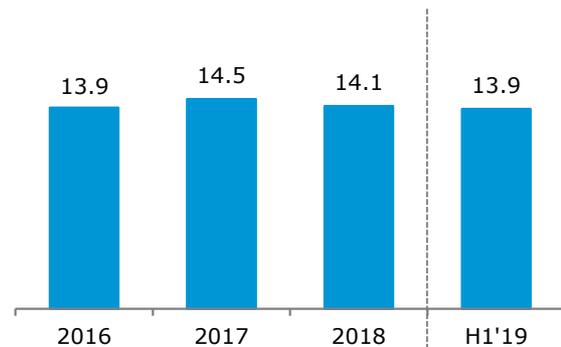
Note: Exchange rate of USD/KD of 0.30315 has been used in the presentation for financial numbers

¹Basic Earning per share (reported)

Burgan Bank Group (BBG)

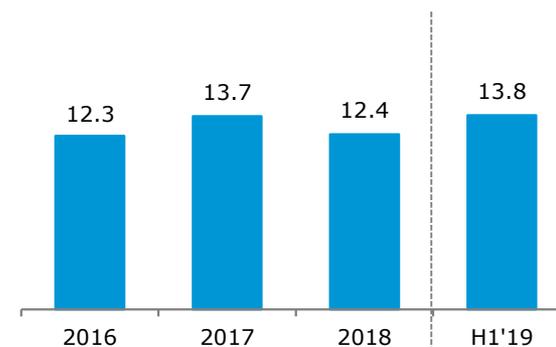
Loans

USDbn



Deposits

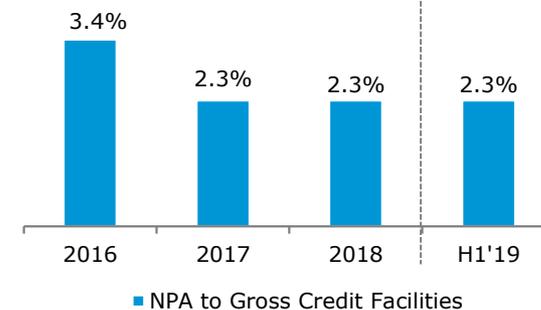
USDbn



Asset Quality

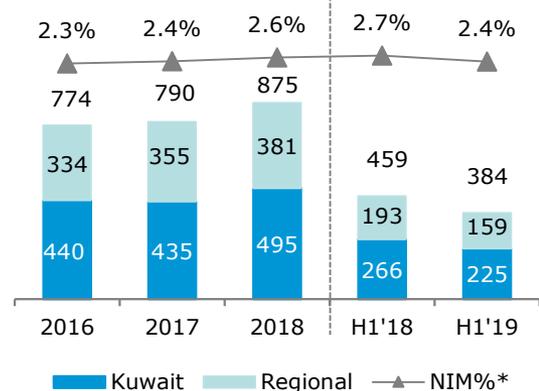
■ NPA coverage with collateral
■ NPA coverage without collateral

2016	2017	2018	H1'19
194%	233%	241%	249%
124%	159%	171%	179%



Operating Income

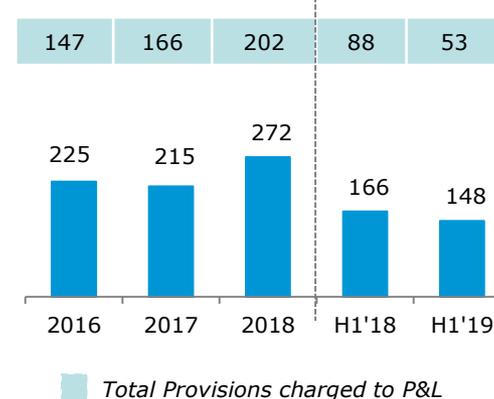
USDmn



* Annualizing factor used for NIM calculation is 2.0

Net Profit & Provision

USDmn



Total Provision

USDmn

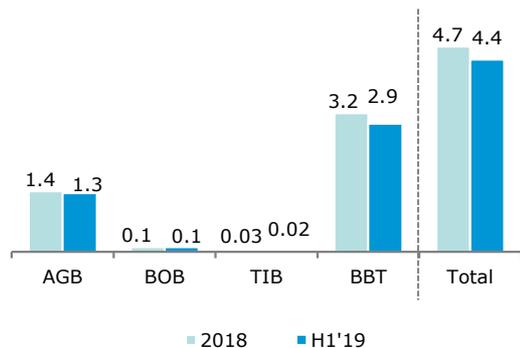


**Strong performance reflecting operational capabilities with strict focus on asset quality;
Reported Basel III CAR as of 30th June 2019: 17.0%**

