Investor Presentation

H1-2011

A wonderful world

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

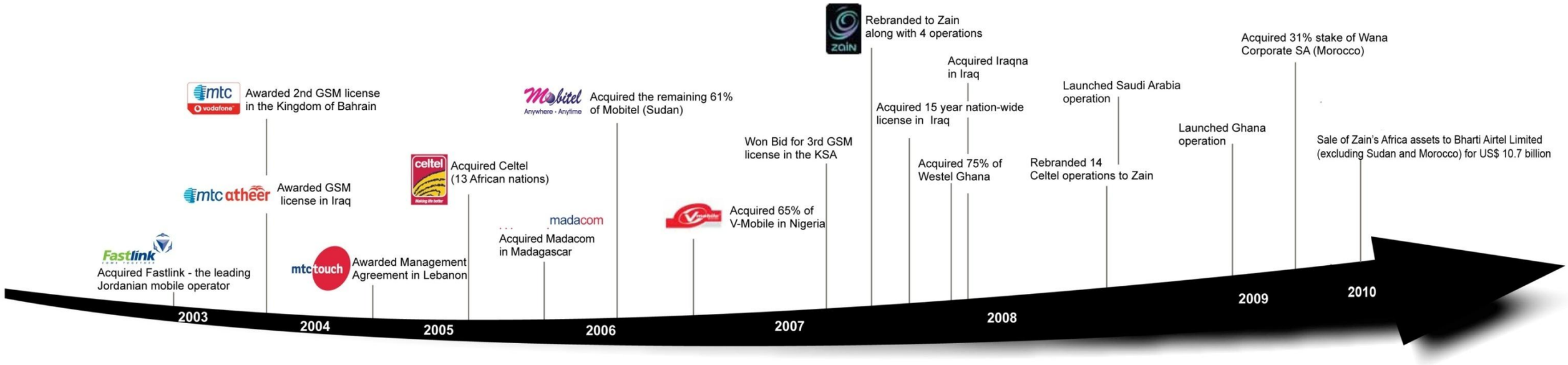
- Zain is an emerging telecoms player operating in 7 countries in the Middle East, serving over 39.6 million active customers

- The company is the leading mobile telecom operator in 5 of its markets

- Revenues: US$ 2.38 billion; EBITDA: US$ 1.06 billion; Net Income: US$ 506.5 million for H1-2011

