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

Samer Khanachet
Group Chief Operating Officer

سامر خنشت
الرئيس التنفيذي لعمليات المجموعة

Our ref: KIPCO/GCOO 332/19 dated November 16, 2019

Boursa Kuwait Company
KUWAIT

السادة / شركة بورصة الكويت المحترمين
دولة الكويت

Subject: KIPCO's Analyst/Investor Conference call Minutes for Q3/2019

الموضوع: محضر مؤتمر المحللين/المستثمرين لمشاريع الكويت القابضة "كيبكو" للربع الثالث 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 2:30 PM (local time) on Thursday 14/11/2019.

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 Q3-2019.

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 الثانية و النصف عصراً (التوقيت المحلي) من يوم الخميس الموافق 2019/11/14.

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

Sincerely,

وتفضلوا بقبول فائق الاحترام ،،

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رأس المال المصرح به، المصدّر والمدفوع: 200 مليون د.ك
Authorized, Issued and Paid up Capital: KD 200 million

Transcript: KIPCO Q3 2019 earnings call

Elena Sanchez: Good afternoon everyone. This is Elena Sanchez and on behalf of EFG Hermes, I would like to welcome you all to the KIPCO Third 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), Mr. Anuj Rohtagi (Vice President, Group Financial Control) and Mr. Moustapha Chami (Vice President, Finance and Accounts Department). I would like to handover the call to Mr. Pinak Maitra. Thank you.

Pinak Maitra: Thank you, Elena. Good afternoon everyone. We are glad that all of you have joined us for our third quarter earnings call of 2019. Please note the presentation we are using is also available on our website along with third 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 KIPCO's financial performance update on page 4 of the presentation.

Moustapha Chami: Thank you, Mr. Pinak. We have reported a net profit of US$75 million for the period. This is an increase of 12% compared to the same period of last year. This translates into an EPS of 7.5 fils per share or 2.5 cents per share 19% lower than EPS for nine months ending 30 September 2018 of 9.3 fils per share or 3.1 cents per share. This decrease was a result of increase in outstanding shares for KIPCO post successful completion of rights issue during the quarter and a onetime increase in interest and other payments on perpetual capital securities issued by a Group bank compared to the same period of 2018.

In the third quarter (the three months ended September 30, 2019), KIPCO reported a 10% rise in net profit to US$30 million compared to US$27 million reported in the same period of 2018.

The Group generated revenue of US$1.826 billion for the nine months ending 30 September 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 eight months' results of its subsidiaries instead of nine 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 & educational sectors and the share of results of associates mainly in the industrial sector.

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

Pinak Maitra: Thank you Moustapha. The next page 5 details performance of Burgan Bank for the nine months period. Since Burgan Bank held its investor call on 28th October 2019, we will be focusing on some of the key highlights in our presentation.

As mentioned by Moustapha, Burgan Bank's results include a one-month lag in terms of its subsidiaries' financial reporting. As such, the numbers should be read with this context when you compare them with same period of 2018.

- Now moving on to the loan book, it remained stable at the end of nine Months of 2019 vs. year-ended December 2018. The Bank has been targeting growth in Kuwait and following a cautious approach in its subsidiaries due to current economic and political conditions in those countries. As a result, loan book growth in Kuwait was ~US$340 million (+3.7%), which was offset by lower reported loan book in Turkey by 12% i.e.

US$385 million and Algeria down by 9% (US$124 million) compared to year end 2018.

- Deposits grew by 5.3% vs December 2018 almost entirely coming from Kuwait operations, where around US$770 million deposits were added since December 2018, slightly offset by reduction in Algeria and Turkey.
- Operating income for nine months ended 30th September 2019 was US$586 million, lower US$93 million compared to nine months ended September 2018. Of this decline, approximately US$29 million was due to the one-month lag. The remaining decline can be explained by lower dividend income vs last year, slightly lower net interest income due to higher cost of funds in Kuwait and impact of TRY devaluation in BBT. Net Interest Margin was sound at 2.5%, adjusting for one-month lag in reporting, NIM would have been circa 2.7% in line with last year, as you see in the lower left-hand chart. In line with operating income, operating expenses were lower by US$21 million or 8%.
- A key highlight of the nine-month results has been reduction in cost of credit depicted by US$64 million (-43%) decline in provisions for credit losses.
- As a result of the above-mentioned movements, Burgan Bank Group posted a net income of US$222 million in nine-month 2019 period vs US$233 million in nine-month 2018 period.
- NPA ratio increased slightly to 2.5% for nine-month ended September 30, 2019 as against 2.3% for full year 2018, due to a mild increase in Kuwait & Algeria's NPA. However, NPA in Kuwait remain below 2% level. Additionally, we continue to have prudent provisioning levels where around 92% of provisions are in the general category. Because of this, coverage ratio was 246% after including these provisions along with the value of collateral. The Bank reported a CET1 Ratio of 11% and CAR of 16.6% as at 30th September 2019.

On page 6, we have provided details on performance of the regional operations of Burgan Bank. Regional loan book declined due to impact of Turkish Lira depreciation. Overall, share of our regional loan book was 30% of total Burgan Bank loan book and regional deposits accounted for 34% of Group's customer deposit base. Although results on headline basis are lower in the regional operations compared to nine months of 2018, due to the time lag in reporting that we mentioned earlier; however, when we look at important performance indicators at the bottom half of the slide, there is an improvement which is satisfying, despite the challenging macro-economic environment in those countries. This is evidenced by the chart at the bottom left hand, improving net interest margins and cost income ratios for the majority of our regional operations.

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

Moustapha Chami: Thank you Mr. Pinak. For the nine months ended September 30, 2019, GIG has posted stable results. If we look at slide 7 of the presentation, we can see on the top right chart, net investment income for the first nine months of 2019 has increased by 59% to US$27 million from US$17 million in the same period a year ago. The increase was a result of increased value of ULIP investments in Kuwait and higher income from government deposits in Egypt.

Gross premium written was at US$876 million, slightly below US$903 million reported in the same period last year. The decrease was mainly due to reduction in Medical and Engineering business segment. Reduction in Medical segment is due to a delay in completion of a contract.

On the bottom left chart, you can see that the combined ratio stands at 94% which is a 4% improvement over 2018. This improvement is majorly driven by lower claims incurred in Life, Property and Marine & Aviation segments and a reduction in expense ratio across the segments.

GIG reported stable net profit of US$35 million for the first nine months of 2019. However, the quality of these earnings has improved, driven by strong underwriting practices as well as investment gains anchored on a prudent asset allocation policy.

On the operations side, the focus remains on digitization of customer journey to provide a seamless user experience while improving upon the cost structure of the company. We believe that in doing this, we will increase customer retention and improve our cross selling.

I will now hand over to Anuj to take you through the rest of the presentation.

Anuj Rohtagi: Thank you Moustapha. We can move on to page 8 which has United Gulf Holding Company. On the top left, revenue for the first nine months of 2019 was US$169 million, which represents a growth of 29% compared to the same period of 2018. This is largely on account of consolidation of Global Investment House's (Global) revenue, which was acquired and consolidated from September 2018 onwards along with increase in share of profit from associates by US$7 million.

On the top right chart, fee and commission income grew by US$11 million over nine months ended September 30, 2018. This growth is mainly due to higher income from KAMCO as a result of consolidation of Global's results in 2019.

On bottom left chart you can see, net profit at US$11 million which is 10% lower than same period of 2018 driven by higher interest expense on account of bond issuance for Global's acquisition and increase in G&A expenses due to Global's consolidation. The integration of the two companies is in advanced stage of execution and we expect that synergies will recover this cost of funding the acquisition. UGH is meanwhile evaluating to launch some of its products on a digital platform. We will keep you updated on the development in due course.

UGB's total consolidated capital adequacy ratio stood at 17.6% as of 30 September 2019 against the minimum capital adequacy requirement threshold of 12.5%.