BBG: Regional operations

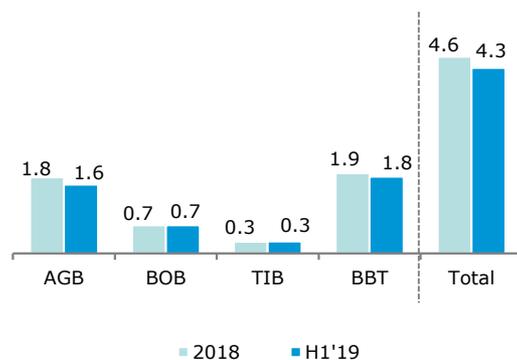
Loans

USDbn



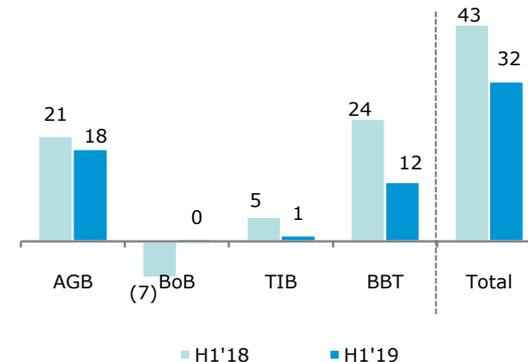
Deposits

USDbn



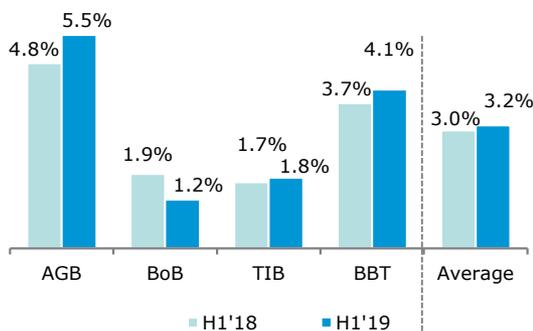
Net Profit

USDmn



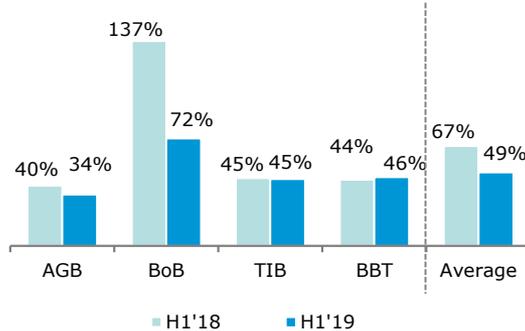
Net Interest Margin*

Percentage



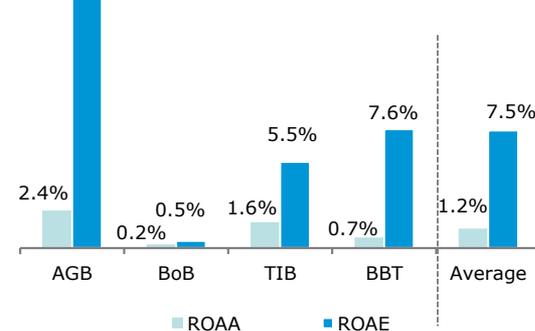
Cost to Income

Percentage



Return on Assets & Equity*

Percentage

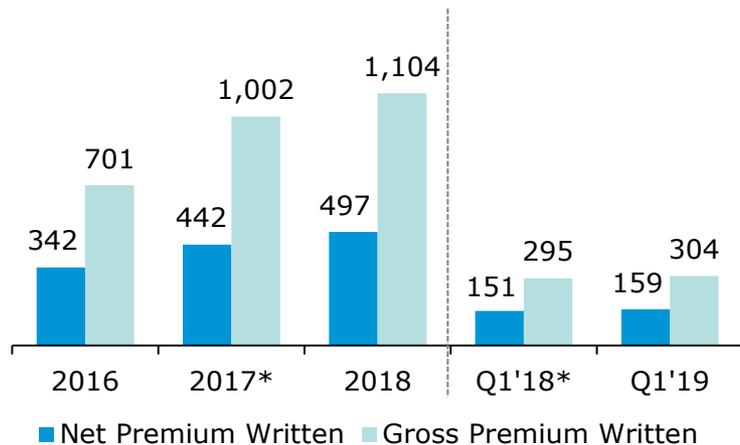


* Annualizing factor used in H1'19 for AGB, TIB, BBT calculation is 2.4 due to five month reporting

