



Investor Presentation

H1-2010

A wonderful world



Zain

Disclaimer

Certain expectations and projections regarding future performance of the company referenced in this presentation may be “forward-looking” statements within the meaning of applicable securities laws and regulations. These are statements which the management believes are true at the time of their preparation based on available data and information and are subject to certain future events and uncertainties, that could cause actual results to differ materially from those anticipated in these forward-looking statements.



To Consolidate its' Position in the Middle East

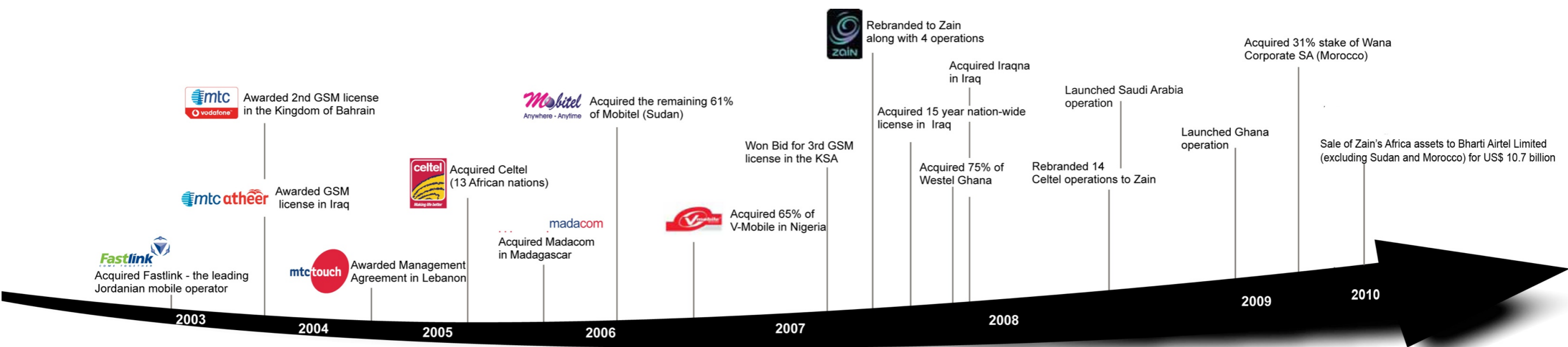
Who we are now

- Zain is an emerging telecoms player operating in **7 countries** in the Middle East, serving over **34.2 million** active customers
- The company is the leading mobile telecom operator in **4** of its markets
- **Revenues: US\$ 2,330.4 million; EBITDA: US\$ 995.0 million; Net Income: US\$ 3,085.3 million** for the first half of 2010