Moving on to United Real Estate on page 9, the top left chart shows US$291 million of revenue for the nine-months ended September 30, 2019, representing a growth of 28% vs. same period of last year. This was as a result of growth in contracting and service revenues by 46% and gross rental income by 17%. Growth in contracting and services revenue came primarily from URC's contracting arm, UBC. The growth in gross rental income was mainly from Abdali Mall, Jordan, where leasing activities are progressing well with occupancy standing at around 78% compared to 71% by September 2018. Operating profit grew at 64%, driven by higher revenues and lower property operating costs. Property operating costs have reduced as expense reported in 2018 included one-off personnel expenses from Egypt operations.

On the bottom left chart, you will see net profit increased to US$10 million during the nine months ended September 30, 2019 from a loss of US$11 million in the same period last year. The increase in net profit is supported by increase in revenue as I mentioned earlier, and reduction in net provision from last year, as last year's results included additional provisions for Egypt operations.

Let us now move to page 10 which is about OSN. We continue to believe in market opportunity. The MENA Pay TV market still remains relatively nascent when we compare to other geographies. Globally, the OTT method of distribution is challenging the conventional Pay TV distribution and we are seeing early signs of this trend in the region as well. We believe the structure of distribution in the region will evolve over next few years and OSN will play a key role in that transformation as we have experience of dealing with customers across various segments as well as hold a strong line up of content in our inventory of content rights.

On page 11 you can see that OSN is positioning itself to be ready for the next wave of growth in this market after we had a supply side shock in 2016 resulting in ballooning of our content cost. Added to these in 2017 and 2018, we faced regional geopolitical challenges and a spike in piracy activities. Thankfully, the piracy platform BeOutQ was closed in August 2019. The management team in the meantime continued its efforts to streamline operations with a big focus on retaining and resetting key content rights for future use as well as reverse majority of the cost increase on content we had in 2016. In 2019 we focused on development of our own streaming platform WAVO. As you can see on page 12, we are now positioned much stronger than where we stood 12 months back. What we have today, in addition to the great content line up, is stronger operational set up, leaner operations with reduced cost base and improved technology platform to distribute our products. All this position us to capture the market opportunity and meet the customer need within our region. On page 13 we have shared an early indication of customer rating of WAVO on Apple App store. Here you can also notice the high IMDB ratings for the content that customers are watching on the new platform.

Moving on to page 14. United Industries reported US$25 million net profit for nine months ending September 30, 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.

Jordan Kuwait Bank has also performed well with a Net Interest Margin of 3.5% for the nine months ended September 30, 2019. Net profit for the period was US$29 million, which was 25% lower than the profit in same period last year. However, result for nine months ended September 30, 2018 included one-offs for more than US$10 million, excluding which the profit remained flat.

With that our today's presentation is concluded. We now hand over to the moderator to invite our listeners to raise any questions they may have.

Elena Sanchez: We will take our first question from Deepak Kulkarni from Société Generale.

Deepak Kulkarni: Hi everyone. Thanks for having me on the call. I have a couple of questions. First, I have a question on KIPCO's holding company Loan-to-value ratio. As I understand that KIPCO has been facing challenging times in terms of maintaining its loan to value ratio as per Standard and Poor's calculation. So, would you be able to give me some idea as to how the LTV ratio has been at the end of third quarter, I presume that it has improved after rights offer.

The second question I have is on OSN's profitability. I understand, that you have mentioned somewhere in the slides that OSN has delivered better than budgeted EBITDA and results year-to-date based on slide 12. But I just wanted to have an idea as to whether OSN will return to profitability by 2020 as you are expecting and whether that profitability will be based on Profit After Tax? Thank you.

Pinak Maitra: Thank you and we will address the second question first. Obviously, in terms of OSN, clearly, lots of progress have been made on the platform and the business, as you rightly point out, it is delivering currently better than budgeted EBITDA for the 9 Month and it is projected to outperform the budget for 31st December 2019. Looking at the profit guidance that you are seeking, we are guiding that at this stage it is quite early. The budget for 2020, which is from Long Range Plan, indicates a close to breakeven situation i.e. somewhere between US$0 to US$30 million plus or minus situation. Obviously, the budgets are being updated and in the fourth Quarter 2019 call for KIPCO, we will be able to give you a better guidance. Big picture is that costs are coming down faster than we expected. We are still fine tuning the OTT platform Wavo and once we launch, we will be able to give you a better guidance. Clearly the initial indication of the pilot seems to suggest that there is very good traction from the customers. So little premature, but that's the guidance that we feel we are good to give because we are outperforming the budget this year and we expect to continue to follow the trend next year and hopefully come to close to EBITDA breakeven next year 2020.

Moving on to the LTV question. I don't know if you are familiar that KIPCO just completed its bond issue in late October. And we shared a fair amount of data about our bond dynamics, and so we thought in this call we will not spend time doing that. Directionally, we will be in the 25-30% LTV range. That's what we have been doing and as far as the rating agencies are concerned, they clearly understand that we prefunded our July 2020 maturity and therefore from practical point of view everybody is comfortable with the LTV situation of KIPCO and there is no pressure on that. Thank you.

Deepak Kulkarni: Thanks, if I may just ask one follow-up question Mr. Pinak. So, you remain confident that S&P will not apply any haircut to KIPCO's broad valuation, as they had warned in Feb-2019 press release.

Pinak Maitra: On slide 12 we give you a lot of reasons why it will be logical for S&P not to do it. That's the first answer. Yes, we completely feel very good about it and we feel that the value of the business today is more than what business was when S&P looked at it in early 2019. So clearly, we have made a lot of progress. We are keeping them abreast. They are very current with what is happening and in a much more detailed basis. OSN being a private company, we are not able to talk so much. Our partners are not public, so we have to respect the privacy that they desire. But our view is that OSN's value today is greater than last year and therefore logically based on the progress that we have made and objective datapoints we are sharing with you, we believe that the situation should remedy itself

Deepak Kulkarni: Thank you very much. Nice to hear from you. That's it from me.

Elena Sanchez: Our next question comes from Rakesh Tripathi from Franklin Templeton.

Rakesh Tripathi: Thank you very much for the presentation. My question was around the parent-level financials. If you could briefly talk about the cash flows at the parent level. The amount of dividend received, the year-to-date spend on the operating expenses or the administrative expenses. What are your expectations in terms of the dividends pay-out for the full year?

Anuj Rohtagi: Thank you. We received around US$100 million of dividends and interest expense for the entire year is ~US$140 million, G&A cost is around US$35 million. These are the building blocks of the cash flow. Then, there is always a decision to be made regarding distribution of dividends, which moves every year. And you would have noticed that we have decreased our dividend pay-out from the historical levels. For 2019, it was ~US$60 million.

Rakesh Tripathi: Ok. So, this is one thing. Another thing that the rating agencies have been talking about in their report, is that the cash receipts at KIPCO have been, for a long time, inadequate to meet the expenses that are outgoing. Can you talk a little bit on how do you plan to remedy or how do you see this? I understand that you have adequate cash-flows to cover debt maturity for the next 4-5 years comfortably, but in terms of year-on-year P&L basis, how do you plan to manage this?

Anuj Rohtagi: If you see our strategy, there is a 15/15 rule at KIPCO, where we expect our group companies to generate that kind of return, which is a blended rate. We have left a lot of cash with these companies you would have noticed, like Gulf Insurance now has a presence in 11 countries and it has been continuously expanding. At the same time, we had Basel III impact, which we are still digesting and we are now more or less stable with 11-11.5% CET1 for Burgan Bank. Then, there have been acquisition and consolidation of various subsidiaries. So, we are speaking on a 5-10-year horizon, when we plan these things. So, we expect that these companies will again trend towards 15% return profile and in that scenario, they will have a 50% pay-out to us. In that scenario, our coverage ratio which is ~0.4-0.5x, will gradually move towards 1x. So, that is the plan. We are in a growth phase through our subsidiaries. We will continue to be in that phase for some quarters to come. Then, as we stabilize and then hit hopefully all the revenue buckets, the profitability due to scaling and optimization of costs should come in to play. That's the overall plan and we believe in next 2-3 years, we should be trending towards 1x coverage ratio.