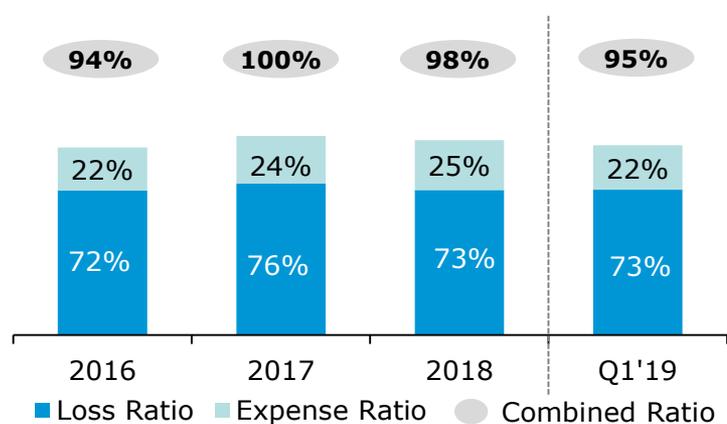
Gulf Insurance Group (GIG)

Gross & Net Premium Written

USDmn

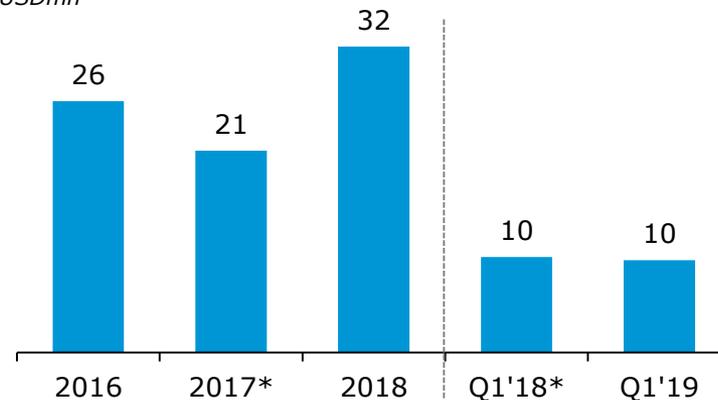


Combined Ratio



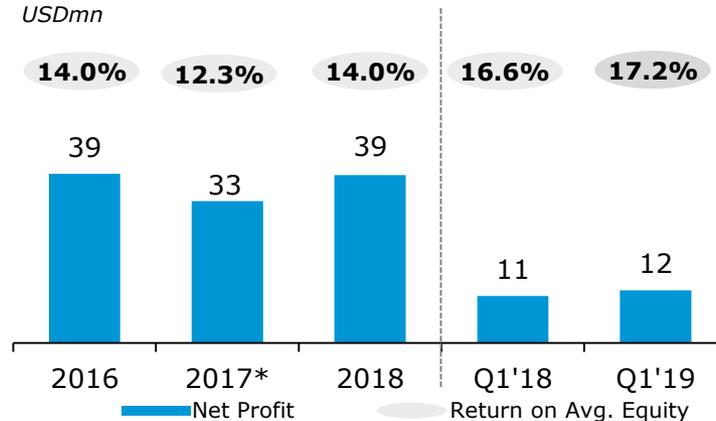
Net Investment Income

USDmn



Net Profit & ROE

USDmn

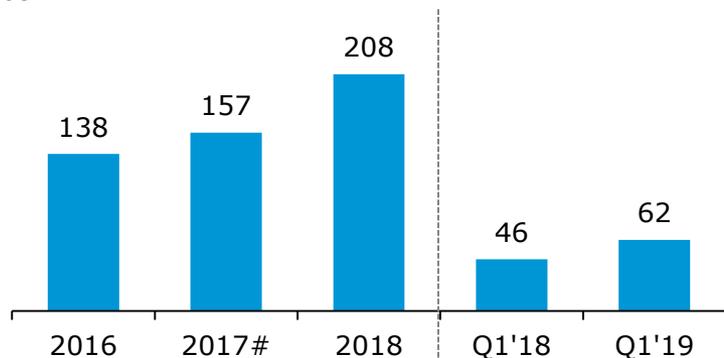


*Restated

United Gulf Holding Company (UGH)*

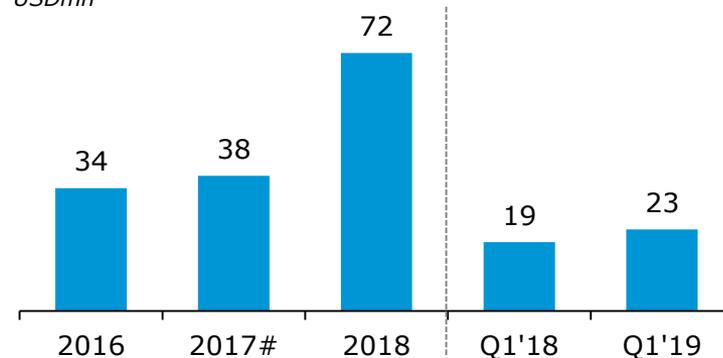
Revenue

USDmn



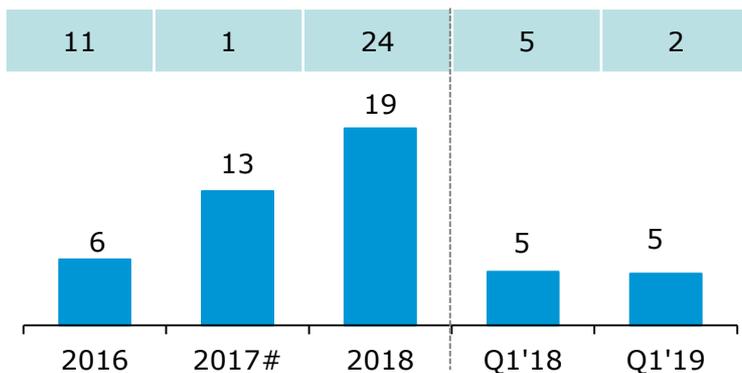
Fee & Commission Income

USDmn



Net Profit & Provisions

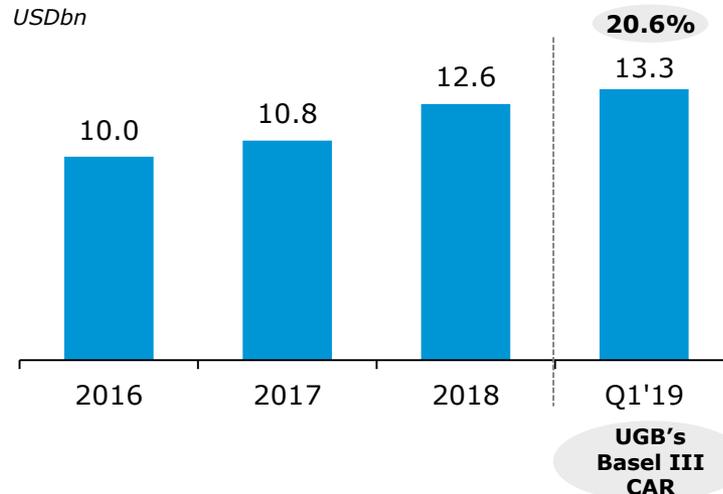