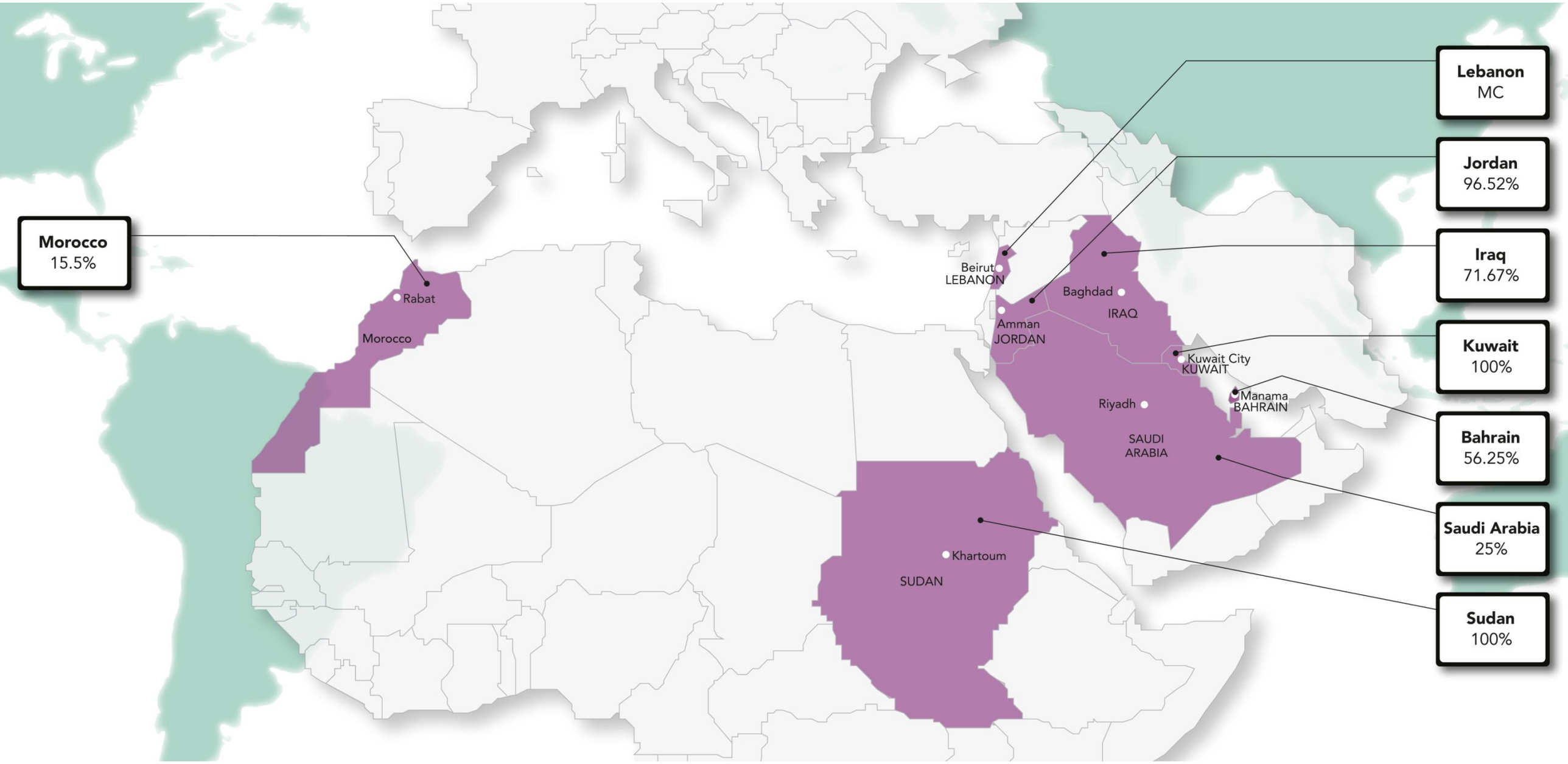
Zain's Historical Growth

From a National Player to an Emerging Markets Leader



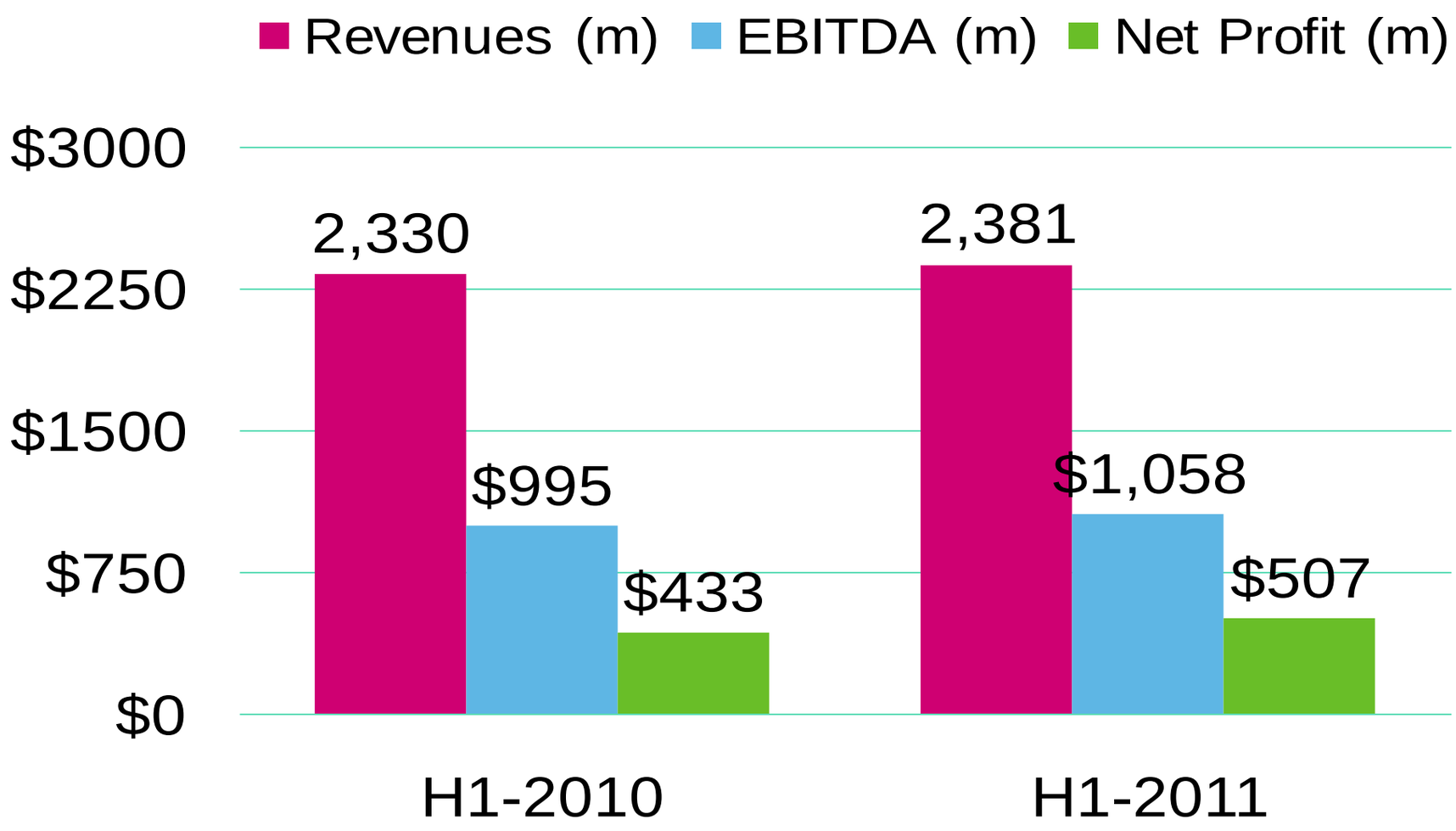
* MTC Atheer & Iraqna jointly operate under the Zain brand