Pinak Maitra: To add to what Anuj said, obviously exits are something that you do when the right market opportunity comes and if you look at the history for the last 32 years, we have actually exited, coincidentally, 32 assets. So, in 2020 & 2021, there is a likelihood that some of the assets that have been prepared and we have been working for the last 24 months are getting ready to exit. So, that will be our extra inflows. So, to summarize it all, we did the rights issue to recognize the dividend pay-out that has happened in the past and the capacity to have a greater financial flexibility going forward. We digested Basel III and the big turmoil that happened in the media space from 2016-2019. Thankfully, those are behind us and if we look at our history over the last 30 years, majority of the time, we have been able to maintain a positive net operating cash flows and we think that as Anuj pointed out that in the near future in 2021-22, we should be getting there again.

Rakesh Tripathi: Couple of follow ups on that, you mentioned about the Rights issue and I just wanted to clarify, does that have any impact on the LTV? My understanding is it wouldn't, but could you just confirm?

Anuj Rohtagi: It's a moving piece. We have looked at our capital structure and then we continuously allocate capital. So, there are so many moving parts as of now. We would prefer to give you an update by year end.

Rakesh Tripathi: Okay and the last thing that I wanted to check on is a little bit about OSN. Close to around a year or so, we have been hearing about potential plans to exit OSN, so could you brief us a little bit on where you stand with respect to that? Just wanted to check if there is any update on the potential exit from OSN?

Pinak Maitra: So as we explained to you in the OSN section, the business is moving in the right direction, this business has become a global business and therefore its important that we either have a partner and in the selection of the partner process, there may be situations where the partner may choose to fund the business entirely from their side so that's the broad landscape. Clearly lot of things happening in the global landscape that you may have observed in the media, you know there was the acquisition by Disney of Fox platform, then there was Comcast acquiring the BSKY B platform, so consolidation has been happening and then there is direct to consumer approach that all the major media content owners have begun to roll out. Thankfully what they have done is, they have chosen to have OSN as its partner in the Middle east and North Africa region, so OSN today is the only platform in the world which has got contiguous license over 25 countries. Meaning from Morocco in the West to Oman in the East. And so, it is in a unique position with about 300 million people who have not yet subscribed to the streaming service, where the battle of the media is moving towards. OSN is quite fortunate that it holds a market which has very low penetration as we have shown in the presentation, in the traditional space, the DTH & Cable TV as well as in the OTT space, where it's even less integrated. So, to answer your question in simple words, that process will start. Clearly any such exit process, we will keep it as close to our chest, but as I explained it to you in my previous answer, that certain assets are being prepared, so you have to read between the lines to say that we are giving you some timelines but things are progressing in the right direction.

Rakesh Tripathi: Yes, sure, thank you and that would also sort of open the possibility for a partial exit, if you find the right strategic partner. There is a possibility that you exit part of it, not all of it, with somebody else maybe controlling the business but you have a stake there. That's a possibility?

Pinak Maitra: If you look at GIG, as a business that we have, and that's a good case study for you to look at. So, we used to own close to 80% of GIG for many years from 1996. And then in the 2010, we basically invited Fairfax to come in, to be our partners. The reason we got in Fairfax to be our partner was that they had tremendous reinsurance capacity and good product origination capacity. Post that partnership that we created, KIPCO remained 48%, Fairfax which is much bigger than GIG and the KIPCO group remained at 42% and it has been a marriage made in heaven, meaning that we both work together and therefore, GIG now continues to progress and today is one of the top 10 insurance companies in the region. So, we are used to doing partnerships and we think that partnership model is something that will work in the case of OSN. And therefore, your assumption of a partial exit is a realistic one, but at the same time, if we look at the dynamics in the market, there will be many global players who may wish to pay out and basically want 100% business, because the market opportunity is so high. So, we are in a good place to have both the options and both are possibilities that we won't rule out.

Rakesh Tripathi: Alright. Thank you very much, that answers all my questions.

Pinak Maitra: Thank you very much for all of you to participate in the call and we look forward to connecting with you during the fourth quarter call in the first quarter of 2020. Good Afternoon.

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Investor Presentation | November, 2019

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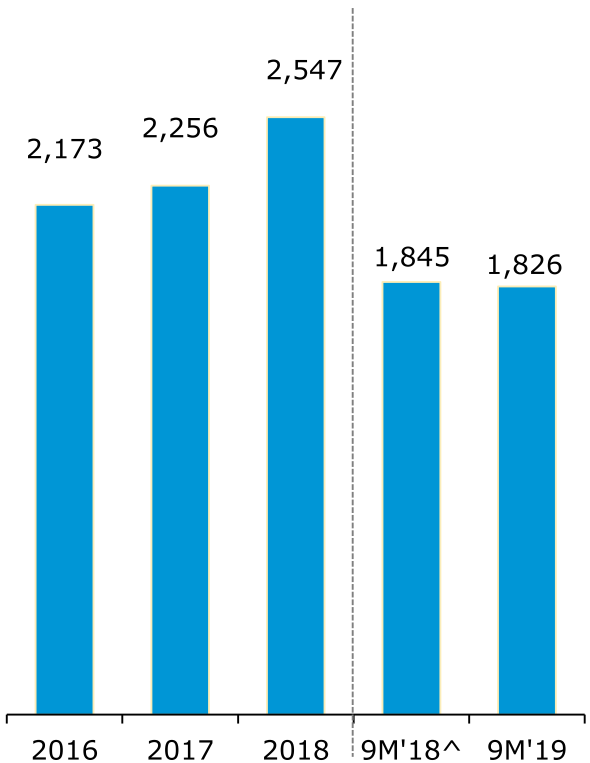
Note: : Exchange rate of USD/KD of 0.30405 has been used in the presentation for financial numbers