USDmn



Total Provisions Charge to P&L

AuM & Capitalisation

USDbn

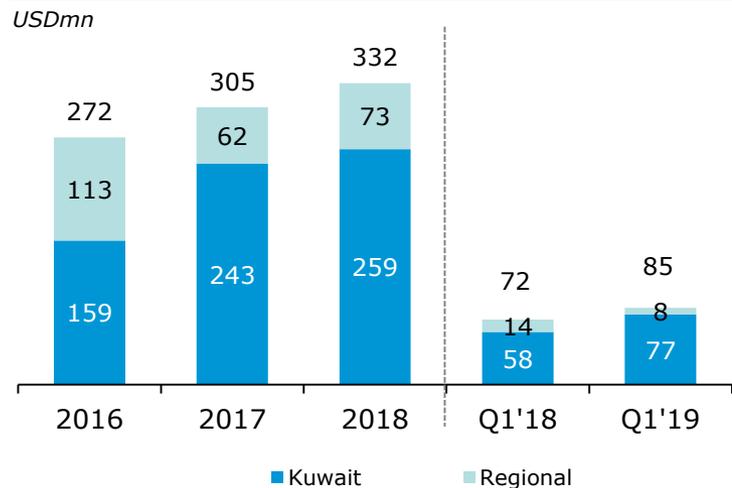


*United Gulf Bank (UGB) has undergone corporate reorganization (in September 2017) and has split its operations across a holding company - United Gulf Holding Company B.S.C. (UGH) and the regulated banking entity- UGB. For details, please refer press release: [UGB reorganization press release](#). Financials for the years ending 2015 and 2016 and the nine months ending September 2017 correspond to erstwhile UGB