Zain's Historical Growth

From a National Player to an Emerging Markets Leader

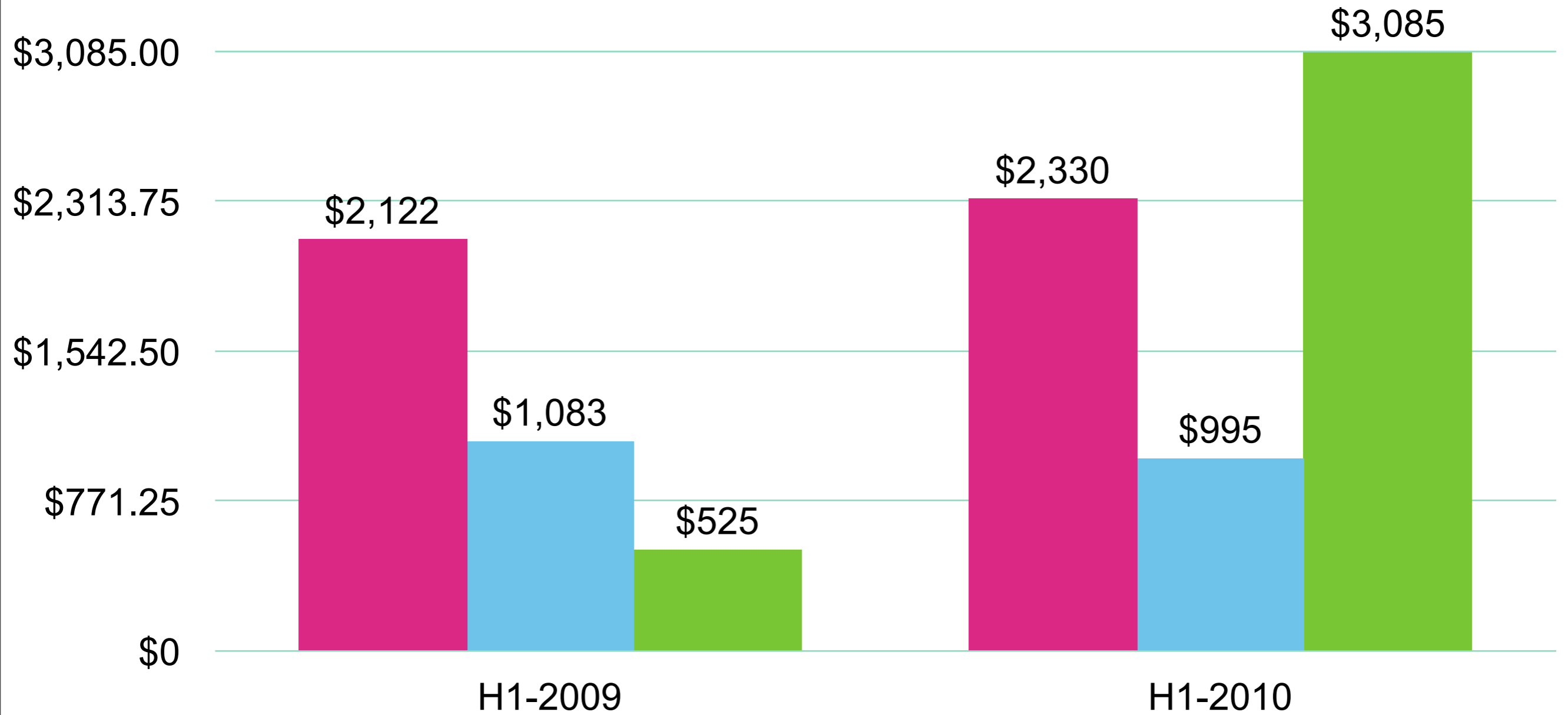


* MTC Atheer & Iraqna jointly operate under the Zain brand



Zain's Key Performance Indicators

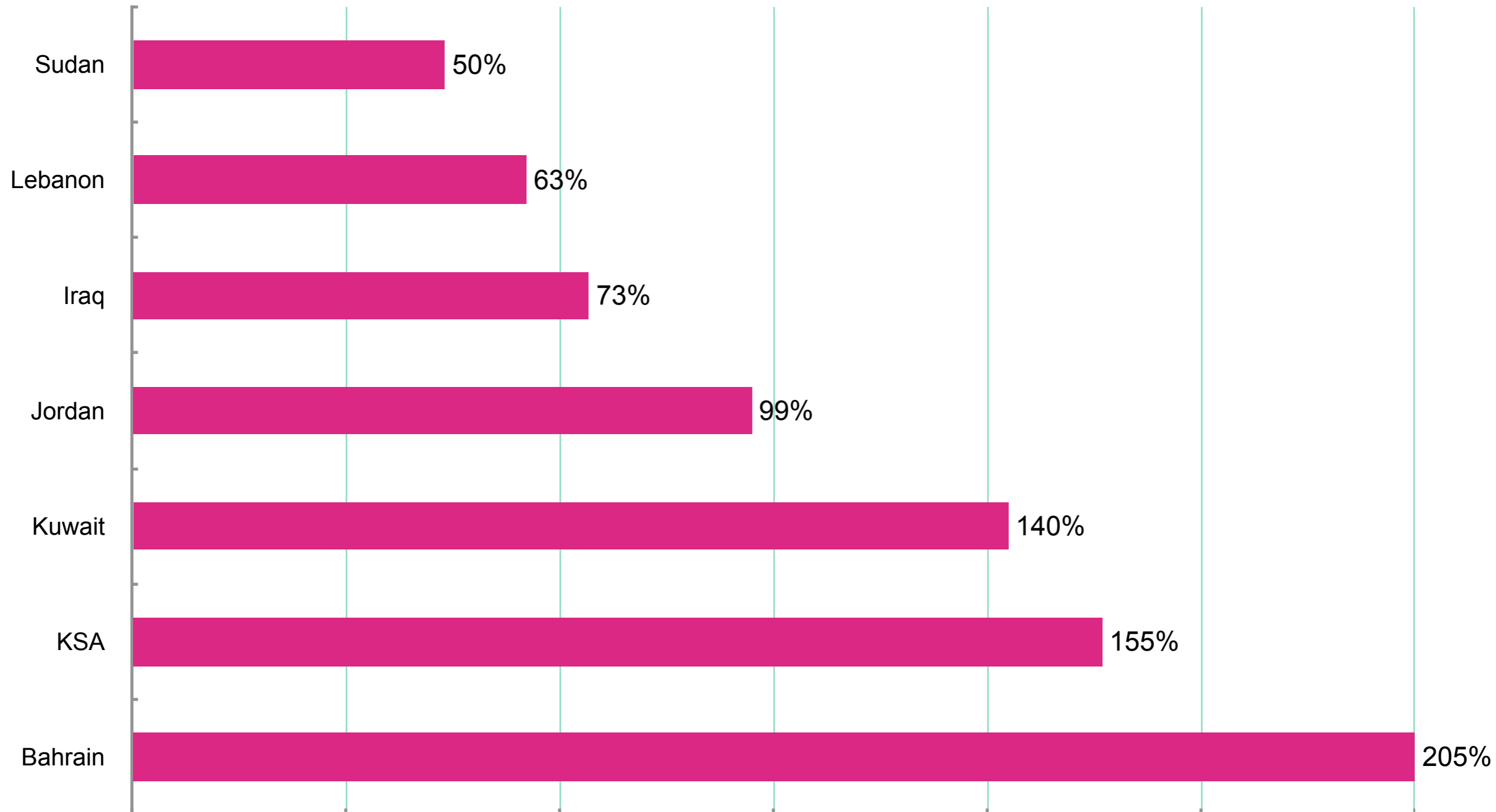
■ Revenues (m) ■ EBITDA (m) ■ Net Profit (m)





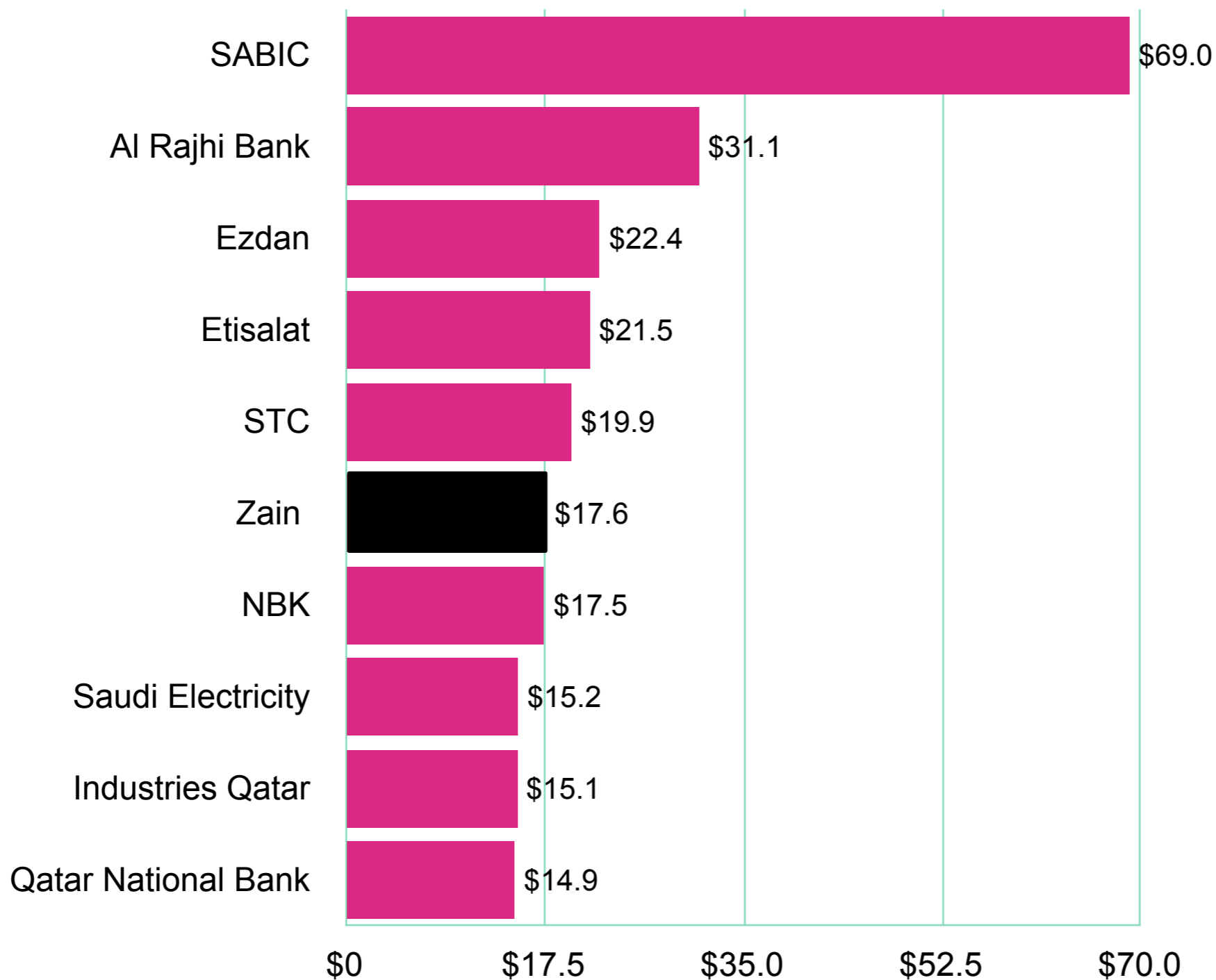
Penetration Rates

Substantial Potential for Future Growth





Top 10 Companies in Middle East Market Cap (Billion)