Performance Update

KIPCO consolidated: Financial performance

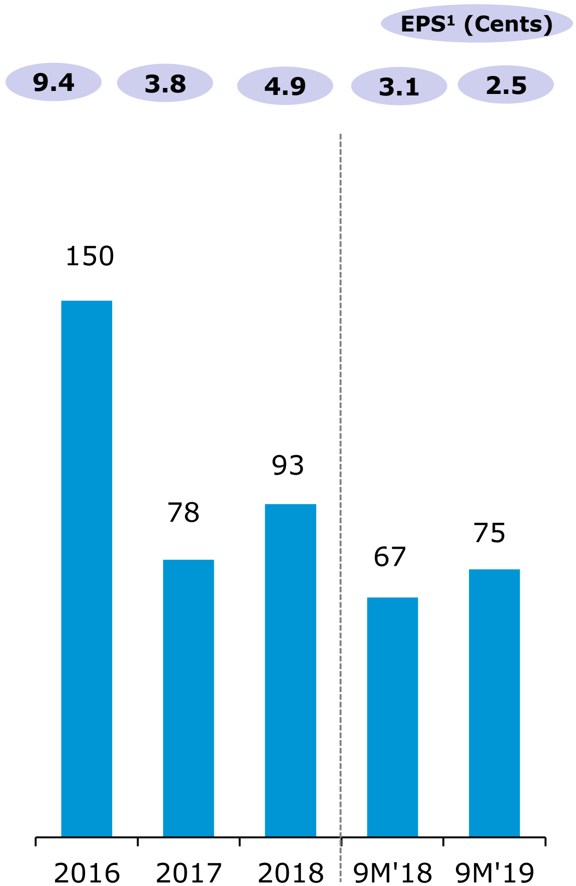
Revenue

USDmn



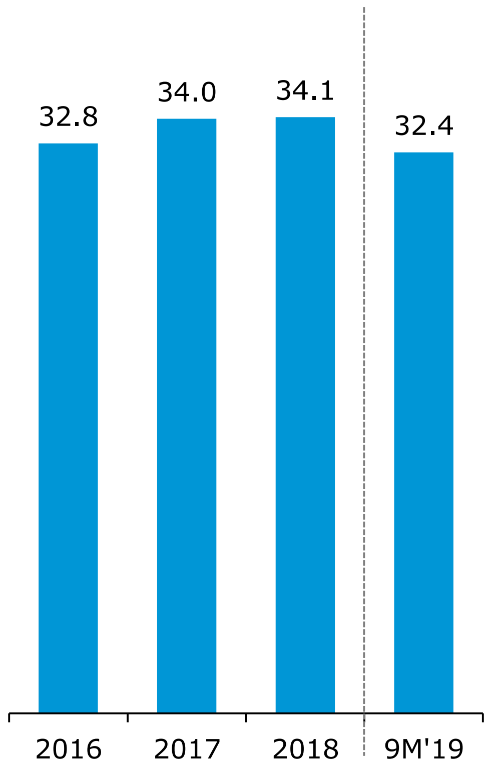
Net Profit

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

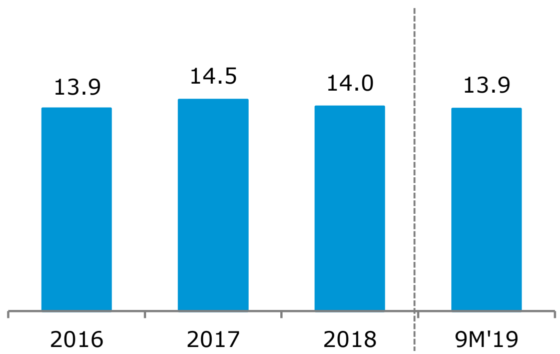
Note: Exchange rate of USD/KD of 0.30405 has been used in the presentation for financial numbers

[1]Basic Earning per share (reported)

Burgan Bank Group (BBG)

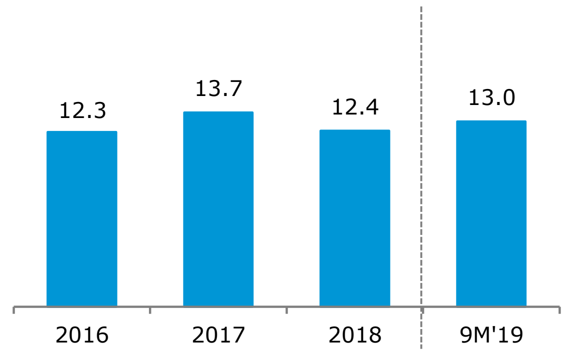
Loans

USDbn

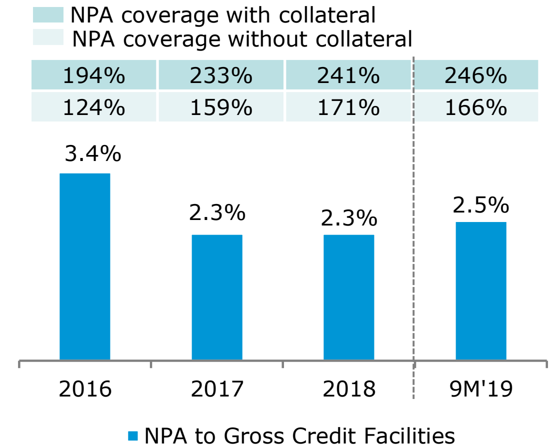


Deposits

USDbn

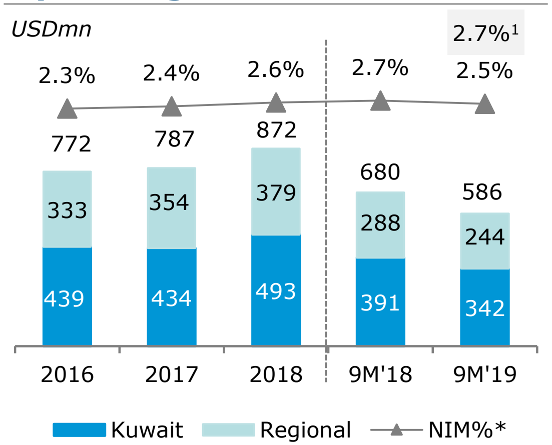


Asset Quality



Operating Income

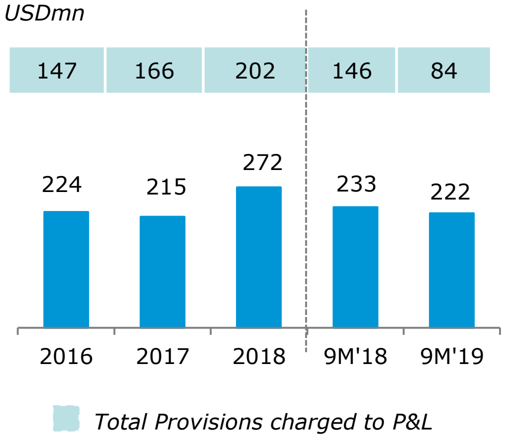
USDmn



* Annualizing factor used for NIM calculation is 1.3
[1]On nine months run rate basis

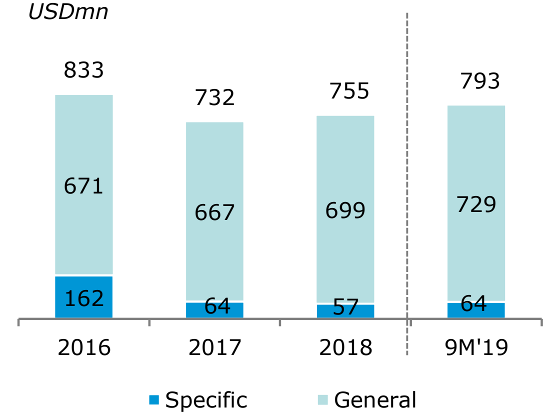
Net Profit & Provision

USDmn



Total Provision

USDmn



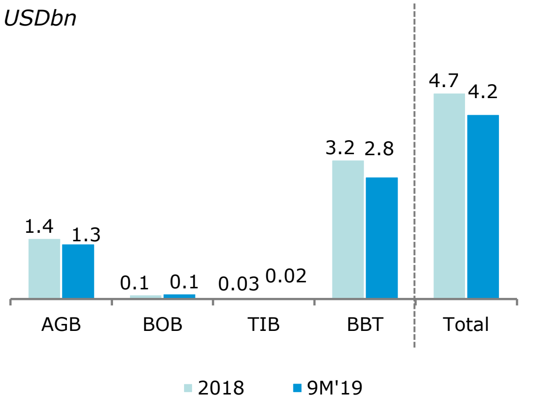
Strong performance reflecting operational capabilities with strict focus on asset quality;
Basel III CAR : 16.6%

Note: Financial results of 9M'19 include only eight months (i.e. January to August 2019) performance of subsidiaries (except BoB) instead of nine months as included in the prior period