Zain Group's Footprint



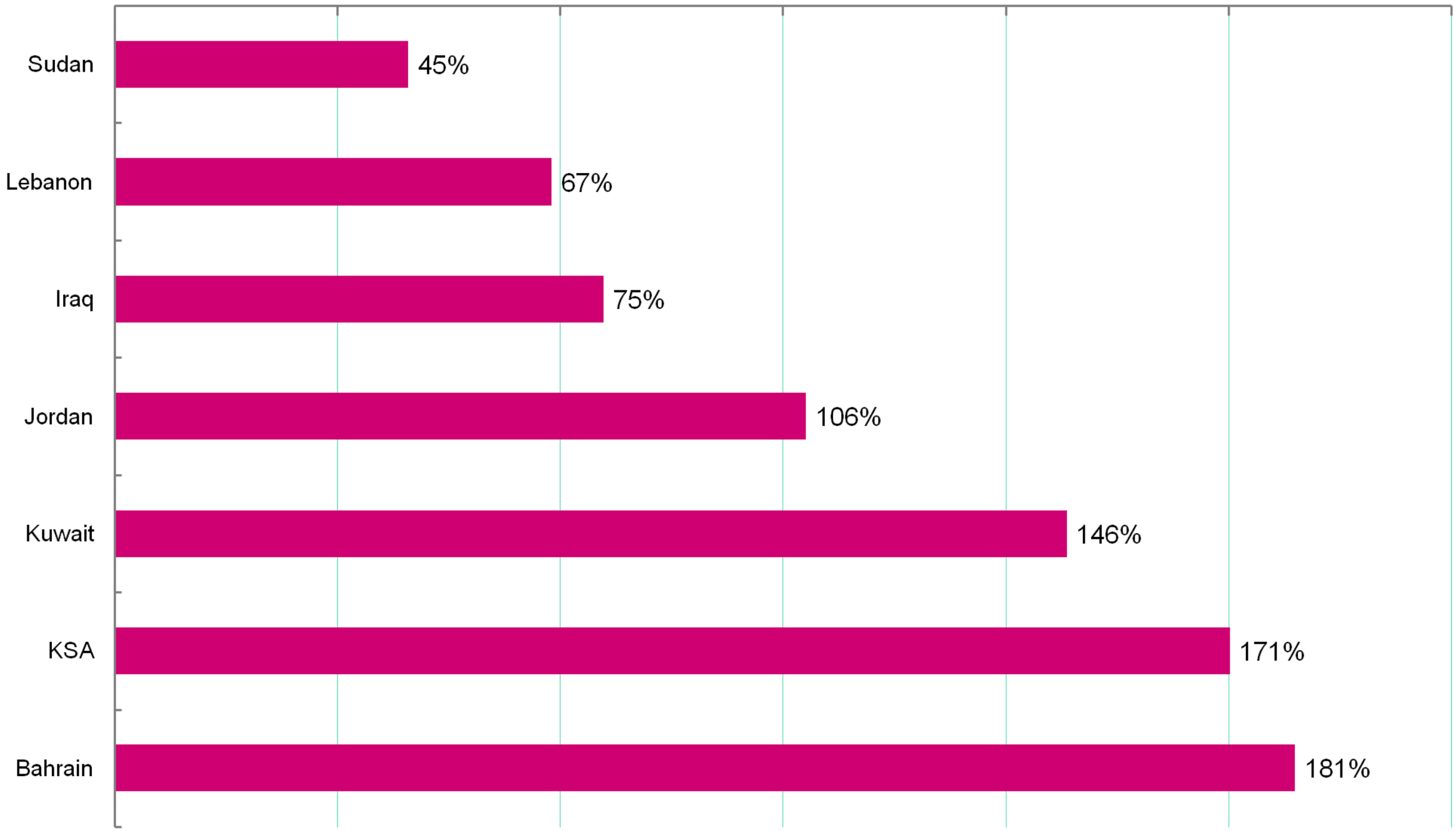
% reflects ownership

Zain's Key Performance Indicators



Penetration Rates

Substantial Potential for Future Growth

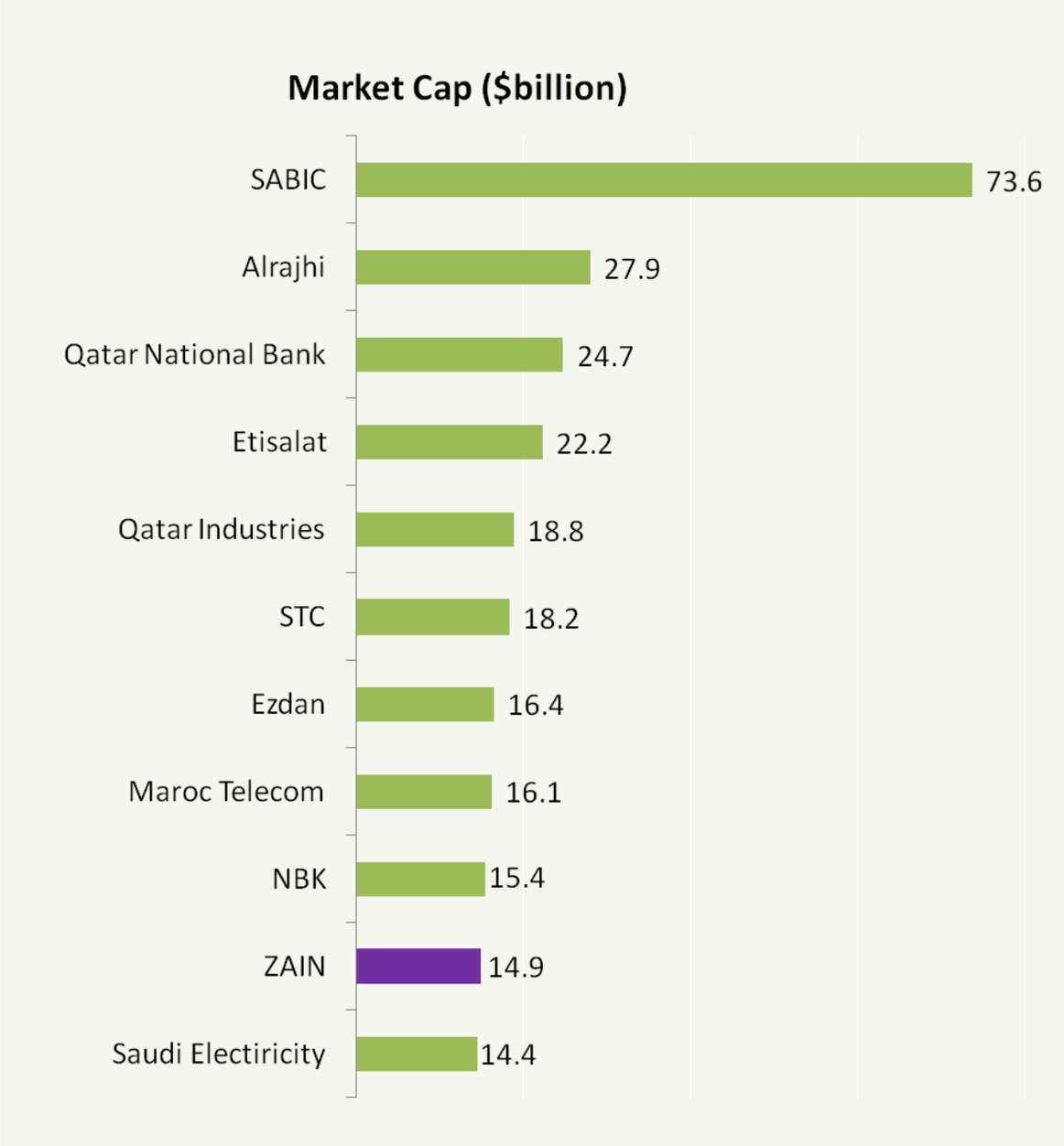


Source: Informa

Top 10 Companies in Middle East

Market Cap (Billion)

	Company	Market Cap $b
1	Saudi Basic Industries Corp	73.6
2	Alrajhi Bank & Investment Corp	27.9
3	Qatar National Bank	24.7
4	Etisalat	22.2
5	Qatar Industries	18.8
6	Saudi Telecom Co (STC)	18.2
7	Ezdan Real Estate	16.4
8	Maroc Telecom	16.1
9	NBK	15.4
10	**ZAIN**	**14.9**
11	Saudi Electricity	14.4



As of September 5, 2011
Source: Reuters

Top Telecom Companies in Middle East & Africa

Market Cap (Billion)

	Company	Market Cap $b
1	MTN	38.5
2	Emirates Telecom (Etisalat)	22.2
4	Vodacom	19.3
3	Saudi Telecom Co (STC)	18.2
5	Maroc Telecom	16.1
6	**ZAIN**	**14.9**
7	Millicom	11.4
8	Etihad Etisalat (Mobily)	9.8
9	Qatar Telecom (Qtel)	7.0
10	Wataniya Telecom (NMTC)	3.6
11	**ZAIN KSA**	**2.3**