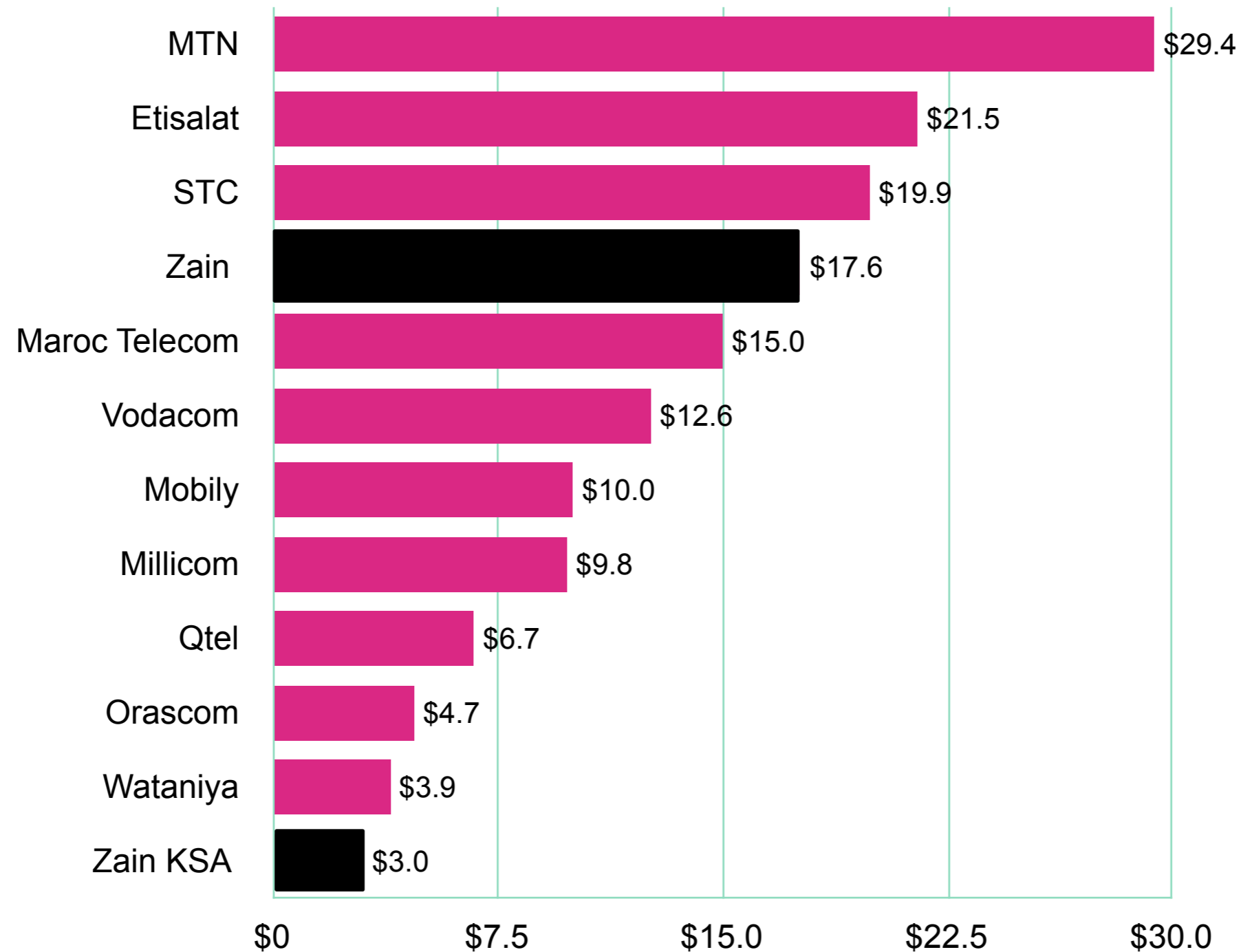
As of August 23, 2010

Source: Reuters



Top Telecom Companies in Middle East & Africa

Market Cap (Billion)