BBG: Regional operations

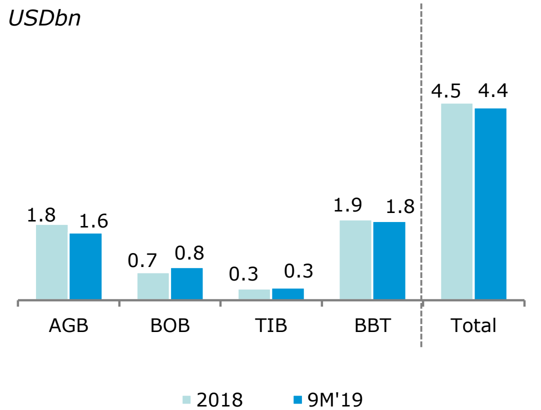
Loans

USDbn



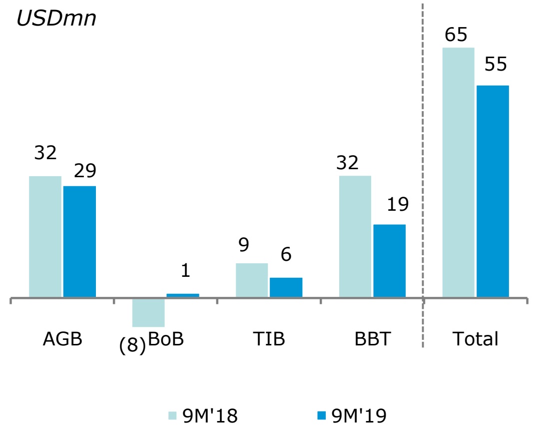
Deposits

USDbn



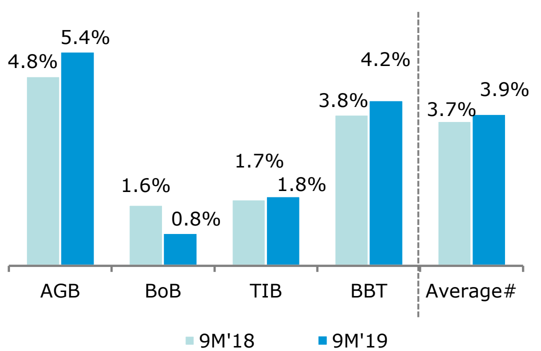
Net Profit

USDmn



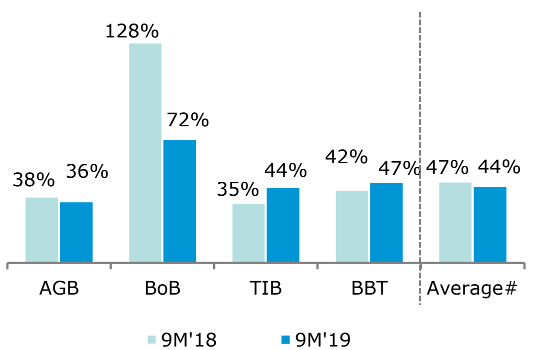
Net Interest Margin*

Percentage



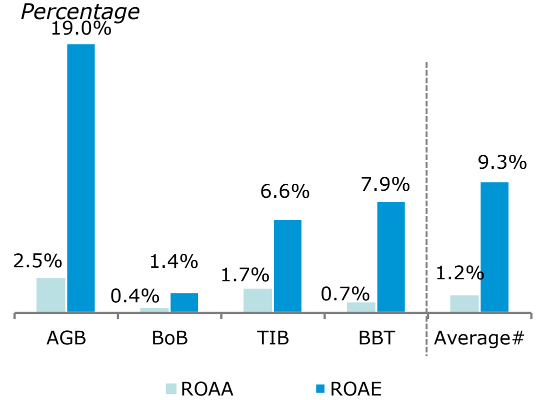
Cost to Income

Percentage



Return on Assets & Equity*

Percentage

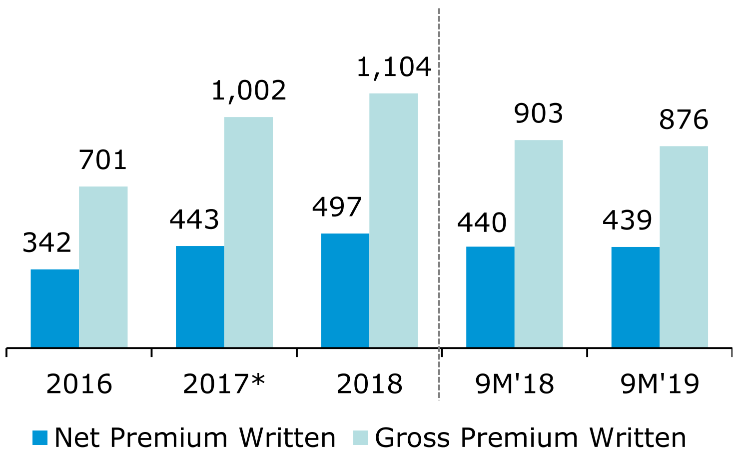


* Annualizing factor used in 9M’19 for AGB, TIB, BBT calculation is 1.5 due to eight month reporting
\# Represents weighted average figures using the denominator of respective ratio as weights

Gulf Insurance Group (GIG)