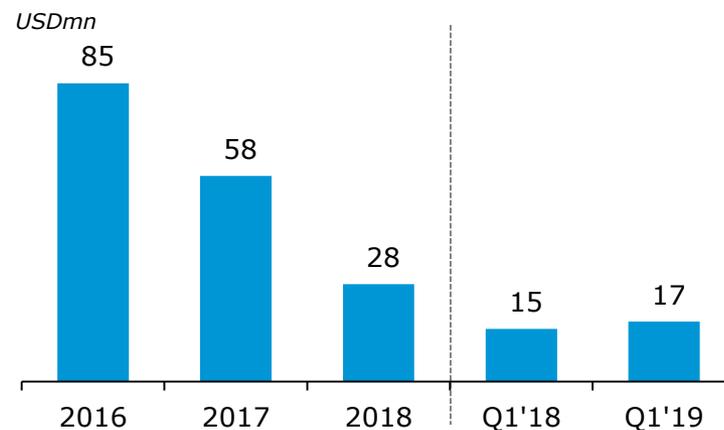
As UGH was incorporated in September 2017, financials of UGH for 2017 comprise of first nine months results for UGB and Q4'17 results for UGH

United Real Estate Company (URC)

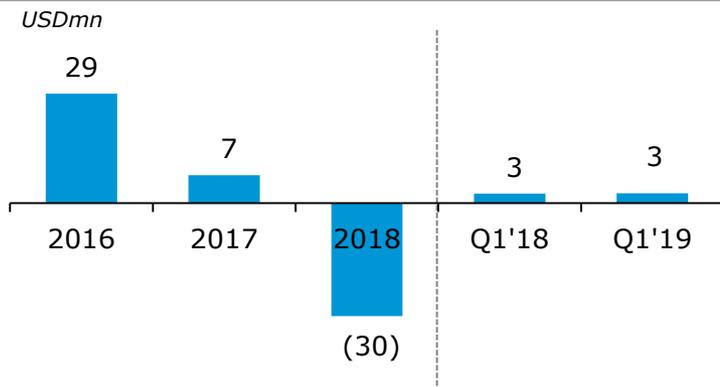
Total Revenue¹



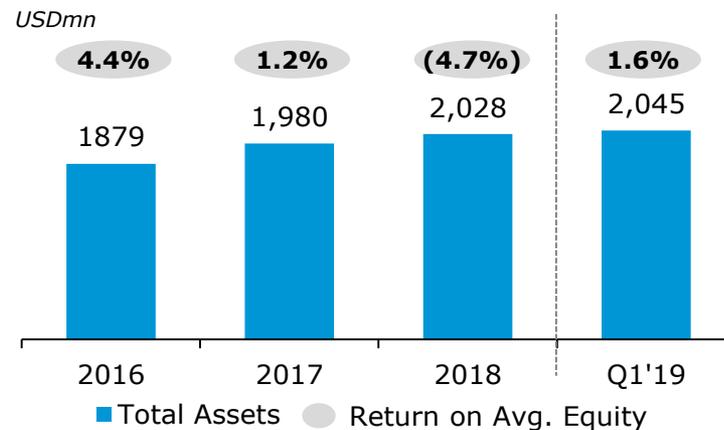
Operating Profit²



Net Profit



Total Assets & ROE



¹Revenue includes income from operational properties, gain on sale of properties, fixed assets & associates, valuation gain on properties, investment income, share in associates' income, interest income & forex ; ²Operating Profit includes gain on sale of associates, share in associates' income, interest income & forex gains

OSN

Leading Pay TV operator in MENA region (HQ in Dubai), created by the merger of Showtime and Orbit in 2009

Licensed to operate in 25 countries in MENA with focus on 7 core markets

Subscriber base of around 1.2mn, 117k subs for WAVO, 45k subs for OSN Play and 137k subs for OSN Demand

First in the region to introduce digital platform with OSN Play in 2012. Launched its OTT proposition OSN Go in 2014; WAVO has been re-launched in April 2019 with superior user interface and functional capabilities, benchmarked with leading OTT players globally and has seen overwhelming response

Exclusive access to the most comprehensive portfolio of rights from 7 major Hollywood studios