As of August 23, 2010

Source: Reuters

Zain's Mobile Operations

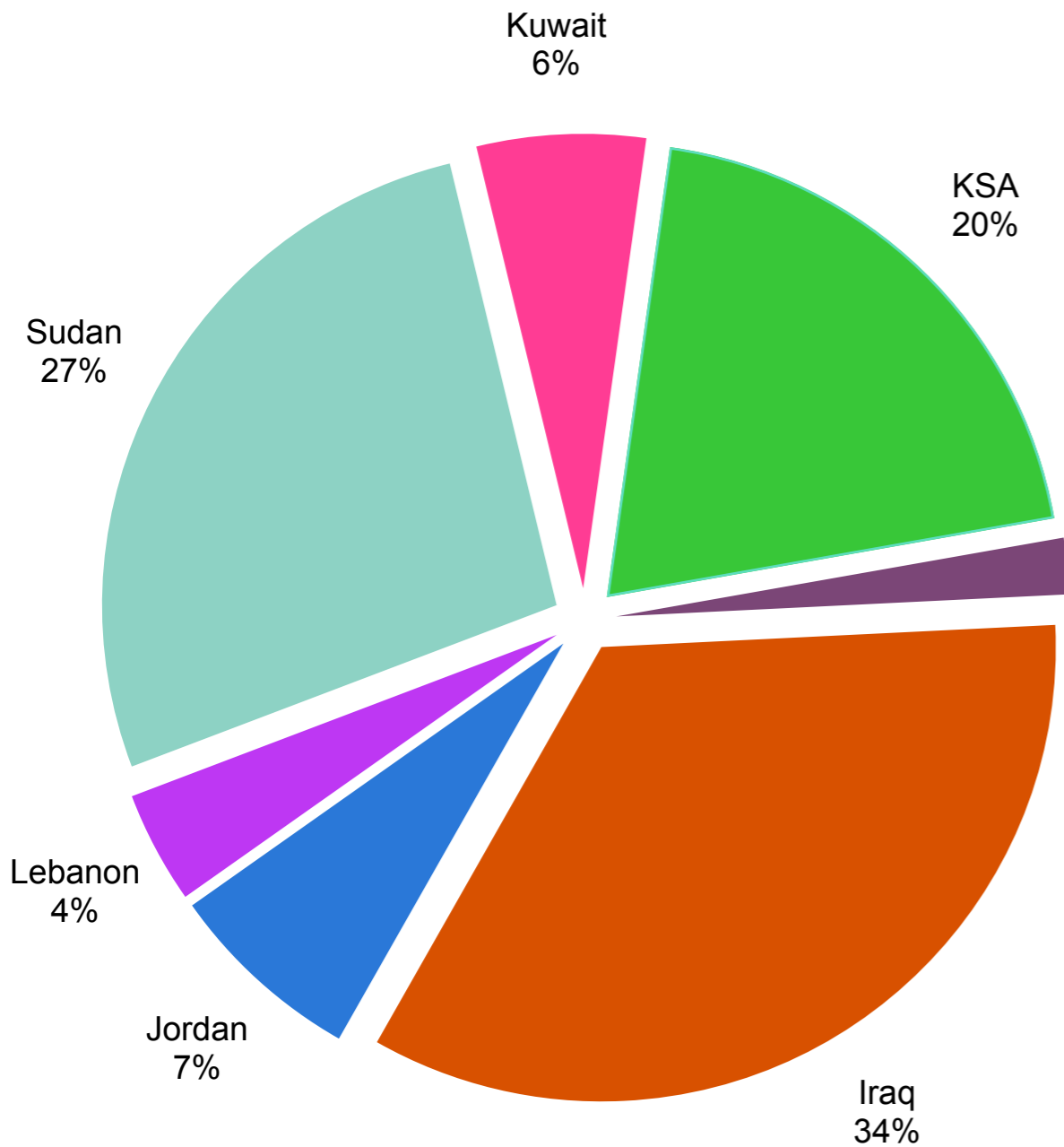




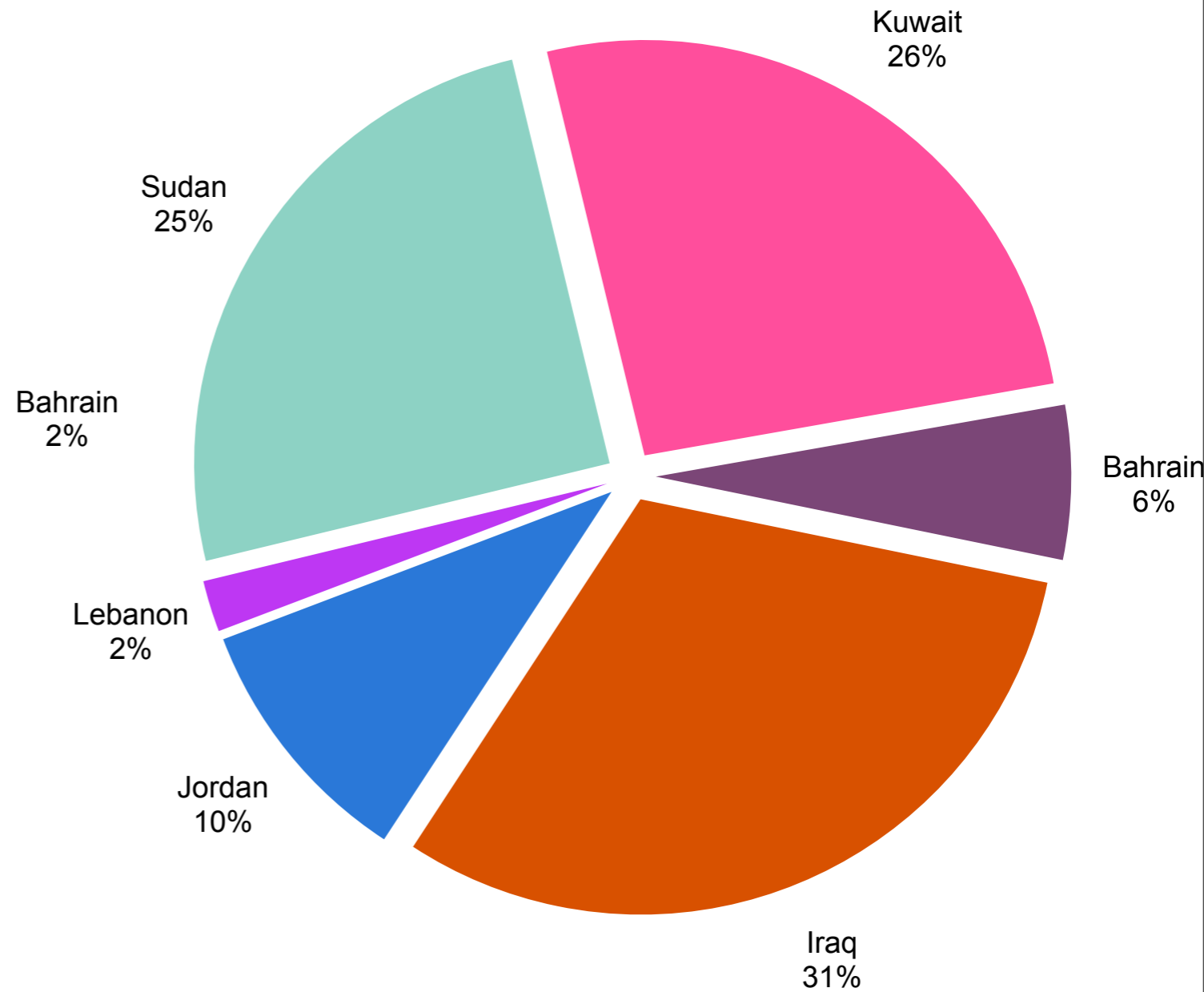
Zain Group Country Breakdown

June 30, 2010

Zain Group Customers

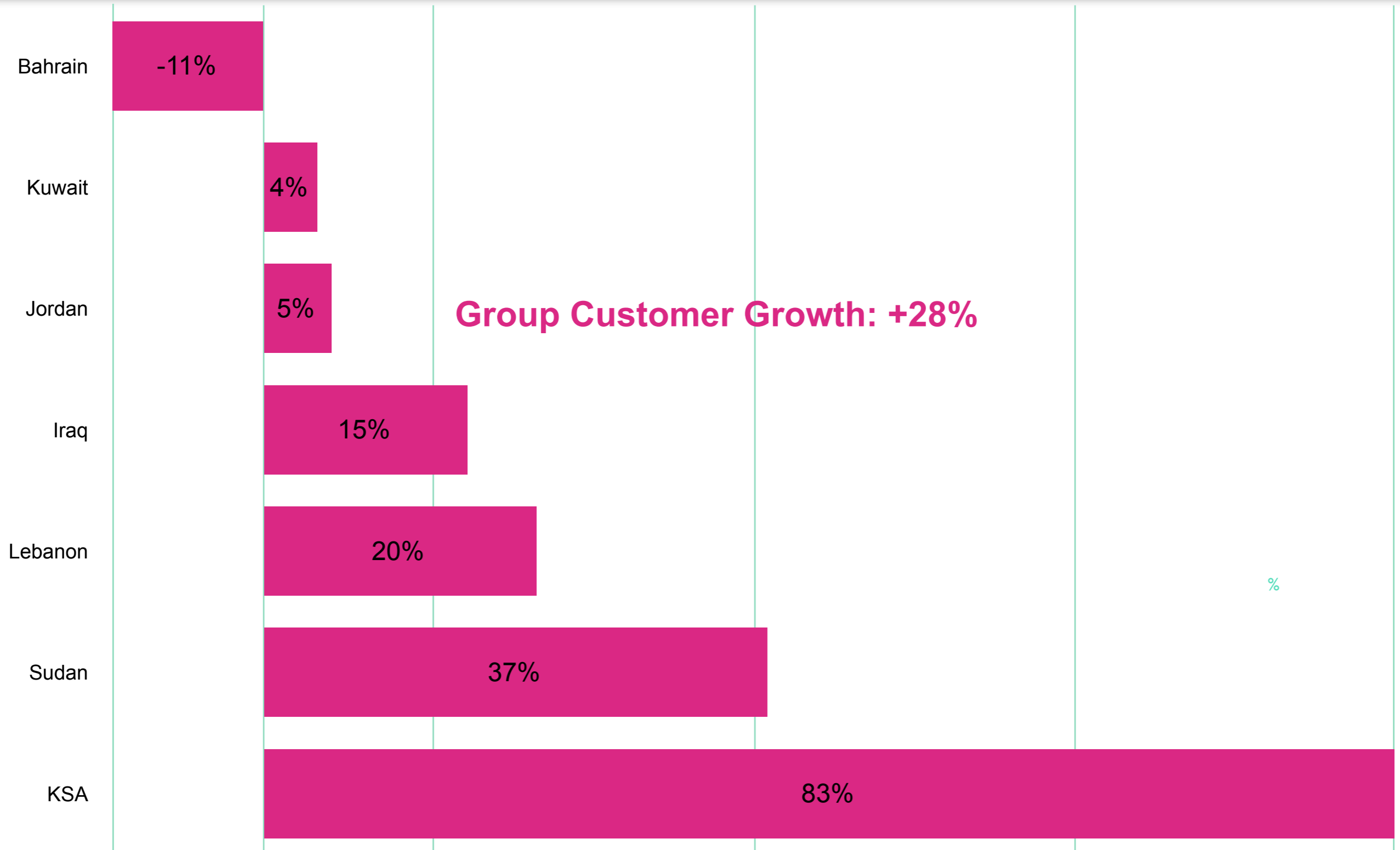


Zain Group Revenues





Zain Group Customer Growth H1-2010 vs. H1-2009

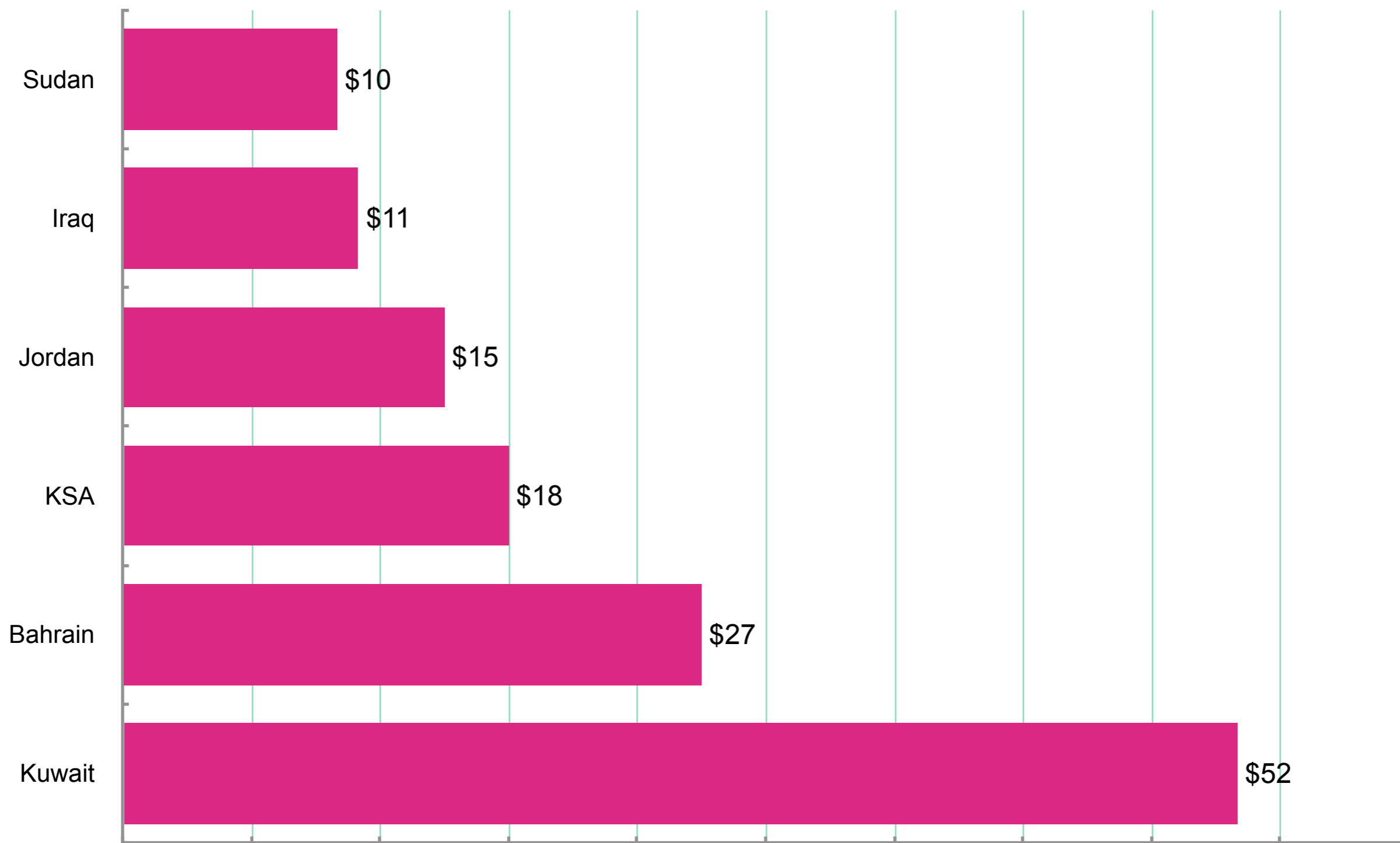




Blended ARPUs

June 30, 2010

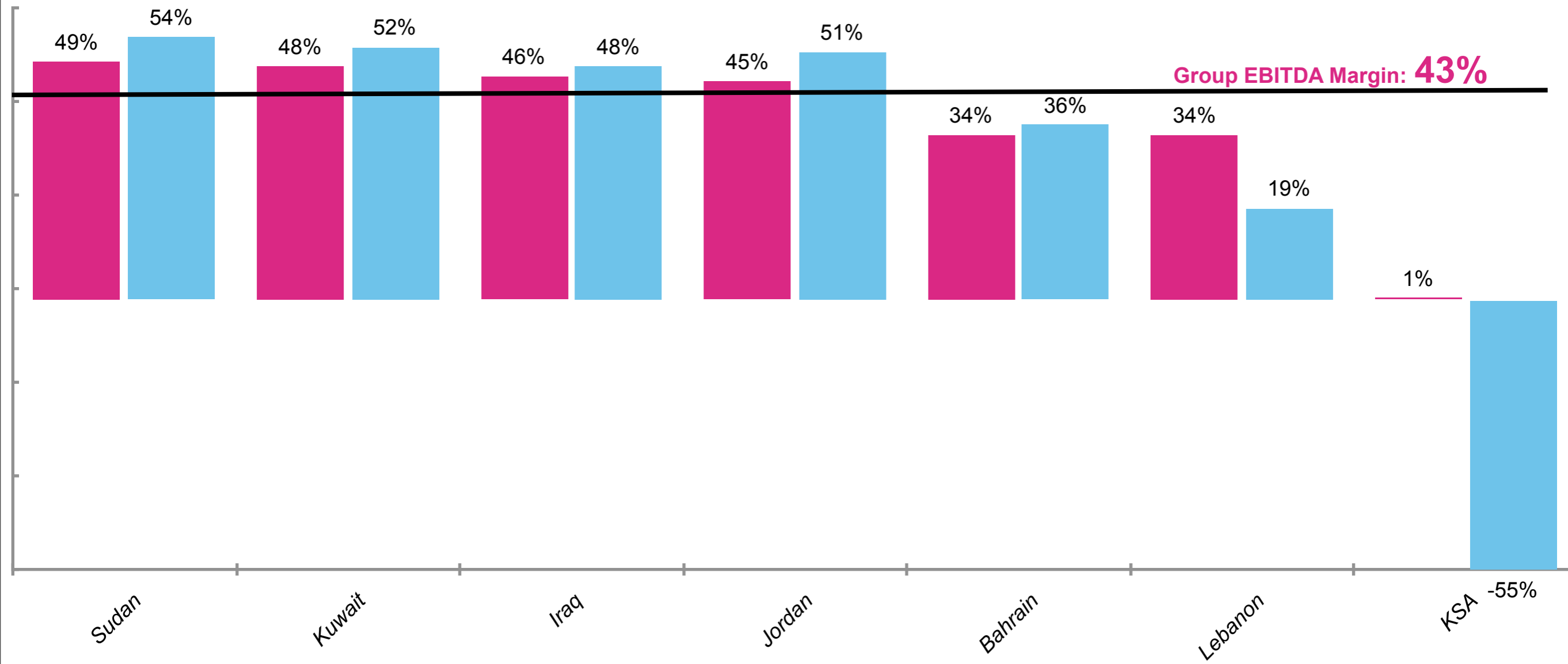
US\$





EBITDA Margins H1-2010

■ H1-2010
■ H1-2009





Kuwait

Contribution to Group total - Population: **3%** Customers: **6%** Revenues: **26%** - Customer YoY Growth: **4%**

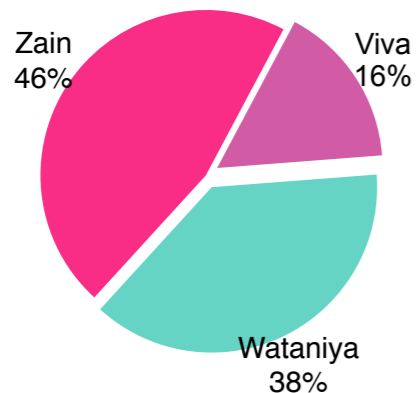
- Despite Viva's entry in the market, Zain Kuwait still commands 46% of the market.
- Zain is listed on the Kuwait Stock Exchange (KSE) with 24.6% held by the Kuwait Investment Authority.
- The operation has the highest ARPU (\$52) in Zain Group.
- Zain Kuwait improved its network performance with the roll-out of 14 additional sites, reaching a total of 1,692 sites on air as of H1-2010.
- The operation is implementing a whole set of strategic initiatives to capitalize on the demand and growth for data services to generate additional revenue streams and maintain low churn rates.