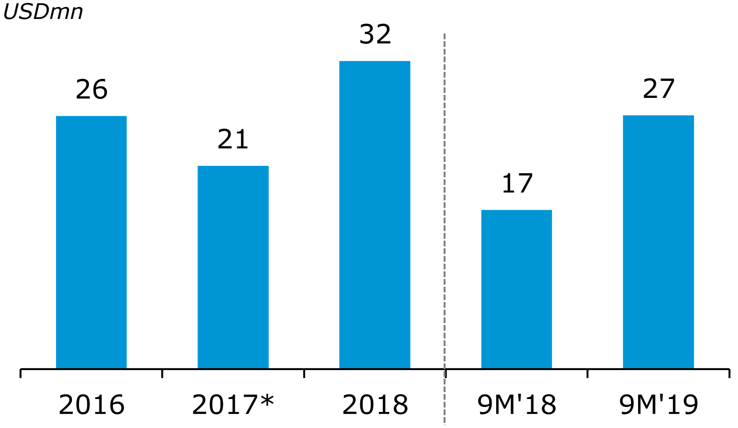
Gross & Net Premium Written

USDmn

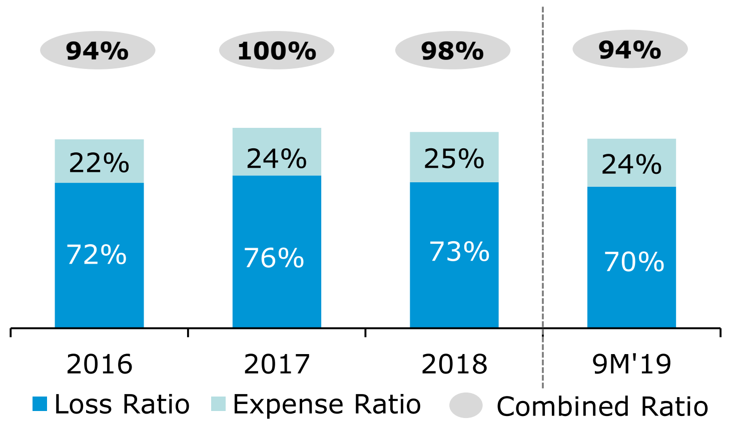


Net Investment Income

USDmn

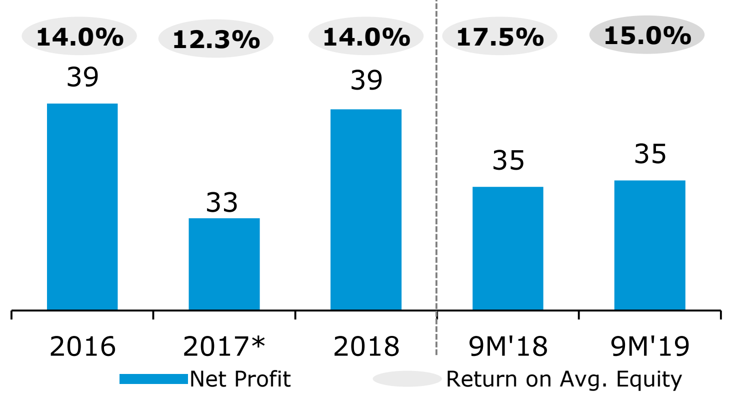


Combined Ratio



Net Profit & ROE

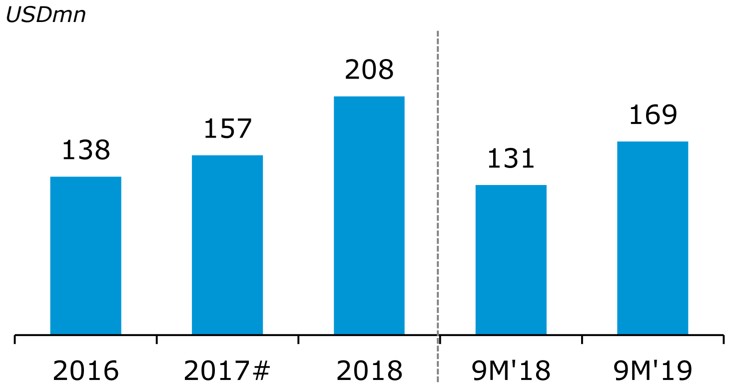
USDmn



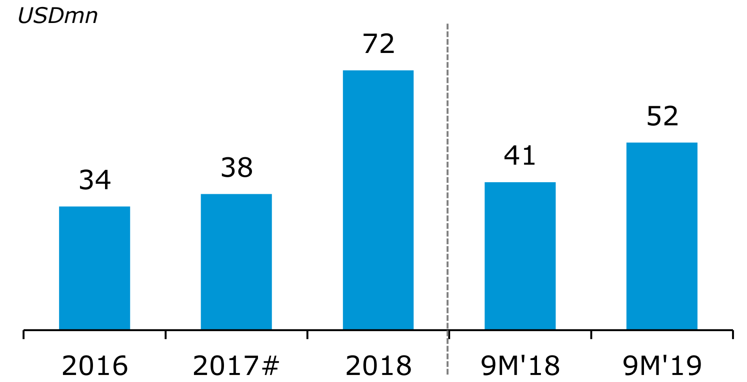
**Restated*

United Gulf Holding Company (UGH)

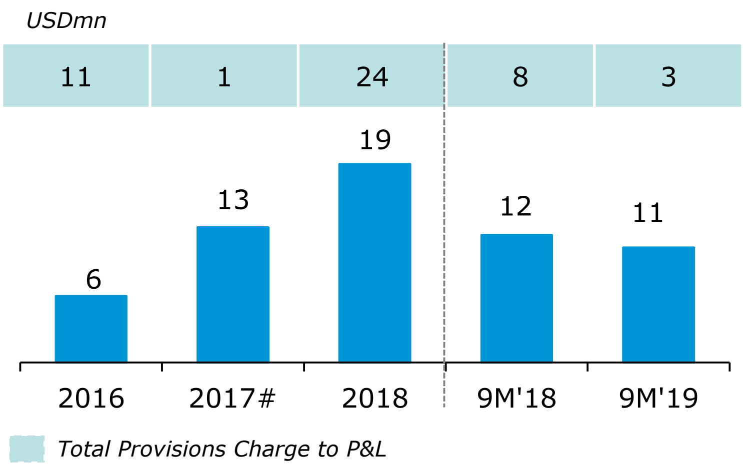
Revenue



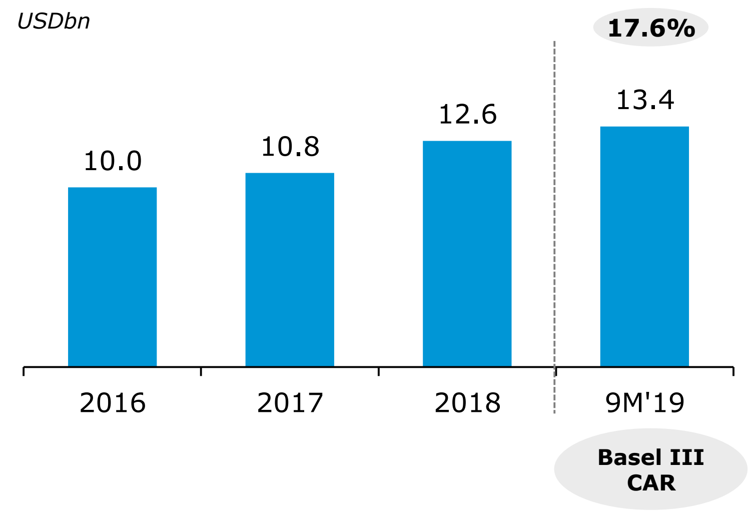
Fee & Commission Income



Net Profit & Provisions



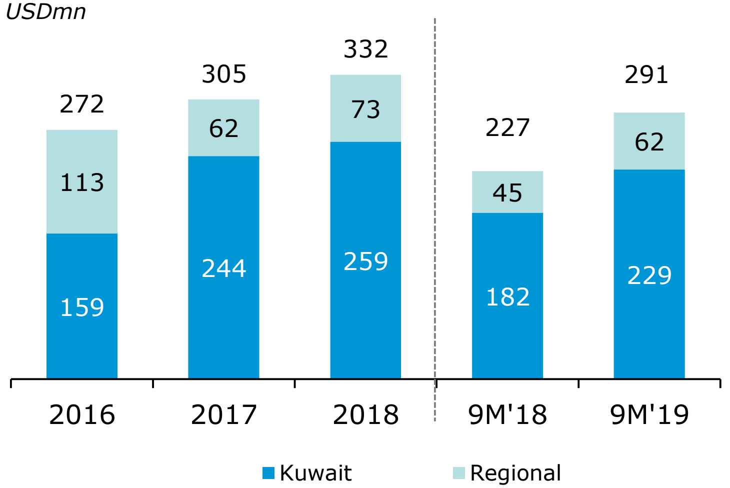
AuM & Capitalisation



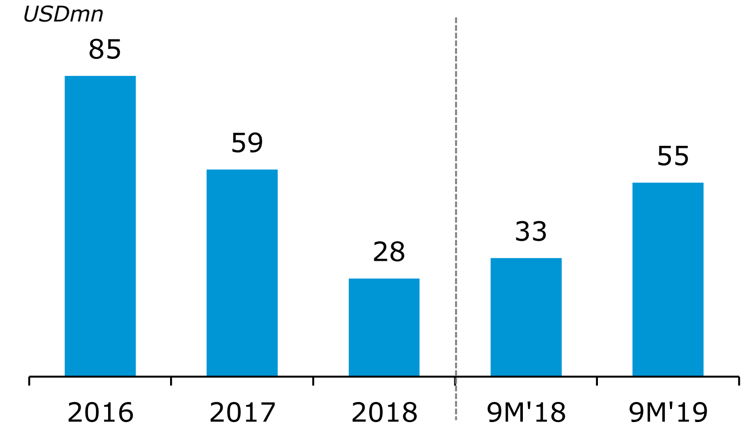
\# *As UGH was incorporated in September 2017, financials of UGH for 2017 comprise of first nine months results for UGB and Q4'17 results for UGH*

United Real Estate Company (URC)

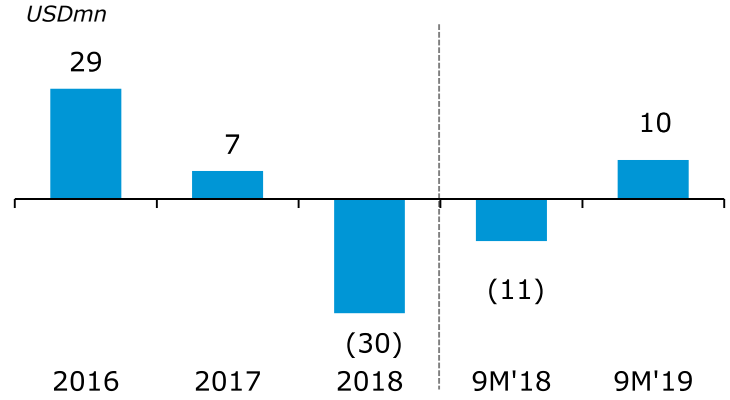
Total Revenue[1]