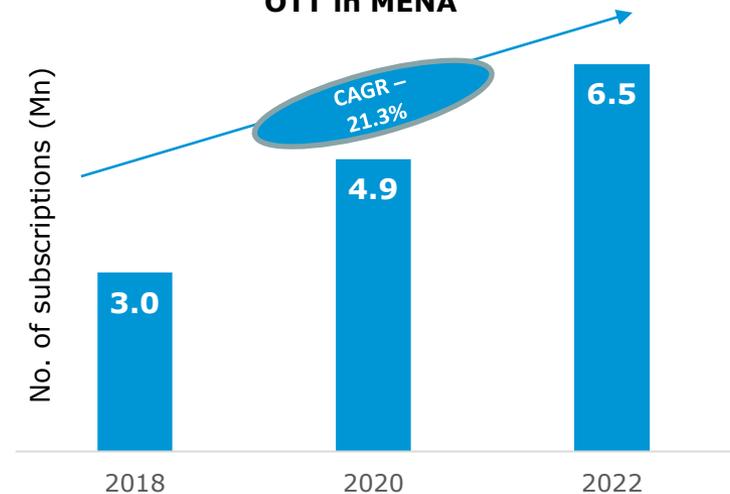
Premium content offerings with over 96 channels incl. 57 HD channels, and 21 owned and operated with 16 Filipino channels

~1,291 employees in 13 offices, 30 retail locations across MENA and a network of 166 partners

Low Pay TV penetration in MENA indicates huge market potential

	Population (Mn)	Pay TV/ TV Households (%)
MENA Region¹	367	~10%
Latin America	621	44%
UK	67	56%
India	1,352	66%
US	330	79%

Strong expected growth of OTT in MENA



Source: IHS Market

¹MENA region represents data of: Bahrain, KSA, Kuwait, Oman, Qatar, UAE, Algeria, Egypt, Jordan, Lebanon, Libya, Morocco, Sudan, Syria, Tunisia and Yemen (OSN's core and target markets);

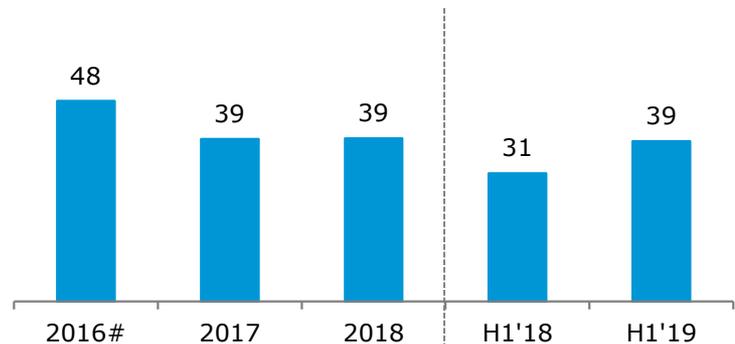
Source: IMF WEO Database April 2019, Euromonitor, Statista, Nielsen, Broadband TV News, Economic times

Other key entities:

United Industries Company (UIC)