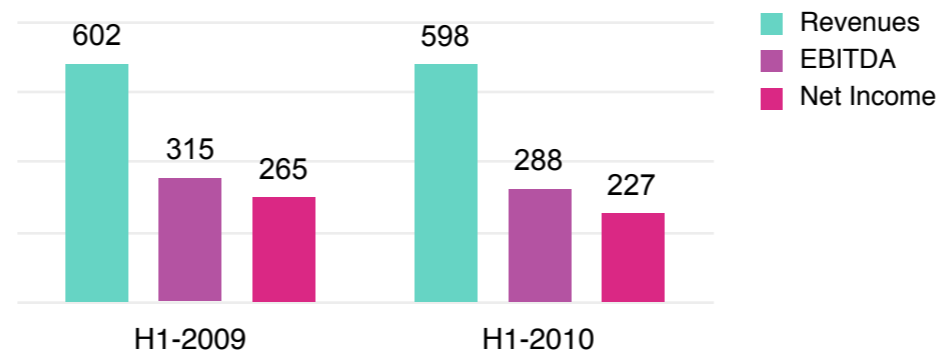
Key Statistics H1-2010

Population (000s)	3,480
GDP/Capita (PPP)	\$49,192
Year of launch	1983
Ownership	100%
Mobile Penetration	140%
Number of Operators	3
Market Positioning	1
Market Share	46%
ARPU	\$52

Market Share



Financial Performance (\$ m)





Sudan

Contribution to Group total - Population: **35%** Customers: **27%** Revenues: **25%** - Customer YoY Growth: **37%**

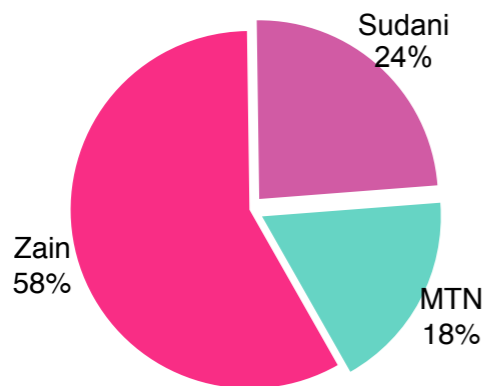
- In February 2006, Zain Group acquired the remaining 61% of Mobitel for US\$ 1.332 billion.
- Zain Sudan leads the Sudanese market with a 58% market share.
- The operation's healthy performance resulted from its continuous focus on network roll-out, and the launch of offers tailored to different market segments aimed to stimulate usage and reward customers.
- 41 new sites were rolled-out in Q2-2010.



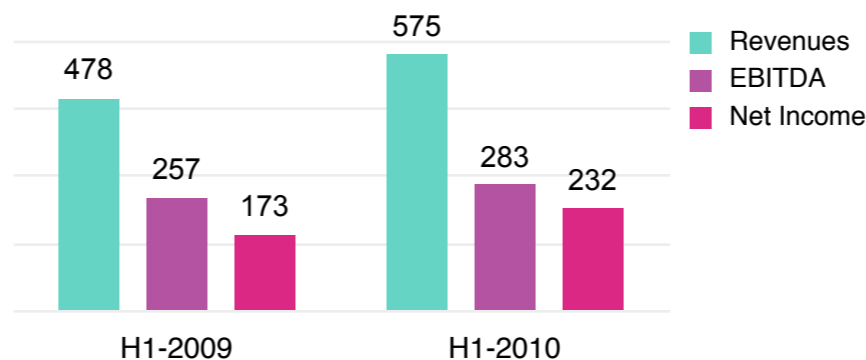
Key Statistics H1-2010

Population (000s)	40,797
GDP/Capita (PPP)	\$2,126
Year of full acquisition	2006
Ownership	100%
Mobile Penetration	50%
Number of Operators	3
Market Positioning	1
Market Share	58%
ARPU	\$10

Market Share



Financial Performance (\$ m)





Iraq

Contribution to Group total - Population: **26%** Customers: **34%** Revenues: **31%** - Customer YoY Growth: **15%**

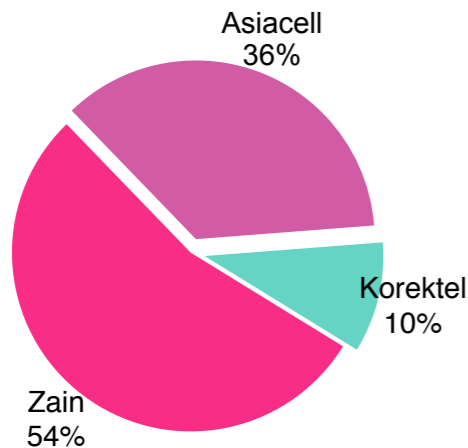
- Zain Iraq's customer base reached over 11.6 million, maintained on the back of various successful retention programs and the introduction of innovative products and services.
- Iraq is the largest contributor to the group in terms of customers and revenues, at 34% and 31% respectively.
- Q2-2010 witnessed the successful application of the Per Second Billing to be in full compliance with the CMC requirements.
- The operation added 72 new sites to its network roll-out to reach a total of 2,837 sites on air.



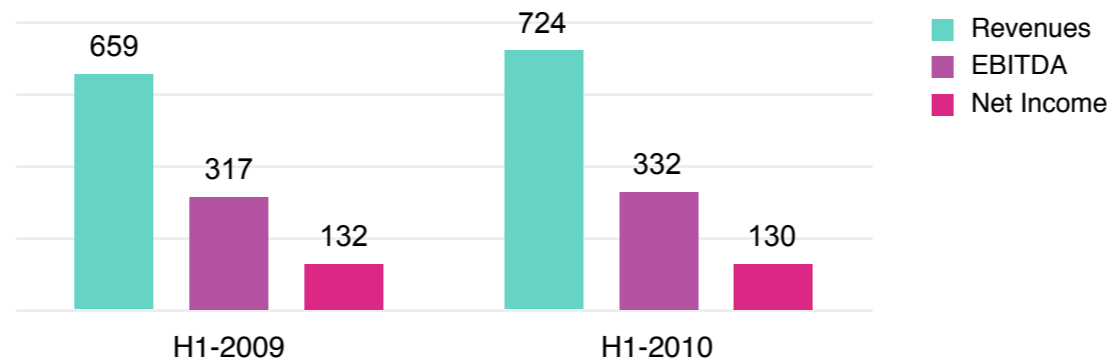
Key Statistics H1-2010

Population (000s)	30,419
GDP/Capita (PPP)	\$3,858
Year of acquisition	2003
Ownership	71.67%
Mobile Penetration	73%
Number of Operators	3
Market Positioning	1
Market Share	54%
ARPU	\$11

Market Share



Financial Performance (\$ m)





Jordan

Contribution to Group Total - Population: **6%** Customers: **7%** Revenues: **10%** - Customer YoY Growth: **5%**

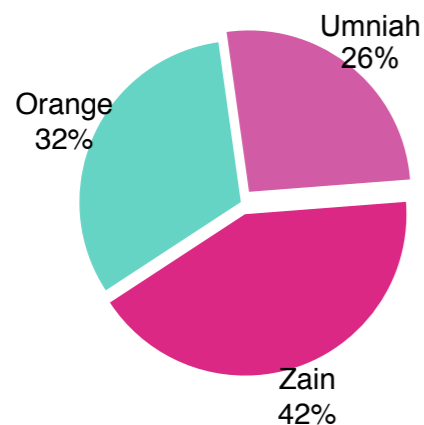
- Despite the highly competitive market, Zain Jordan managed to maintain its position as the market leader with a 42% market share.
- In H1-2010, Zain Jordan launched below-the-line campaigns targeting different segments, to include Zain Quattro and MAX.
- Zain acquired a 15-year license for US\$ 70.4 million to establish and operate HSPA + and LTE technology (3G), expected to launch in Q1-2011.