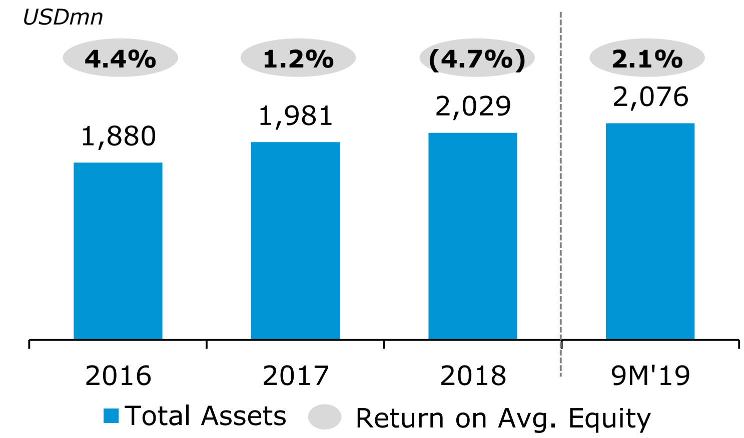
Operating Profit[2]



Net Profit



Total Assets & ROE



[1]Revenue 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 ; [2]Operating Profit includes gain on sale of associates, share in associates' income, interest income & forex gains

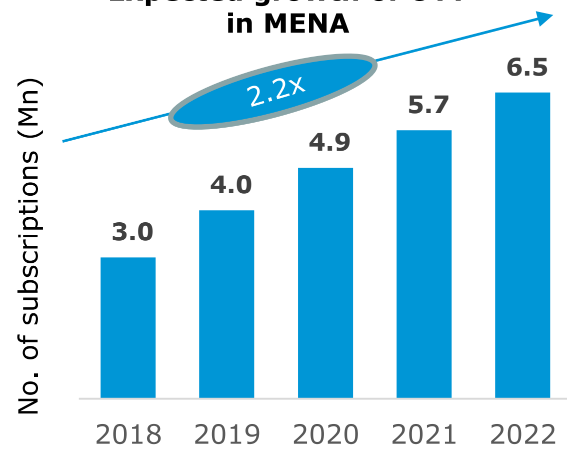
OSN

- 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 1.0mn, ~80K subs for WAVO, 29k subs for OSN Play and 149k subs for OSN Demand
- First in the region to introduce digital platform with OSN Play in 2012
- WAVO has been re-launched in April 2019 with superior user interface and functional capabilities, benchmarked with leading OTT players globally
- Exclusive access to the most comprehensive portfolio of rights from 7 major Hollywood studios plus wide range of Arabic content
- Premium content offerings with over 86 channels incl. 48 HD channels and 20 owned and 16 Pinoy channels
- ~1,144 employees in 12 offices, 26 retail locations across MENA and a network of 126 partners

MENA Pay Tv Potential

	Population (Mn)	TV Households (Mn)	Pay TV/ TV Households (%)
MENA Region[1]	**367**	**72**	**~10%**
Latin America	621	56	44%
UK	67	27	56%
India	1,352	197	66%
US	329	120	79%

Expected growth of OTT in MENA



Source: IHS Market, Dec 2018

[1]MENA region represents data of: Bahrain, Egypt, Jordan, Kuwait, KSA, Qatar, UAE, Algeria, Lebanon, Libya, Morocco, Oman,, Sudan, Syria, Tunisia and Yemen (OSN's core and target markets)
Source: IMF WEO Database October 2019, Euromonitor, Statista, Nielsen, Broadband TV News, Economic times

OSN: Progressing well on turnaround initiatives

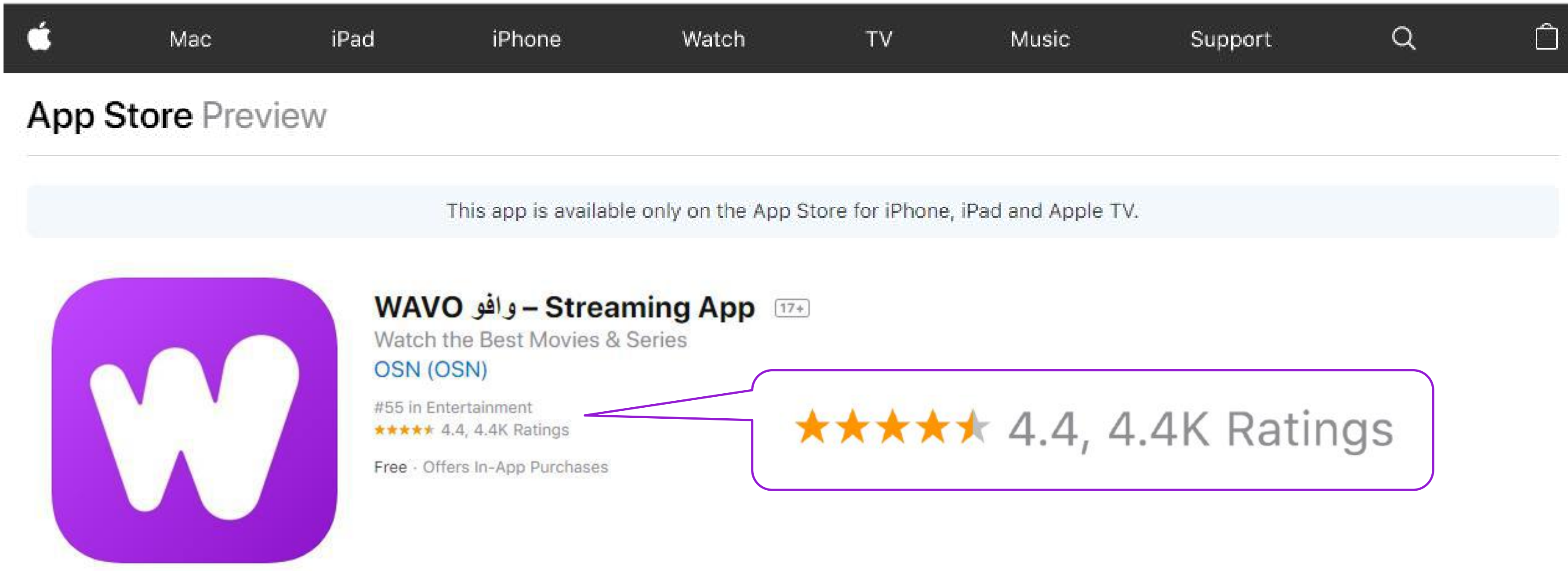
OTT Platform	Post its relaunch in April 2019, OSN's OTT platform **'WAVO'** has grown from 22k subs in Dec'18 to ~80K currently
Piracy crackdown	A major source of piracy (BeoutQ) was closed down in August 2019
New proposition	Simplified products making buy decision easier for customer for DTH & OTT; and country specific customization
Cable & Telco business	Outperformed budget; further deep dive in process to collaborate with new IPTV/ Telco partners
Broader offering Collaboration	Working on additional ways to provide enhanced entertainment experience to customers by bringing combined product offerings such as movies and music

OSN: In stronger position than a year ago

Significant value in business due to:

- **In-depth review of content and operations**
- **Exclusive long term renegotiated content contracts**
- **Best in class exclusive content to provide superior customer experience**
- **Digital platform (WAVO)** is well positioned to harvest OTT opportunity in the MENA region
  - Various digital initiatives underway for better customer experience/ business transformation
- **Significantly reduced cost base** on content and G&A
- **Better than budgeted EBITDA and results YTD**
- **Reduced Piracy –** BeoutQ closed; in general better control on other piracy
- **Improved product proposition** and customized offerings
- Attractive **market opportunity:**
  - Last frontier for growth in pay-tv business with market penetration of 10%
  - Organic growth potential - 7 core markets vs. 25 licensed for OSN

Wavo: App Store Ratings



IMDb Ratings	9.5 ★	7.9 ★	8.1 ★	7.5 ★	8.6 ★	9.0 ★	9.4 ★	8.5 ★	6.8 ★

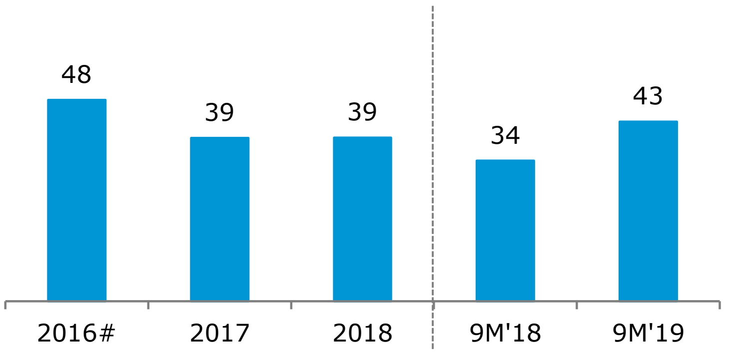
Source: Apple App Store; IMDB Ratings (14 Oct 2019)