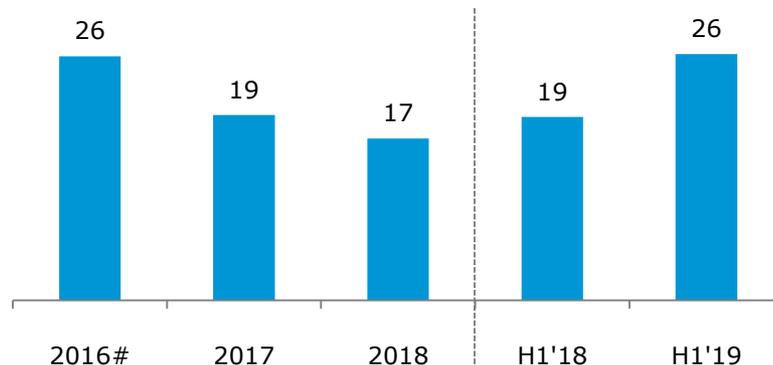
Total Revenue

USDmn



Net Profit

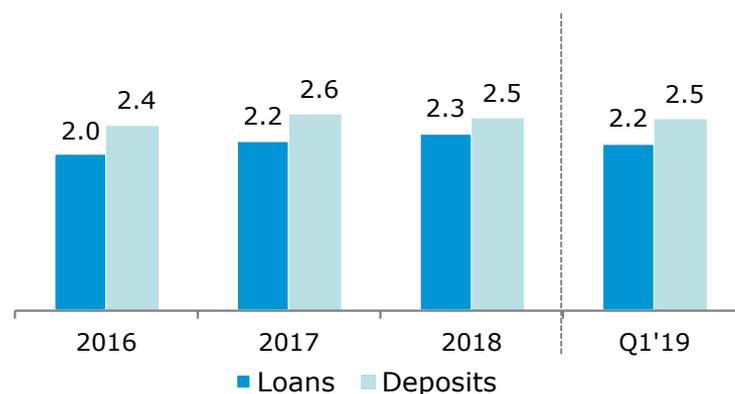
USDmn



Jordan Kuwait Bank (JKB)

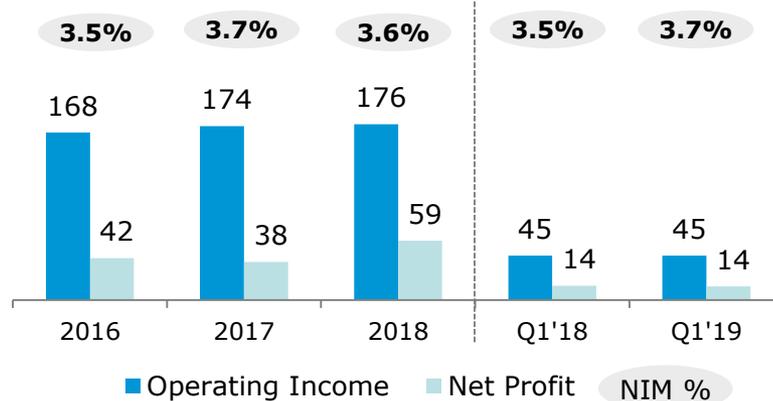
Loans & Deposits

USDbn



Operating Income & Net Profit

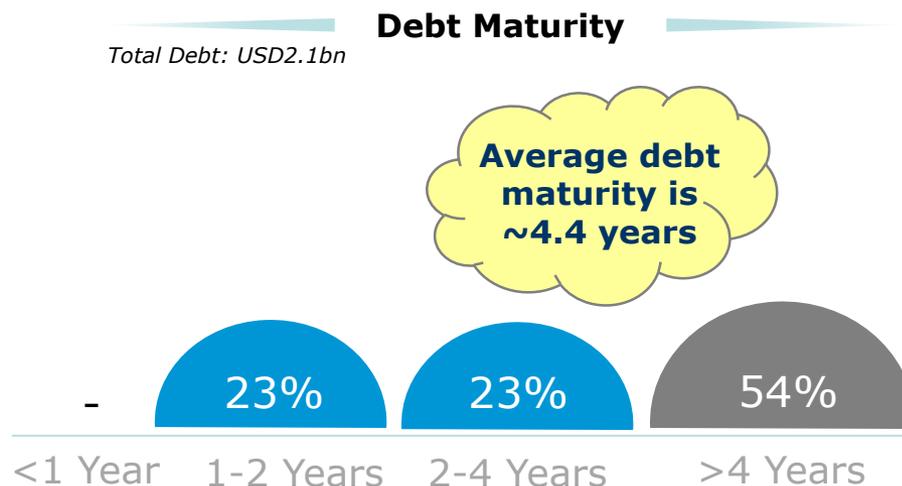
USDmn



Includes USD13mn one-off income on reclassification of investment from AFS to associate

Notes: Exchange rate of USD/JOD of 0.709 as of 31 March 2019 has been used for conversion

KIPCO parent debt profile: As at 30 June 2019



- Cash & bank balance of USD827mn
 - The current cash balance covers all debt obligations due till 2022 (1.7x coverage for 2020)
- Placements are with investment grade rated domestic institutions; having short duration and are typically rolled over on a monthly basis