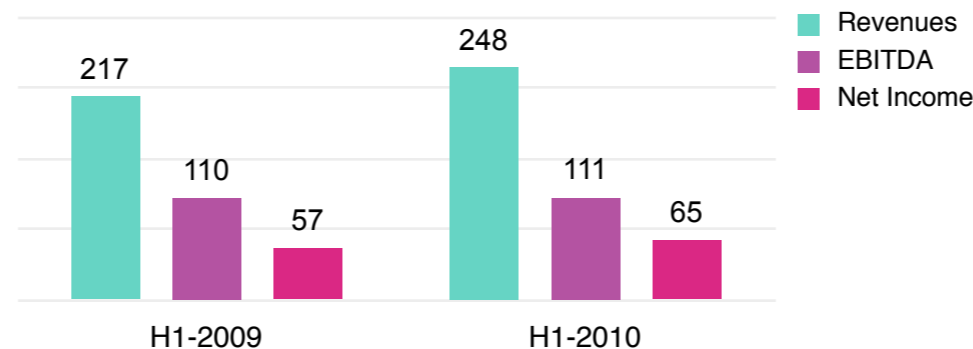
Key Statistics H1-2010

Population (000s)	6,362
GDP/Capita (PPP)	\$4,870
Year of acquisition	2003
Ownership	96.52%
Mobile Penetration	99%
Number of Operators	4
Market Positioning	1
Market Share	42%
ARPU	\$15

Market Share



Financial Performance (\$ m)





Bahrain

Contribution to Group Total - Population: **1%** Customers: **2%** Revenues: **6%** - Customer YoY Growth: **(11%)**

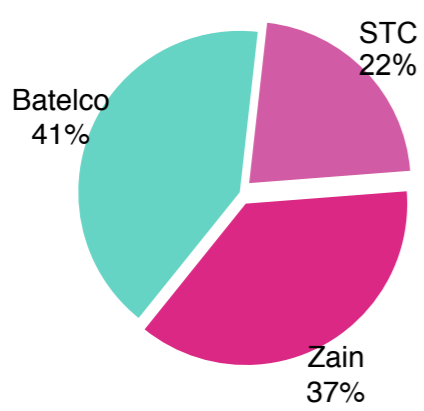
- Bahrain is the country with the highest mobile penetration rate (205%) in which Zain operates.
- The operation's market share decreased 6 percentage points to 37% as compared to the first quarter of 2010, exhibiting an 11% decrease in customers, due to continuous upturn in free offers and discounted international rates from competitors.
- Zain Bahrain invested on communication efforts to stimulate usage through USSD offers.
- 29 base stations were commissioned in Q2, reaching a total of 254 sites.



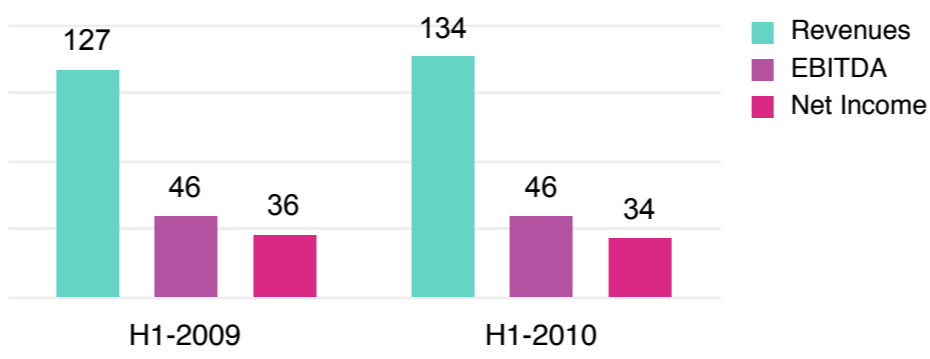
Key Statistics H1-2010

Population (000s)	1,130
GDP/Capita (PPP)	\$21,525
Year of launch	2003
Ownership	56.25%
Mobile Penetration	205%
Number of Operators	3
Market Positioning	2
Market Share	37%
ARPU	\$27

Market Share



Financial Performance (\$ m)





Kingdom of Saudi Arabia

Contribution to Group Total - Population: **25%** Customers: **20%** - Customer YoY Growth: **83%**

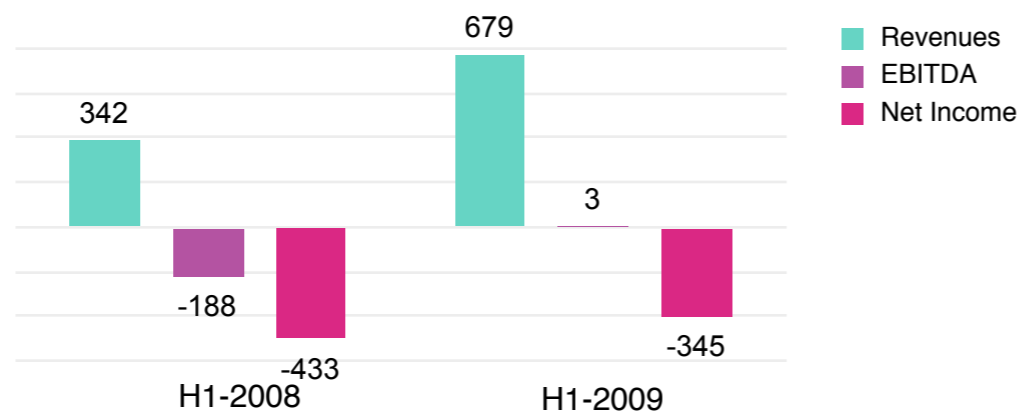
- Zain KSA launched commercial services in late August 2008.
- The operations customer's increased 83% from the previous year, the highest customer growth in the Group, reaching a total of 7 million customers.
- EBITDA significantly increased over 100%, hitting the positive mark after 22 months of operations.
- Overall Zain KSA achieved remarkable performance, due to rapid network deployment, customer acquisition, and the focus on growth areas of data services.



Key Statistics H1-2010

Population (000s)	28,962
GDP/Capita (PPP)	\$23,977
Year of launch	2008
Ownership	25%
Mobile Penetration	155%
Number of Operators	3
Market Positioning	3
ARPU	\$18

Financial Performance (\$ m)





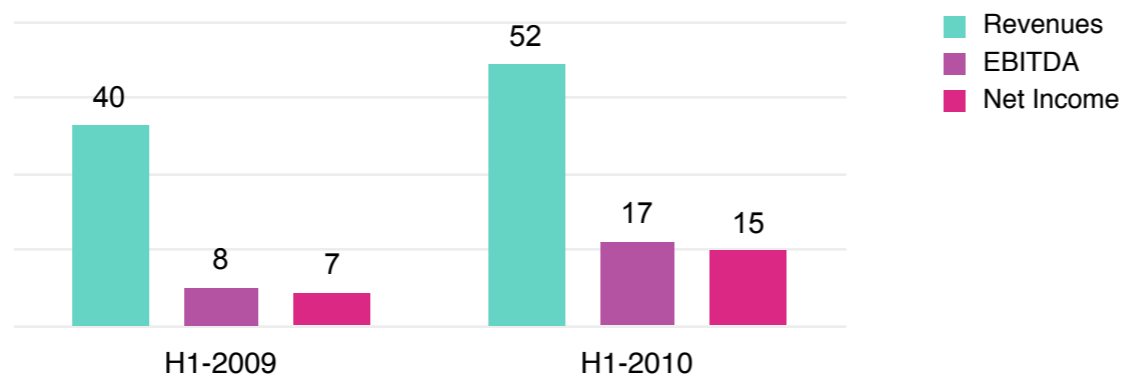
Lebanon

Contribution to Group Total - Population: 4% Customers: 4% Revenues: 2% - Customer YoY Growth: 20%

- Zain operates in Lebanon under a management contract since June 2004, when it was rebranded to mtc-touch.
- On 31st May 2010, the Network Management Agreement (NMA) was extended for a period of 3 months from July 31-October 2010.