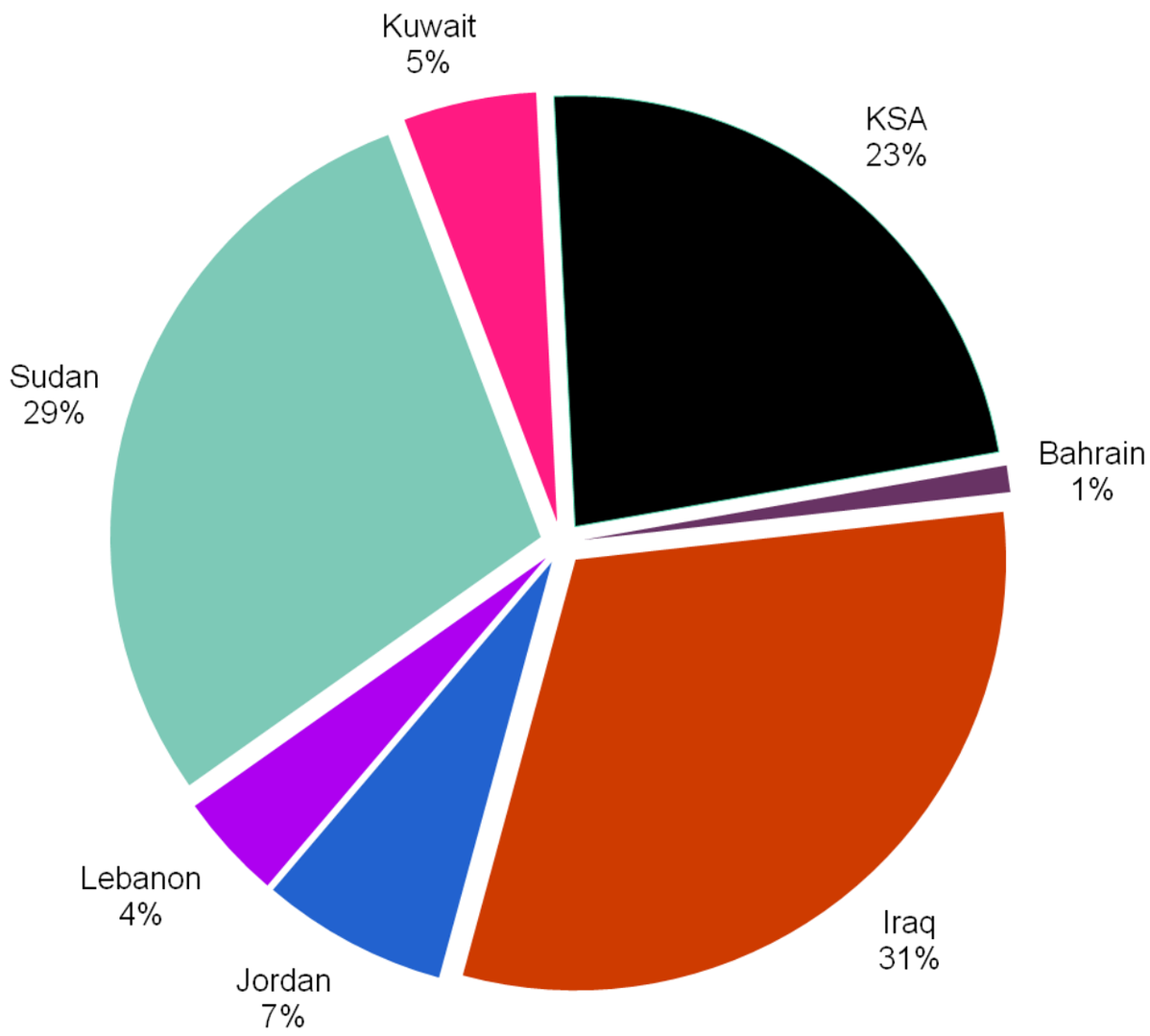
As of September 5, 2011

Source: Reuters

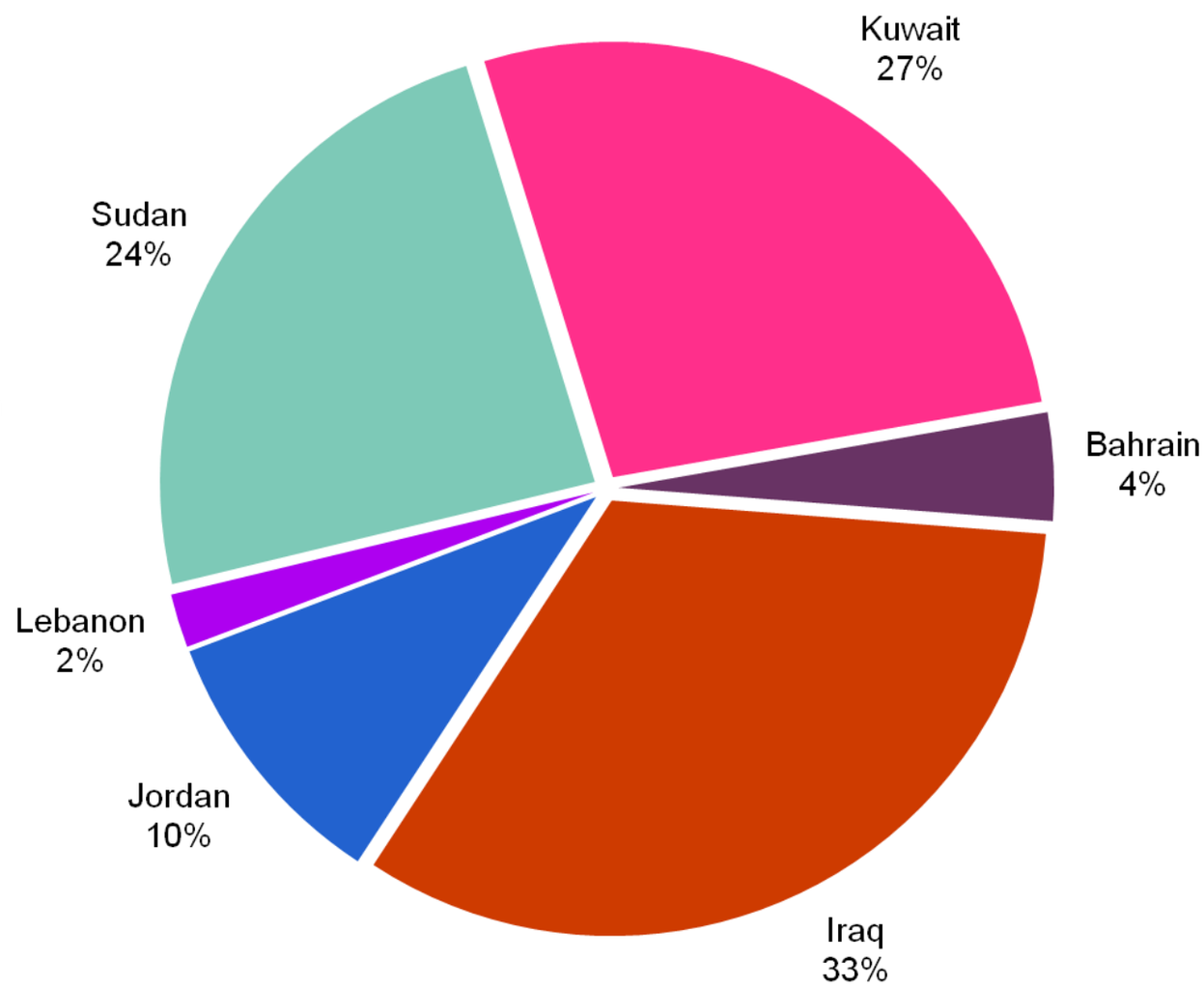
Zain’s Mobile Operations

Zain Group Country Breakdown
H1-2011

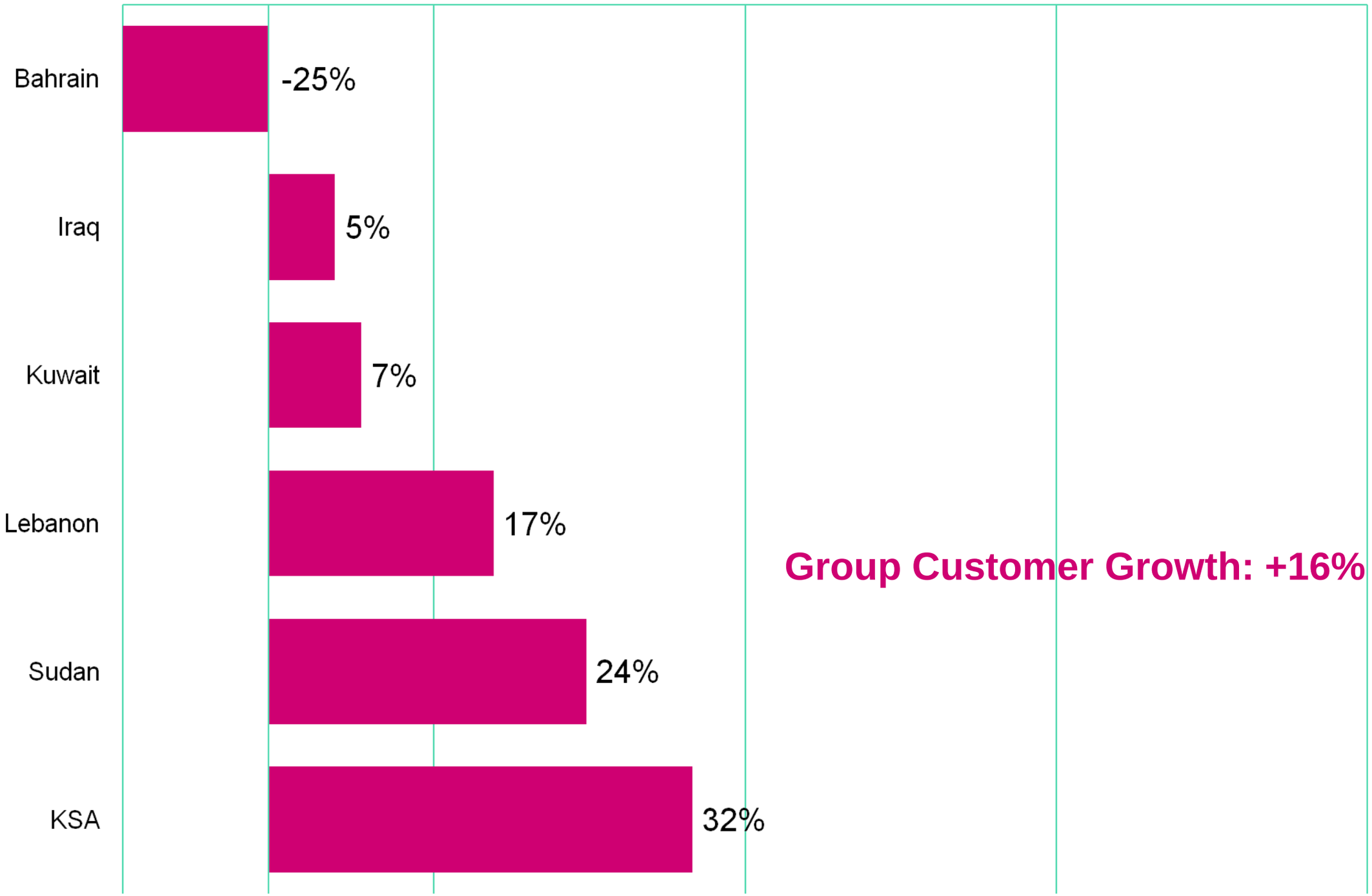
Zain Group Customers



Zain Group Revenues



Zain Group Customer Growth
H1-2011 vs. H1-2010

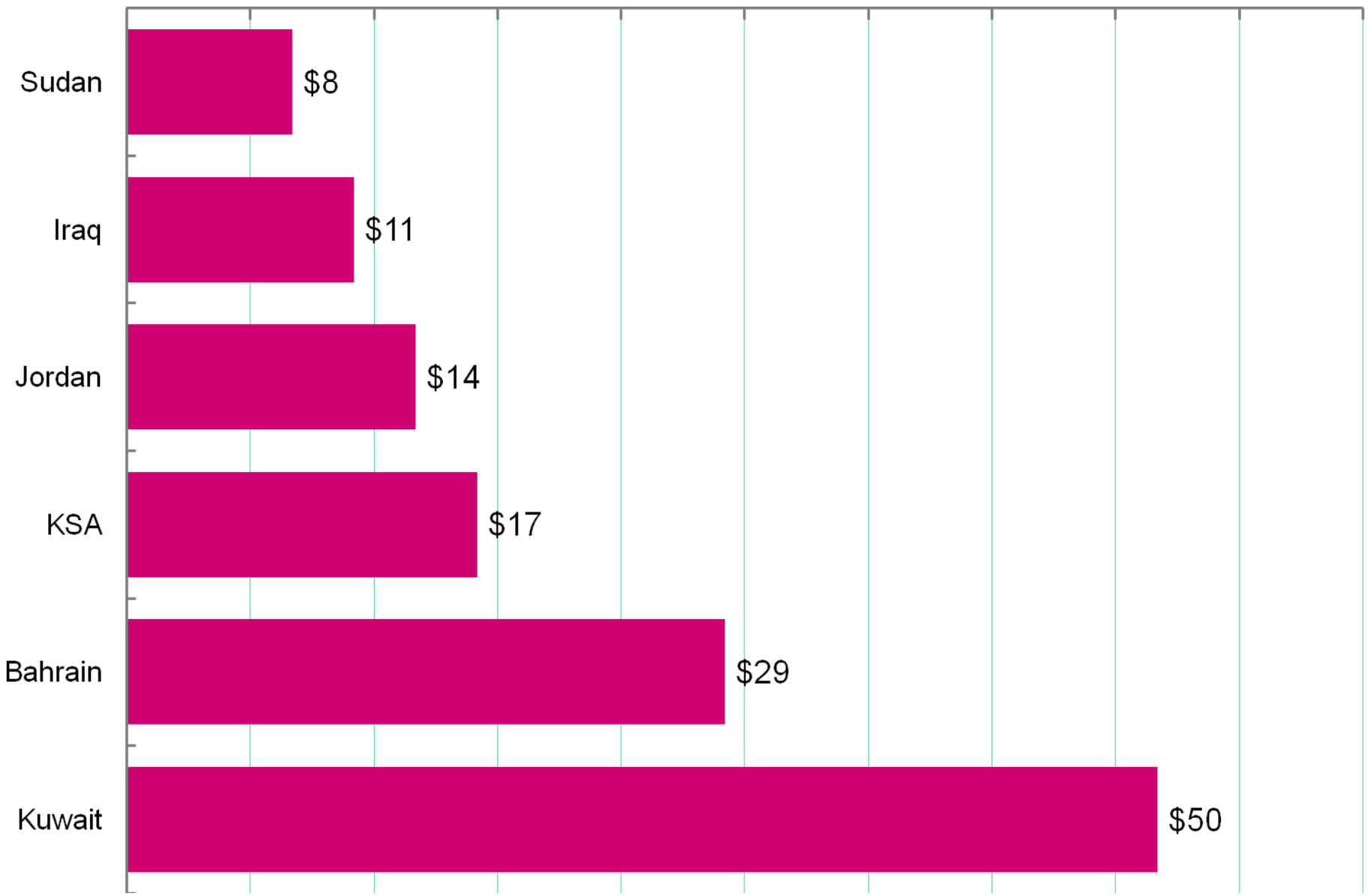


Group Customer Growth: +16%

Blended ARPUs

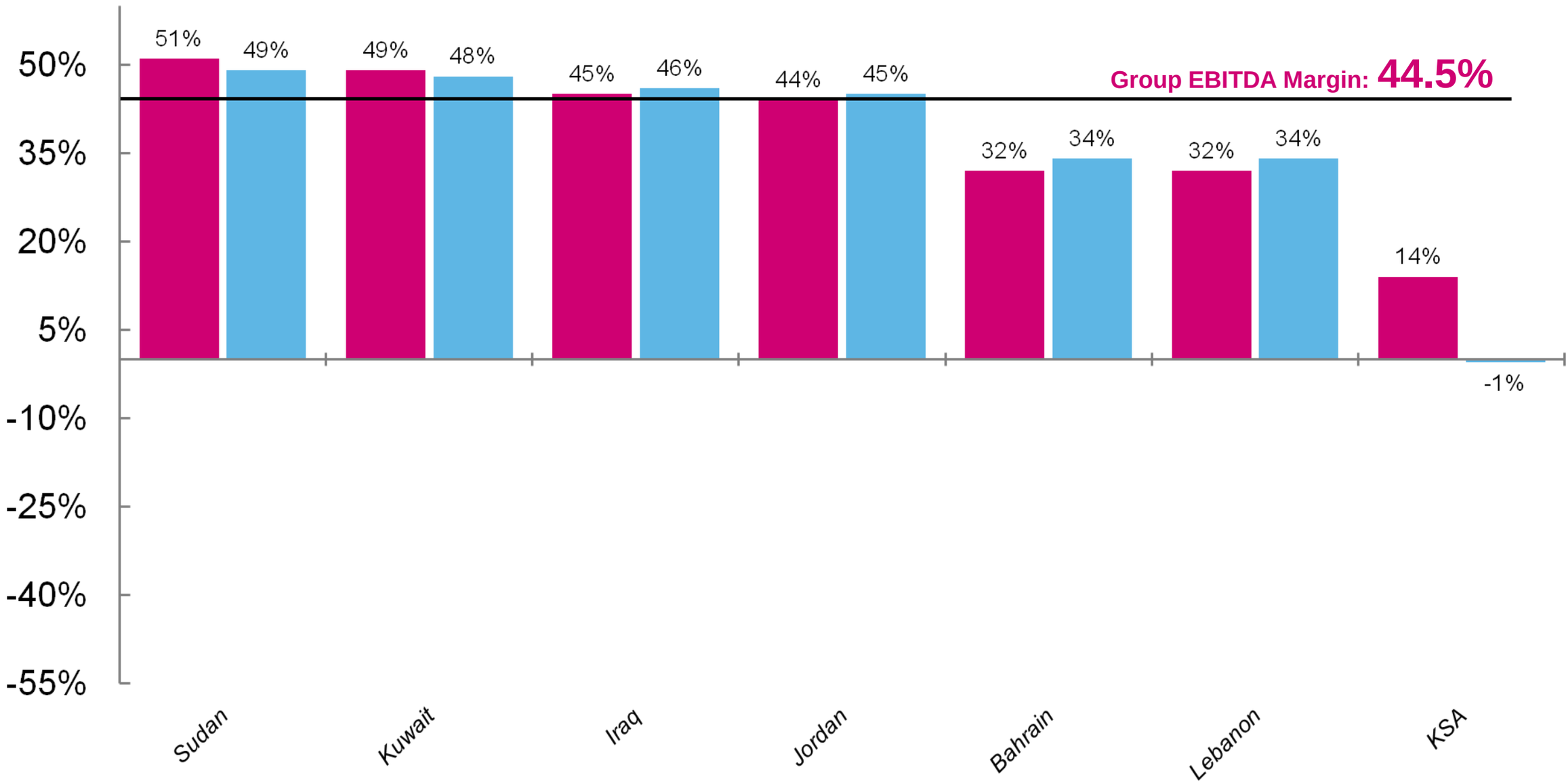
June 30, 2011

US$



Note: Lebanon's ARPU not included due to Management Contract

EBITDA Margins
H1-2011



Kuwait

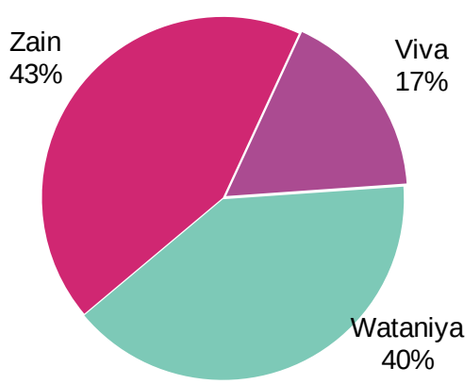
Contribution to Group total - Population: **2.5%** Customers: **5%** Revenues: **27%** - Customer YoY Growth: **7%**

- Zain Kuwait, the Group's flagship stayed ahead of its competitors and was able to maintain its leading position with a 43% customer market share.
- The launch of new iPhone packages in H1-2011 successfully boosted the operation's customer base by 7% from the previous year.
- The operation has the highest ARPU ($50) in the Group.
- Zain Kuwait reported an increase of 6% in both revenues and EBITDA in comparison to Q1-2011, while Capex increased 61% from the previous year due to expansions of the operations' network.