KIPCO has a comfortable cash balance covering all debt obligations till 2022

KIPCO consolidated: Balance Sheet

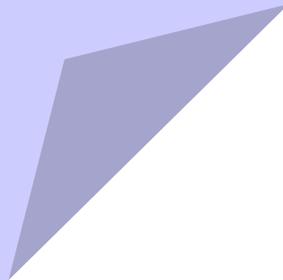
Consolidated Balance Sheet (USDmn)	2016	2017 Restated	2018	H1 2019
Cash in hand and at banks	4,793	5,160	6,965	5,127
Treasury bills, bonds & other debt securities	2,220	2,126	2,388	2,295
Investment in associates	1,455	1,234	1,083	1,128
Investment in a media joint venture	492	585	-	-
Non-current assets held for sale	-	-	616	663
Investment properties	1,410	1,719	2,056	2,060
Other investments	1,869	2,061	1,705	1,734
Other assets (inc. goodwill & intangibles)	20,576	21,123	19,277	20,181
Total assets	32,814	34,008	34,090	33,187
Due to Banks & Other FI's	7,591	6,621	6,769	4,394
Deposits from Customers	15,844	16,861	16,067	17,681
Debt	4,213	4,881	6,026	5,851
Other liabilities	1,168	1,660	1,906	1,942
Equity attributable to equity holders of the Parent Company	1,550	1,444	911	844
Perpetual capital securities	481	481	481	483
Non-controlling interest	1,967	2,059	1,930	1,992
Total liabilities and shareholders equity	32,814	34,008	34,090	33,187

KIPCO consolidated: Income Statement

Consolidated Income Statement (USDmn)	2016	2017 Restated	2018	H1 2018 Restated	H1 2019
Interest income	1,224	1,270	1,464	721	678
Investment income	92	233	120	29	37
Fees and commission income	184	174	200	78	93
Share of results of associates	118	42	61	42	54
Share of results of a media joint venture	(21)	-	-	-	-
Hospitality and real estate income	254	308	360	154	190
Other revenues	320	227	342	208	173
Total revenues	2,172	2,254	2,546	1,232	1,225
Interest Expenses	791	816	979	463	482
General and administrative expenses	563	607	632	303	306
Other expenses and provisions	468	475	549	251	277
Taxation	60	51	34	26	26
Loss from discontinued operations	-	99	76	65	-
Non-controlling interest	140	128	182	84	90
Net profit attributable to Equity Holders of the Parent Company	150	77	93	40	45
Basic Earnings Per Share, Cents (Reported)	9.4	3.8	4.9	1.9	2.3
Basic Earnings Per Share for continuing operations, Cents (Reported)	-	10.8	10.3	6.5	2.3



Thank you



A diversified company with deep regional expertise & roots



We are

Operating holding company with total assets of USD33.2bn¹

Geography

Middle East and North Africa (MENA)

Sectors

Primarily financial services & media

Track record

27 years of continuous profitability,
17 years of continuous dividends

Returns

Attractive shareholder return

Majority owned
by ruling family
of Kuwait

A transparent
company with
an experienced
management
team

Listed on
Kuwait Stock
Exchange with a
market cap of
USD1.5bn²

Credit ratings:
S&P: BBB-
Moody's: Baa3

Gateway to MENA with superior access to opportunities

¹As on 30 June 2019

²As of 23 July 2019

Our presence by geographies & sectors

Geography	Major sectors							Revenue (2018) ¹
	Commercial banking	Media	Insurance	Real Estate	AMIB ⁴	Industrial	Others	
Kuwait 	●	●	●	●	●	●	●	45%
KSA 		●	●			●		4%
UAE 		●	●	●	●			5%
Bahrain 		●	●	●	●			4%
Qatar 		●		●				1%
Turkey 	●		●					17%
Jordan 	●	●	●	●				9%
Egypt 		●	●	●			●	5%
Algeria 	●	●	●					5%
Iraq 	●	●	●					1%
Malta 	●				●			2%
Tunisia 	●	●			●			1%
Others	●	●	●	●	●		●	1%
Revenue (Q1'19) ²	44%	13%	19%	10%	4%	6%	4%	
Assets (Q1'19) ³	71%	5%	5%	8%	7%	2%	2%	

Attractive presence in high growth economies and promising sectors

Note: The business of OSN represented the entirety of the Group's media operating segment. In accordance with IFRS 5, the investment in OSN is classified as a discontinued operation and accordingly, the media segment is no longer presented in the segment note since Q3'2018

¹ Assuming consolidation of GIG & OSN

^{2, 3} Total revenue of USD0.9bn and total assets of USD39.3bn respectively, based on reported

segmental revenue (before inter group eliminations) post consolidation of 100% revenue of GIG & OSN ; ⁴AMIB = Asset Management & Investment Banking

Core holdings

All core holdings are market leaders in their space



Investing in companies which have potential to be market leaders

¹ In terms of assets (based on latest financials)

² In terms of revenue and countries of operations

³ By Gross premium written (GPW) and Direct premiums

⁴ By GPW

⁵ By technical profit among private sector players (all ranking is as of 31 December 2018)