Financial Performance (\$ m)



Key Statistics H1-2010

Population (000s)	4,205
GDP/Capita (PPP)	\$12,165
Year of MC award	2004
Ownership	MC
Mobile Penetration	63%
Number of Operators	2



Financial Statements



Balance Sheet

	30-Jun-10 KD (000s)	30-Jun-09 KD (000s) (Restated)
Assets		
<u>Current Assets</u>		
Cash on hands and banks	267,175	340,071
Trade and other receivables	405,434	388,272
Inventories	32,554	33,930
Investments - at fair value through profit or loss	7,464	9,021
	<u>712,627</u>	<u>771,294</u>
<u>Non-Current Assets</u>		
Deferred tax assets	134,049	107,334
Investments - available for sale	98,492	98,709
Investment in associates	165,771	193,411
Interest in jointly control entity	44,063	48,428
Loan to associates	141,996	82,881
Property & equipment	2,151,768	2,113,804
Intangible assets	2,245,453	2,284,021
Other financial assets	2,539	2,528
	<u>4,984,131</u>	<u>4,931,116</u>
Total Assets	<u>5,696,758</u>	<u>5,702,410</u>

	30-Jun-10 KD (000s)	30-Jun-09 KD (000s) (Restated)
Liabilities & Equity		
<u>Current Liabilities</u>		
Trade and other payables	939,944	1,032,568
Due to banks	536,472	445,234
	<u>1,476,416</u>	<u>1,477,802</u>
<u>Non-Current Liabilities</u>		
Due to banks	1,615,994	1,713,999
Deferred Tax Liability	38,704	30,483
Other non-current liabilities	87,166	90,265
	<u>1,741,864</u>	<u>1,834,747</u>
<u>Shareholders' Equity</u>		
Share Capital	428,285	427,518
Share premium	1,691,105	1,690,772
Treasury shares	(567,834)	(567,834)
Legal reserve	147,989	127,788
Voluntary reserve	63,091	63,091
Foreign currency translation Reserve	(21,174)	(63,679)
Treasury shares reserve	1,967	1,967
Equity issue transaction cost of associate	(1,814)	(1,817)
Investment fair value reserve	(7,719)	(2,388)
Share based compensation reserve	18,361	22,765
Hedge reserve	(49,298)	(54,073)
Retained Earnings	593,643	561,962
	<u>2,296,602</u>	<u>2,206,072</u>
Minority interest	181,876	183,789
Total Equity	<u>2,478,478</u>	<u>2,389,861</u>
Total Liabilities & Equity	<u>5,696,758</u>	<u>5,702,410</u>



Income Statement

	30-Jun-10 KD (000s)	30-Jun-09 KD (000s) (Restated)
Continuing operations		
Revenues	672,573	614,229
Cost of Sales	(178,342)	(154,938)
Gross Margin	494,231	459,291
Distribution, Marketing and operating expenses	(136,718)	(98,052)
General and administrative expenses	(68,088)	(46,262)
Depreciation & Amortization	(80,410)	(73,205)
Provision for doubtful debts	(2,264)	(1,098)
Operating profit	206,751	240,674
Interest income	7,219	4,306
Income/(loss) from investment securities	(1,984)	(5,020)
Share of loss of associates	(25,354)	(32,034)
Share of loss of jointly controlled entity	(3,219)	(1,776)
Other income	6,935	6,982
Finance Cost	(42,918)	(46,010)
Gain on currency revaluation	33,528	(7,268)
Board of Directors' remuneration	(16)	(16)
Contribution to Foundation for Advancement of Sciences	(1,282)	(1,600)
National Labour Support Tax and Zakat	(1,870)	(3,870)
Profit for the period before income tax	177,790	154,368
Income tax expense	(18,356)	(16,430)
Profit for the period from continuing operations	159,434	137,938
Discontinued operations		
Profit from discontinued operations	741,809	21,998
Profit for the period	901,243	159,936
Profit Attributable to:		
Shareholders of the Parent Company	895,325	152,084
Non-controlling interests	5,918	7,852
	901,243	159,936
	Fils	Fils
Basic earnings per share	232	40
Diluted earnings per share	232	40

	30-Jun-10 KD (000s)	30-Jun-09 KD (000s) (Restated)
Profit for the period	901,243	159,936
Other comprehensive income		
Exchange differences on translating foreign operations	(51,843)	26,247
Net unrealized gain/(loss) on available-for-sale investments	(573)	(836)
Net realized (gain)/loss transferred to statement of income on available-for-sale investments (net of impairment losses)	2,312	7,649
Cash flow hedges	(11)	6,309
Share based compensation	1,926	2,370
Share of other comprehensive income of an associate	(17)	(71)
	(48,206)	41,668
<i>In discontinued operations transfers to condensed consolidated statement of income:</i>		
Cumulative exchange differences	50,607	
Net Realized loss on available-for-sale investments	1,147	
Cash flow hedges	48,000	
	99,754	
Total comprehensive income for the period	952,791	201,604
Total comprehensive income attributable to:		
Shareholders of the Parent Company		
From continuing operations	94,931	176,850
From discontinuing operations	851,618	24,668
	946,549	201,518
Non-controlling interests		
From continuing operations	16,296	17,755
From discontinuing operations	(10,054)	(17,669)
	6,242	86



Cash Flow Statement

	30-Jun-10 KD (000s)	30-Jun-09 KD (000s) (Restated)
Cash flows - operating activities:		
<i>Profit for the period before income tax of continuing and discontinuing operations</i>	915,403	170,727
Adjustments for:		
Depreciation and amortization	194,473	188,016
Interest income	(9,349)	(5,414)
Loss from investments securities	1,984	5,020
Gain from disposal of a subsidiary	(778,134)	-
Share of loss of associates and jointly controlled entity	28,573	33,810
Finance cost	66,273	77,505
(Gain)/loss from currency revaluation	(24,297)	30,874
Operating profit before working capital changes	394,926	500,538
Increase in trade and other receivables	(284,117)	(73,232)
Decrease/(increase) in inventories	1,663	(1,631)
Increase/(decrease) in trade and other payables	163,225	(98,944)
Cash generated from operations	275,697	326,731
Paid to KFAS	(4,159)	(2,841)
National Labour Support Tax and Zakat	(5,528)	(6,247)
Income tax paid	(18,932)	(11,948)
Net Cash from operating activities	247,078	305,695

	30-Jun-10 KD (000s)	30-Jun-09 KD (000s) (Restated)
Cash flows - investing activities:		
Deposits with a foreign bank under lien	(174,487)	-
Purchase of investments	(2)	(1,387)
Investment in subsidiary	-	(18,583)
Proceeds from disposal of a subsidiary	2,191,637	-
Investment in an associate/jointly controlled entity	(271)	(26,298)
Proceeds from sale of investments	227	7,646
Acquisition of property and equipment (net)	(174,020)	(234,437)
Acquisition of intangible assets	(36,298)	(895)
Interest received	9,359	5,414
Dividend received	1,003	-
Net Cash from/(used in) investing activities	1,817,148	(268,540)
Cash flows - financing activities:		
Capital contribution - employees stock option	7,641	94
Repayments/borrowings from banks (net)	(1,180,380)	214,158
Loan to an associate	(4,706)	0
Dividends paid to shareholders	(695,995)	(190,212)
Dividends paid to minority shareholders	(10,478)	(7,601)
Finance Cost Paid	(54,402)	(86,198)
Net Cash used by Financing activities	(1,938,320)	(69,759)
Net (decrease)/increase in cash and cash equivalents	175,906	(32,604)
Effect of foreign currency translation	(4,725)	4,804
Cash and cash equivalent at beginning of period	267,175	367,871
Cash and cash equivalent at end of period	438,356	340,071



Thank you

For more information please contact Investor Relation Team at:

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