



# IR Presentation

Q1 2012

May 2012



## 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 Our Position in the Region

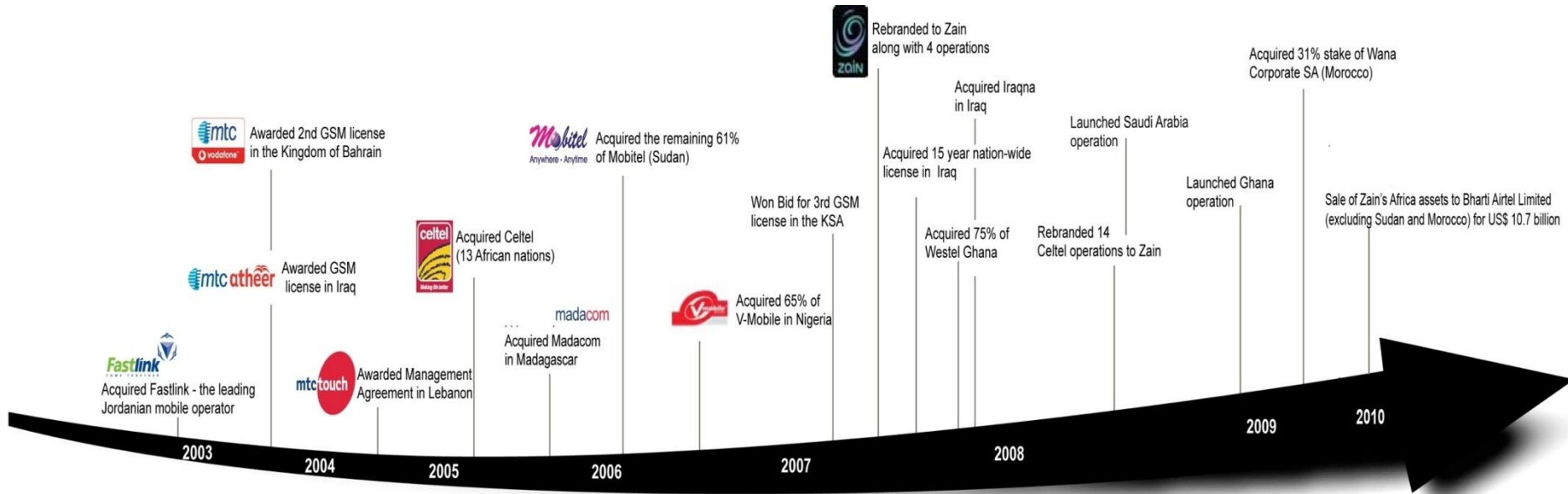
Who we are now :

- Zain is an emerging telecoms player operating in 8 countries across the region, serving over 40.3 million active customers.
- The company is the leading mobile telecom operator in 5 of its markets.
- Revenues: US\$ 1.172 billion; EBITDA: US\$ 542.6 million; Net Income: US\$ 255.1 million for Q1 2012.