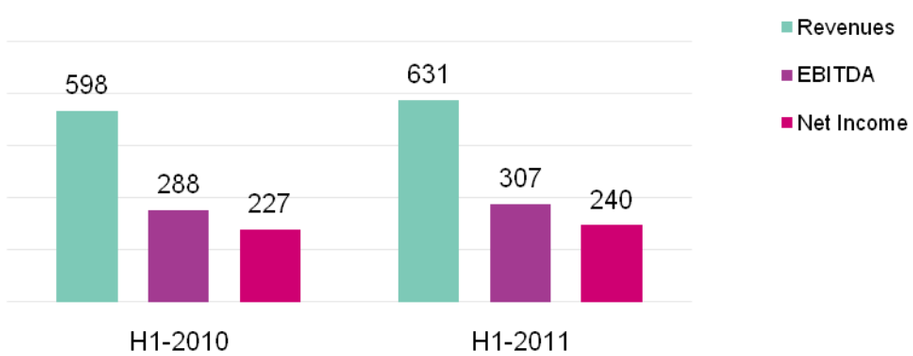
Key Statistics H1-2011

Population (000s)	**3,084**
GDP/Capita (PPP)	**$51,799**
Year of launch	**1983**
Ownership	**100%**
Mobile Penetration	**146%**
Customers (000s)	**2,020**
Number of Operators	**3**
Market Positioning	**1**
Market Share	**43%**
ARPU	**$50**

Market Share



Financial Performance ($ m)



Sudan

Contribution to Group total - Population: **37%** Customers: **29%** Revenues: **24%** - Customer YoY Growth: **24%**

- Zain entered Sudan through its 2005 acquisition of Celtel which had a minority 31% stake in Mobitel, Sudan's first mobile operator. In February 2006, the remaining 61% was fully acquired by Zain for US$ 1.332 billion.

- Zain remains a key leader in the Sudanese market with a 57% market share, witnessing a 24% increase in customer base from the previous year.

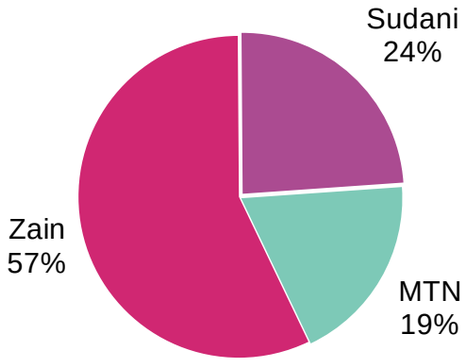
- In local currency, Zain Sudan reported an increase of 14% and 18% in revenues and EBITDA respectively.

- Going forward, the operations' "The I Am CEO" strategy sets certain targets for key performance indicators that need to be met by the end of 2011 by focusing on 3 aspects: customer experience, employee engagement and optimization.

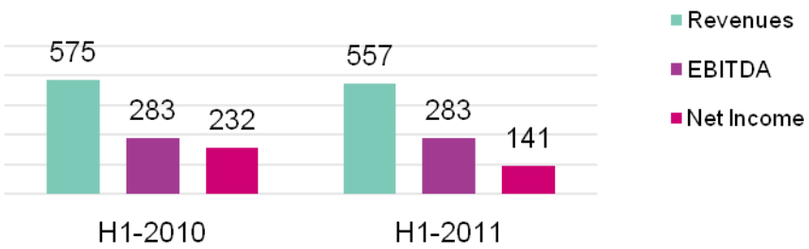
Key Statistics H1-2011

Population (000s)	43,646
GDP/Capita (PPP)	$2,300
Year of full acquisition	2006
Ownership	100%
Mobile Penetration	45%
Customers (000s)	11,387
Number of Operators	3
Market Positioning	1
Market Share	57%
ARPU	$8

Market Share



Financial Performance ($ m)



Iraq

Contribution to Group total - Population: **27%** Customers: **31%** Revenues: **33%** - Customer YoY Growth: **5%**

- After acquiring a 15-year nationwide license for US$ 1.25 billion in August 2007 and its acquisition of a rival operator Iraqna for US$1.2 billion in December 2007, Zain became the largest mobile operator in Iraq.

- The operation has established itself as the leading mobile operator in the country at 53% customer market share and remains the major contributor to the Group's customer base and revenues at 31% and 33% respectively.

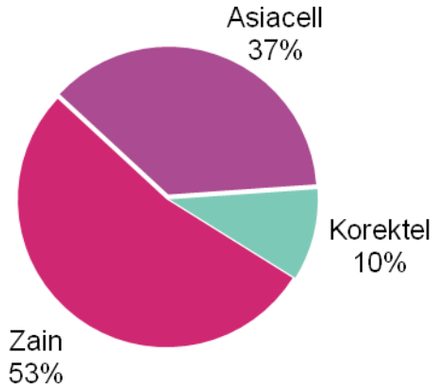
- Earlier in 2010, the Iraqi government announced the award of a 4th national license in a move to encourage market liberalization.

- In H1-2011, Zain Iraq launched its first phase of extending services to the Kurdistan region and managed to surpass 40,000 customers within the region as ARPU of activations improved in all regions.

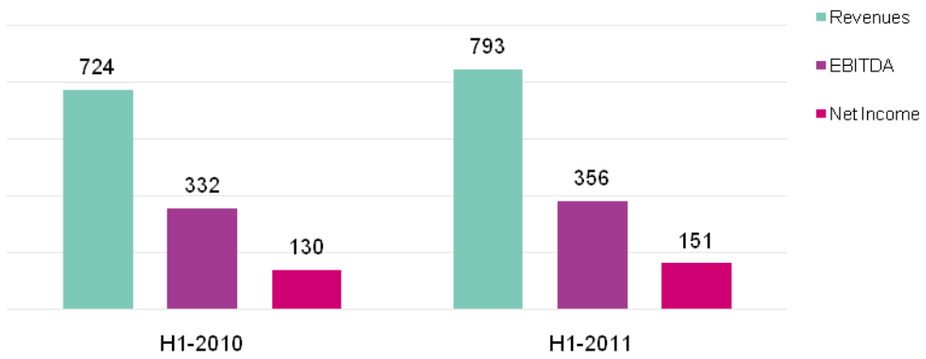
Key Statistics H1-2011

Population (000s)	31,908
GDP/Capita (PPP)	$3,600
Year of acquisition	2003
Ownership	71.67%
Mobile Penetration	75%
Customers (000s)	12,294
Number of Operators	3
Market Positioning	1
Market Share	53%
ARPU	$11

Market Share



Financial Performance ($ m)



Jordan

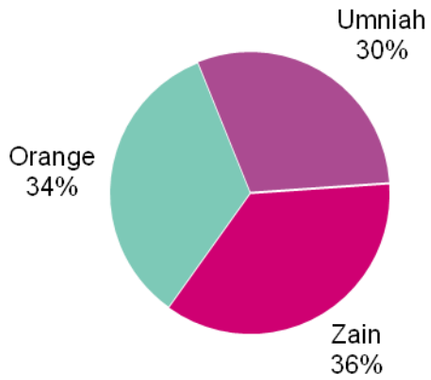
Contribution to Group Total - Population: **5.5%** Customers: **7%** Revenues: **10%** Customer YoY Growth: **6%**

- In January 2003, Zain Jordan was the Group's first acquired operation for a value of US$ 418.9 million.
- Despite the heightening of price competition and the pressure on lowering voice prices, Zain managed to increase its customer base by over 115,000 subscriptions from the previous quarter.
- Capex increased by 40% compared to the previous year due to the successful launch of hi-speed 3G HSPA+ technology across the country.
- The operation launched several new promotions and services targeting youth and serving as a retention plan for current postpaid customers.