Other key entities:

United Industries Company (UIC)

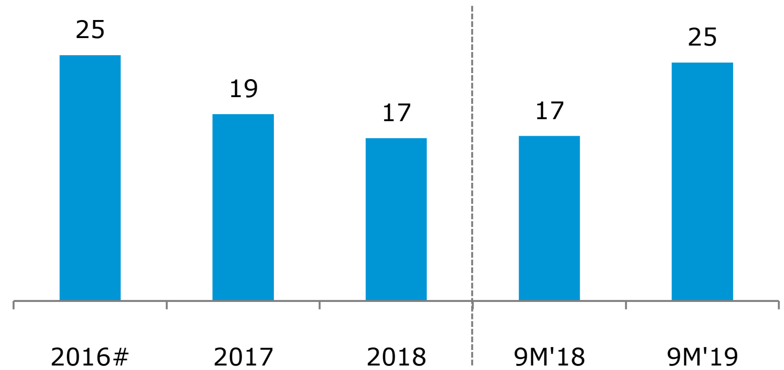
Total Revenue

USDmn



Net Profit

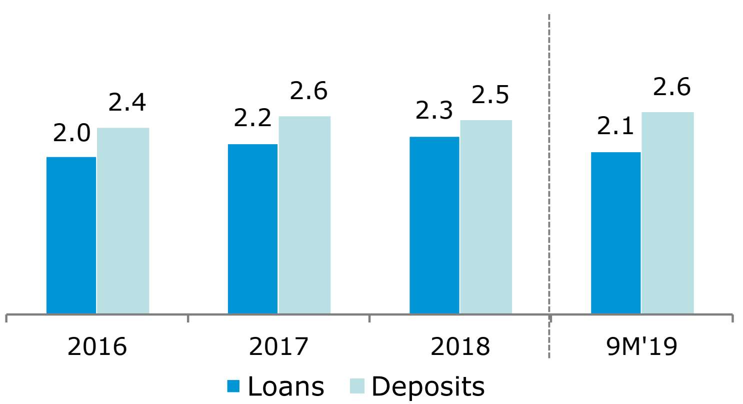
USDmn



Jordan Kuwait Bank (JKB)

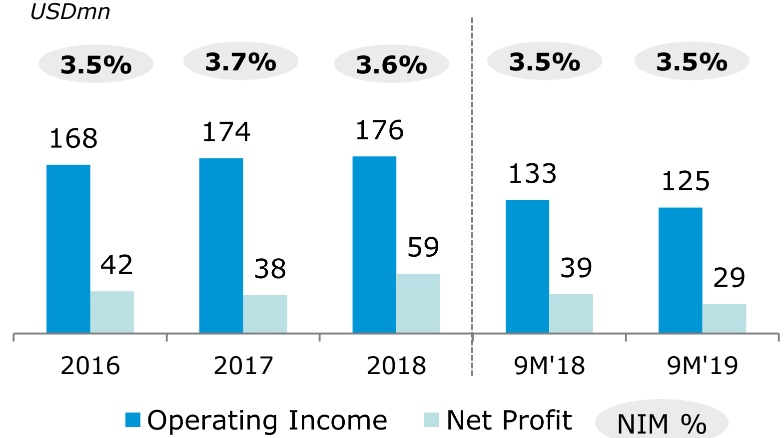
Loans & Deposits

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 30 September 2019 has been used for conversion

KIPCO consolidated: Balance Sheet

Consolidated Balance Sheet (USDmn)	2016	2017	2018 Restated	9M 2019
Cash in hand and at banks	4,795	5,162	6,968	4,674
Treasury bills, bonds & other debt securities	2,221	2,127	2,389	1,931
Investment in associates	1,455	1,234	1,084	1,151
Investment in a media joint venture	492	585	-	-
Non-current assets held for sale	-	-	616	663
Investment properties	1,411	1,720	2,057	2,060
Other investments	1,870	2,062	1,706	1,705
Other assets (inc. goodwill & intangibles)	20,586	21,134	19,287	20,208
Total assets	**32,830**	**34,024**	**34,107**	**32,392**
Due to Banks & Other FI's	7,594	6,624	6,772	4,367
Deposits from Customers	15,852	16,870	16,075	16,743
Debt	4,215	4,883	6,029	5,841
Other liabilities	1,168	1,661	1,907	1,809
Equity attributable to equity holders of the Parent Company	1,551	1,445	911	1,131
Perpetual capital securities	482	482	482	506
Non-controlling interest	1,968	2,060	1,931	1,995
Total liabilities and shareholders equity	**32,830**	**34,024**	**34,107**	**32,392**

KIPCO consolidated: Income Statement

Consolidated Income Statement (USDmn)	2016	2017 Restated	2018	9M 2018 Restated	9M 2019
Interest income	1,225	1,271	1,464	1,072	1,012
Investment income	92	233	120	58	61
Fees and commission income	184	174	200	137	156
Share of results of associates	118	42	61	54	63
Share of results of a media joint venture	(21)	-	-	-	-
Hospitality and real estate income	254	308	360	239	302
Other revenues	321	227	342	285	232
Total revenues	**2,173**	**2,255**	**2,547**	**1,845**	**1,826**
Interest Expenses	791	816	980	702	719
General and administrative expenses	563	608	633	452	430
Other expenses and provisions	468	476	549	383	441
Taxation	60	51	34	39	40
Loss from discontinued operations	-	99	76	76	-
Non-controlling interest	140	128	182	126	122
Net profit attributable to Equity Holders of the Parent Company	**150**	**77**	**93**	**67**	**75**
Basic Earnings Per Share, Cents (Reported)	9.4	3.8	4.9	3.1	2.5
Basic Earnings Per Share for continuing operations, Cents (Reported)	-	10.8	10.3	8.4	2.5

Thank you

A diversified company with deep regional expertise & roots

We are

Operating holding company with total assets of USD32.4bn[1]

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 USD1.4bn[2]

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

Gateway to MENA with superior access to opportunities

[1]*As on 30 September 2019* [2] *As of 12 November 2019*

Our presence by geographies & sectors

Geography	Major sectors							
	Commercial banking	Media	Insurance	Real Estate	AMIB [4]	Industrial	Others	Revenue (2018) [1]
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 (9M'19) [2]	46%	12%	18%	11%	5%	4%	4%	
Assets (9M'19) [3]	70%	4%	7%	8%	6%	3%	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 USD2.8bn and total assets of USD38.9bn respectively, based on reported segmental revenue (before inter group eliminations) post consolidation of 100% revenue of GIG & OSN ; [4]AMIB = Asset Management & Investment Banking

Core holdings

All core holdings are market leaders in their space

#2

Conventional bank in Kuwait[1]
S&P: BBB+/A2
Moody's: A3/ P2
Fitch: A+

BURGAN BANK

#1

Insurer in Kuwait[3], Bahrain[4], Jordan[4] & Egypt[5]
S&P: A-
Moody's: A3
AM Best: A

Gulf Insurance | gig

#2

Listed real estate player on Boursa Kuwait[1]
CI: BBB

URC United Real Estate Co

osn

Leading premium Pay TV operator in MENA region[2] with 1.0mn subscribers

United Gulf Holding Company

KAMCO

#1

Asset Manager in Kuwait with highest AuM
CI: BBB

United Industries Company

Leading industrial company In Kuwait with investments across petrochemicals, food and healthcare sectors

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 rankings as of 31 December 2018)