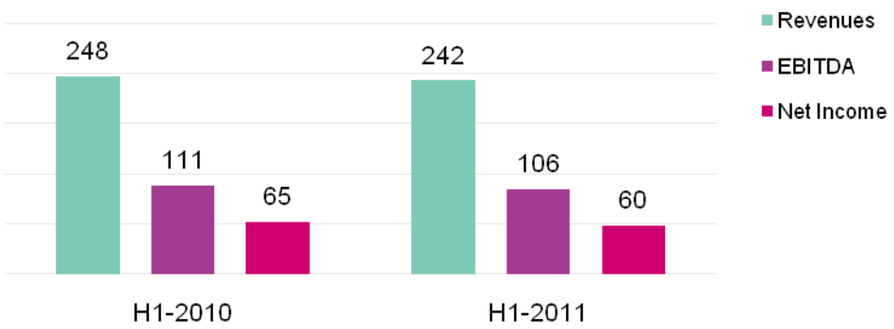
Key Statistics H1-2011

Population (000s)	6,521
GDP/Capita (PPP)	$5,300
Year of acquisition	2003
Ownership	96.52%
Mobile Penetration	106%
Customers (000s)	2,695
Number of Operators	3
Market Positioning	1
Market Share	36%
ARPU	$14

Market Share



Financial Performance ($ m)



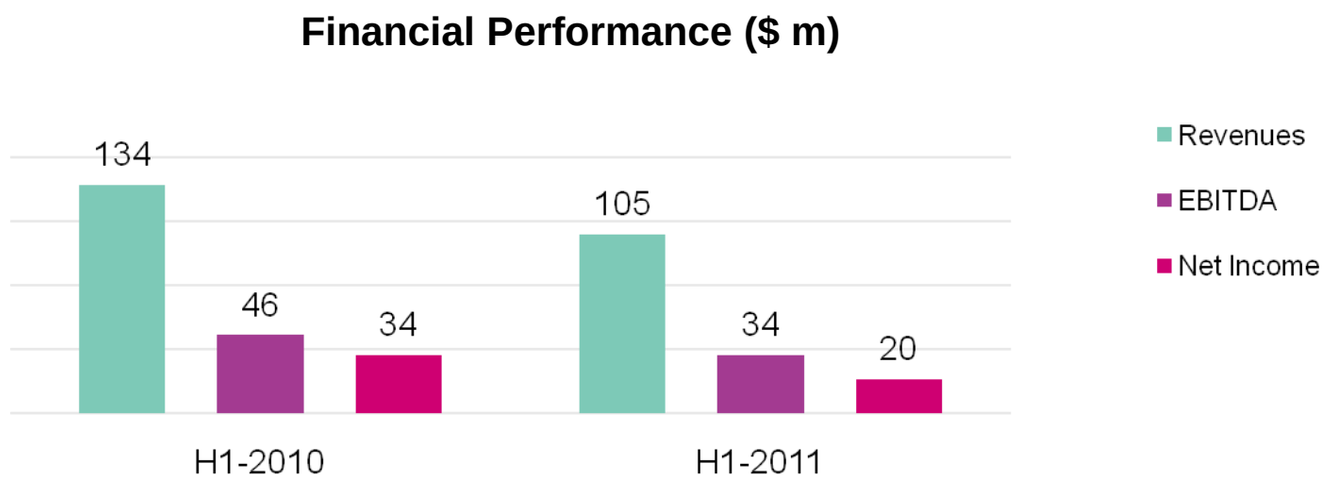
Bahrain

Contribution to Group Total - Population: **1%** Customers: **1%** Revenues: **4%** - Customer YoY Growth: **(23%)**

- A Greenfield operation, Zain Bahrain launched its commercial services in December 2003.
- Bahrain has the highest mobile penetration in the GCC region with 181%.
- Despite the entrant of the third competitor in the market and political instability in the country during H1-2011, the operation's ARPU levels increased to US$ 29 from US$ 27 in H1-2010.
- Zain Bahrain aims to become a market value leader by increasing value share through market acquisition and extracting value from customers, and to engage in other revenue streams to become a full-fledged telecom provider.

Key Statistics H1-2011

Population (000s)	815
GDP/Capita (PPP)	$40,400
Year of launch	2003
Ownership	56.25%
Mobile Penetration	181%
Customers (000s)	467
Number of Operators	3
Market Positioning	2
ARPU	$29



Kingdom of Saudi Arabia

Contribution to Group Total - Population: **23%** Customers: **23%** - Customer YoY Growth: 32%

- Zain KSA launched commercial services in late August 2008, a year after it was rewarded its mobile license.

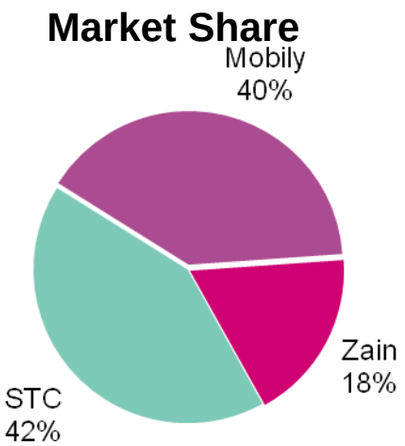
- The operation's customer base represented 23% of Zain Group's customer base, and increased by 32% from the previous year, representing the highest customer growth in the Group.

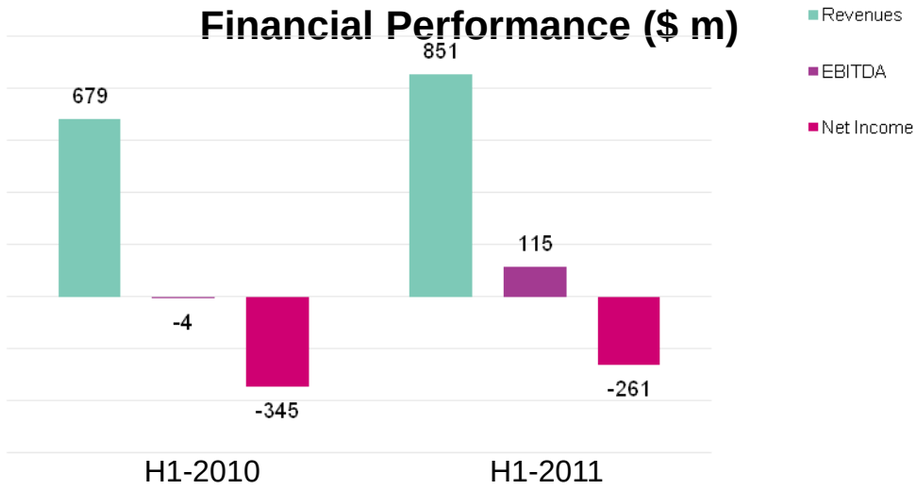
- Zain KSA succeeded in decreasing its net losses by 20% from the previous year, mainly due to the company's success in building a customer base of over 9 million within 3 years.

- The operation's notable financial performance was achieved through continued network roll-out, providing customers with compelling broadband propositions, and innovative pricing and value programs.

Key Statistics H1-2011

Population (000s)	26,515
GDP/Capita (PPP)	$24,200
Year of launch	2008
Ownership	25%
Mobile Penetration	171%
Customers (000s)	9,125
Number of Operators	3
Market Positioning	3
Market Share	18%
ARPU	$17





Lebanon

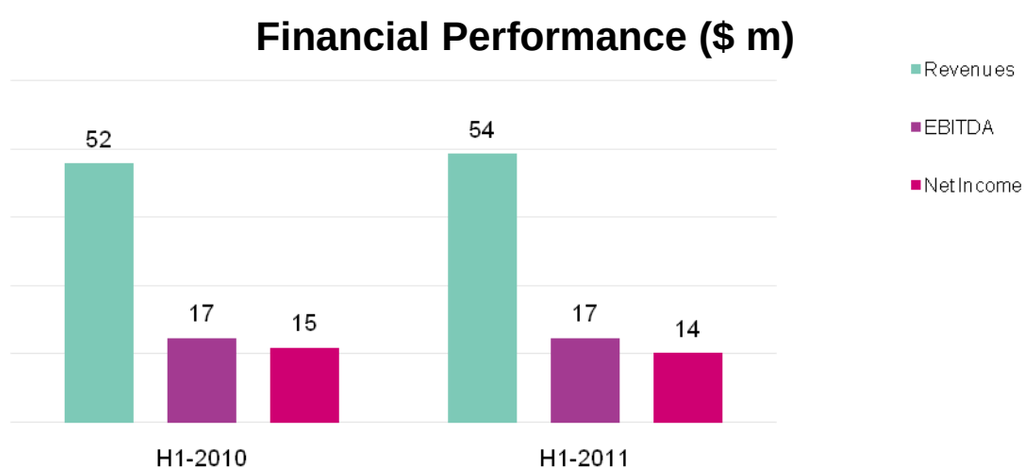
Contribution to Group Total - Population: **4%** Customers: **4%** Revenues: **2%** - Customer YoY Growth: **17%**

- Zain operates in Lebanon under a management contract since June 2004, when it was rebranded to mtc-touch. The Network Management Agreement (NMA) which had expired January 2011, was further renewed on February 1,2011 for 12 months.
- In May, the operation held a live demonstration of the forthcoming hi-speed internet 3.9G HSPA+ mobile services planned to launch in Q4-2011.
- The operation's strategy includes the following: enhancing customer experience, launching new customer-centric services, and increasing market penetration.

Key Statistics H1-2011

Population (000s)	**4,272**
GDP/Capita (PPP)	**$14,200**
Year of MC award	**2004**
Ownership	**MC**
Mobile Penetration	**67%**
Customers (000s)	**1,634**
Number of Operators	**2**

MC= Management Contract



Financial Statements

Balance Sheet

	Unaudited	Audited	Unaudited
	30 June 2011	31 December 2010	30 June 2010
Assets			KD '000
Current assets			
Cash and bank balances	535,518	644,215	612,844
Trade and other receivables	227,303	472,570	543,864
Inventories	15,265	13,258	14,995
Investment securities – at fair value through profit or loss	6,364	7,465	6,927
	784,450	1,137,508	1,178,630
Non-current assets			
Investment securities – available for sale	83,534	98,641	90,023
Investment in associates	96,196	116,096	142,128
Interest in a jointly controlled entity	40,584	40,270	40,844
Loans to associates	185,264	187,263	152,441
Property and equipment	764,412	793,686	811,492
Intangible assets	1,245,225	1,304,449	1,387,073
Other assets	62,188	32,024	258
	2,477,403	2,572,429	2,624,259
Total Assets	3,261,853	3,709,937	3,802,889
Liabilities and Equity			
Current liabilities			
Trade and other payables	506,938	593,221	575,566
Due to banks	231,447	124,933	335,192
	738,385	718,154	910,758

	Unaudited	Audited	Unaudited
	30 June 2011	31 December 2010	30 June 2010
Non-current liabilities			
Due to banks	362,882	94,734	62,773
Other non-current liabilities	143,990	149,132	151,438
	506,872	243,866	214,211
Equity			
Attributable to the Parent Company's shareholders			
Share capital	430,754	429,743	429,246
Share premium	1,703,351	1,697,788	1,697,785
Treasury shares	(567,834)	(567,834)	(567,834)
Legal reserve	214,871	214,871	147,989
Foreign currency translation reserve	(241,799)	(143,767)	(22,734)
Treasury shares reserve	1,967	1,967	1,967
Equity issue transaction cost of an associate	(1,734)	(1,779)	(1,831)
Investment fair valuation reserve	(5,439)	4,532	(4,833)
Share based compensation reserve	6,339	7,386	6,087
Hedge reserve	(1,491)	(2,524)	(1,309)
Retained earnings	372,271	1,006,607	908,909
	1,911,256	2,646,990	2,593,442
Non-controlling interests	105,340	100,927	84,478
Total equity	2,016,596	2,747,917	2,677,920
Total Liabilities and Equity	3,261,853	3,709,937	3,802,889

Income Statement

	Three months ended 30 June		Six months ended 30 June	
	2011	2010 (Restated)	2011	2010 (Restated)
		KD'000		KD'000
Continuing operations				
Revenue	335,062	342,899	659,440	672,573
Cost of sales	(90,565)	(93,149)	(177,099)	(178,342)
Gross profit	244,497	249,750	482,341	494,231
Distribution, marketing & operating expenses	(70,655)	(70,972)	(138,242)	(136,718)
General and administrative expenses	(26,950)	(29,666)	(46,332)	(68,088)
Depreciation and amortization	(41,318)	(40,661)	(83,128)	(80,410)
Provision for doubtful debts	(1,503)	(1,143)	(4,655)	(2,264)
Operating profit	104,071	107,308	209,984	206,751
Interest income	5,438	3,549	9,783	7,219
Investment income	1,098	(2,409)	705	(1,984)
Share of loss of associates	(8,143)	(12,415)	(18,144)	(25,354)
Share of profit/ (loss) of a jointly controlled entity	1,216	(1,907)	314	(3,219)
Other (expense)/ income	(5,035)	3,965	(2,457)	6,935
Finance costs	(8,485)	(19,327)	(14,008)	(42,918)
Gains/ (loss) from currency revaluation	2,603	24,274	(20,912)	33,528
Board of Directors' remuneration	(8)	(8)	(16)	(16)
Contribution to Foundation for Advancement of Sciences	(722)	(749)	(1,442)	(1,282)
National Labour Support Tax and Zakat	(1,964)	(1,461)	(3,989)	(3,411)
Profit for the period before income tax	90,069	100,820	159,818	176,249
Income tax expense of subsidiares	(12,529)	(8,437)	(21,140)	(16,815)
Profit for the period from continuing operations	77,540	92,383	138,678	159,434
Discontinued operations				
Profit from discontinued operations	-	754,431	-	741,809
Release of provisions	-	-	16,320	-
Profit for the period	77,540	846,814	154,998	901,243
Attributable to:				
Shareholders of the Parent Company	70,263	843,783	140,178	895,325
Non-controlling interests	7,277	3,031	14,820	5,918
	77,540	846,814	154,998	901,243

Cash Flow Statement

	Three months ended 30 June		Six months ended 30 June	
	2011	2010	2011	2010
		KD'000		KD'000
Profit for the period	77,540	846,814	154,998	901,243
Other comprehensive income				
On continuing operations:				
Exchange differences on translating foreign operations	20,073	(59,322)	(100,700)	(51,843)
Net unrealised gains/ (loss) on available-for-sale investments	527	(11,954)	(9,594)	(573)
Net realised (gains)/ loss transferred to statement of income on available-for-sale investments (net of impairment losses)	(364)	3,449	(377)	2,312
Cash flow hedges	-	(44)	-	(11)
Share based compensation	348	1,164	804	1,926
Share of other comprehensive income of an associate	320	(7)	1,078	(17)
	20,904	(66,714)	(108,789)	(48,206)
On discontinued operations- transfers to condensed consolidated statement of income:				
Cumulative exchange differences	-	88,241	-	50,607
Net realised loss on available for sale investments	-	1,147	-	1,147
Cash flow hedges	-	44,545	-	48,000
	-	133,933	-	99,754
Total comprehensive income for the period	**98,444**	**914,033**	**46,209**	**952,791**
Total comprehensive income attributable to:				
Shareholders of the Parent Company				
From continuing operations	92,139	14,171	17,737	94,931
From discontinued operations	-	896,276	16,320	851,618
	92,139	910,447	34,057	946,549
Non-controlling interests				
From continuing operations	6,305	8,043	12,152	16,296
From discontinued operations	-	(4,457)	-	(10,054)
	6,305	3,586	12,152	6,242

Thank you

For more information please contact Investor Relation Team at:

investor.relations@zain.com

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