# Zain's Historical Growth

## From a National Player to an Emerging Markets Leader

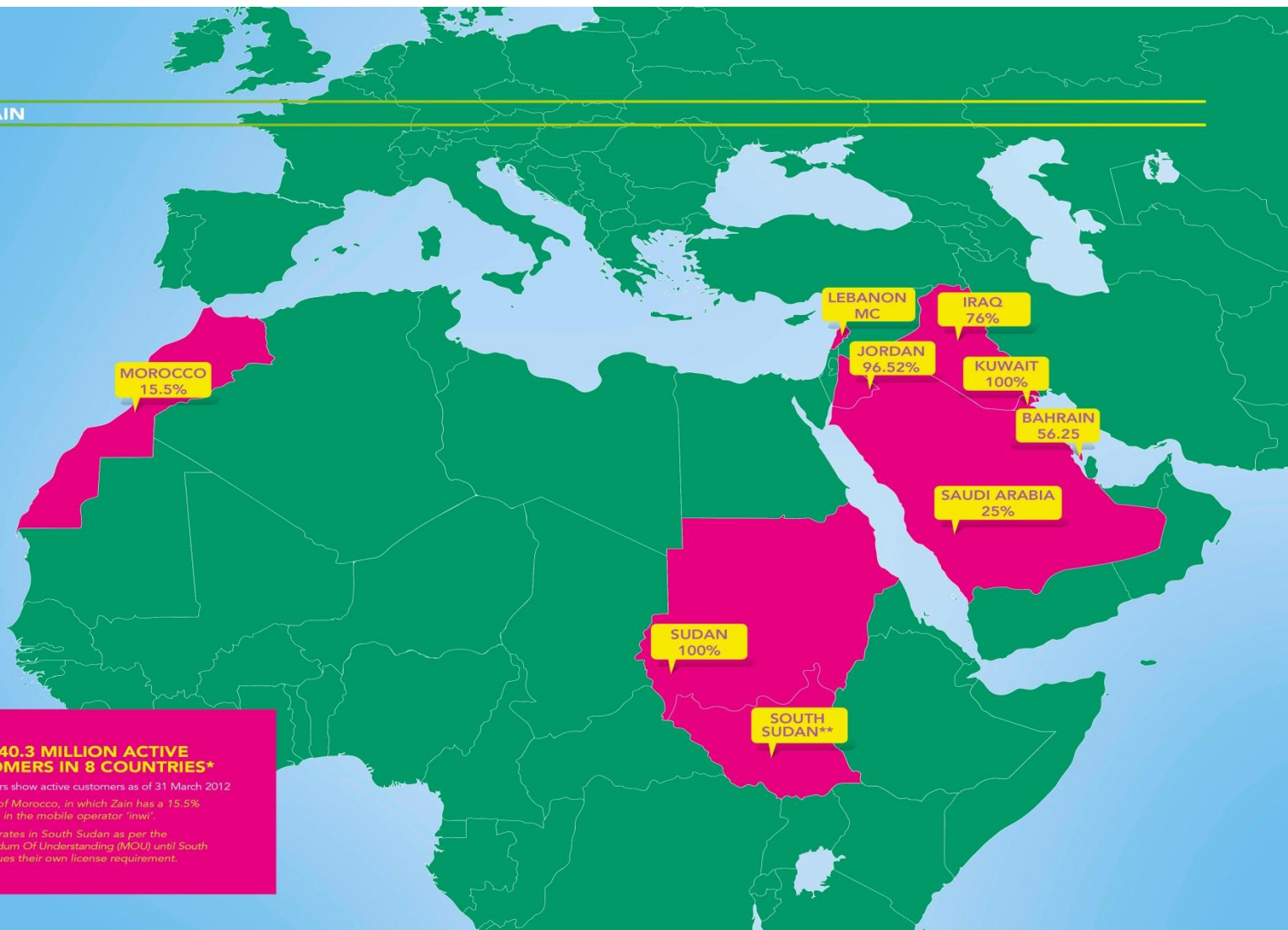


\* MTC Atheer & Iraqna jointly operate under Zain brand



# Zain Group's Footprint

## THE WORLD OF ZAIN



### OVER 40.3 MILLION ACTIVE CUSTOMERS IN 8 COUNTRIES\*

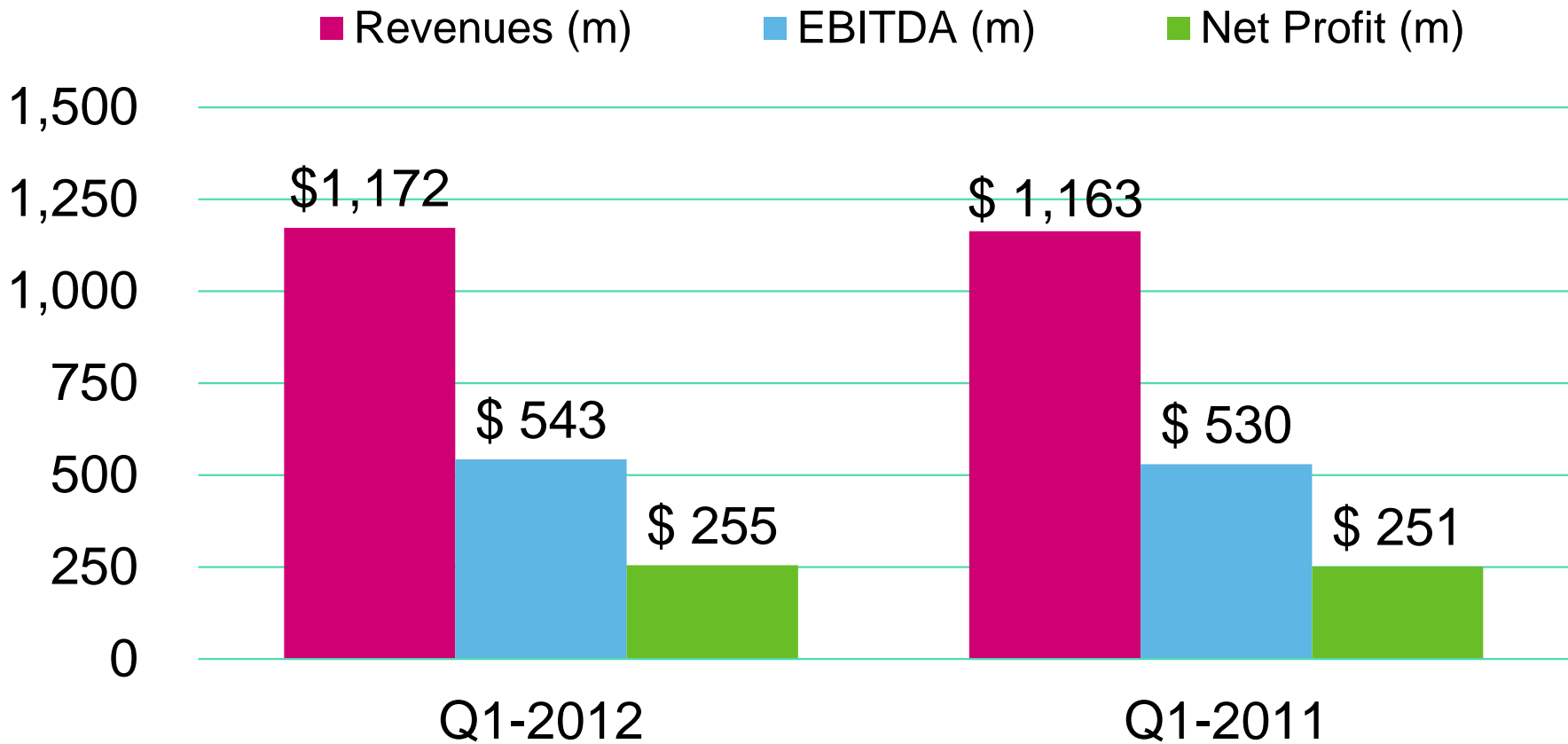
The numbers show active customers as of 31 March 2012

\*Exclusive of Morocco, in which Zain has a 15.5% ownership in the mobile operator 'inwi'.

\*\*Zain operates in South Sudan as per the Memorandum Of Understanding (MOU) until South Sudan issues their own license requirement.

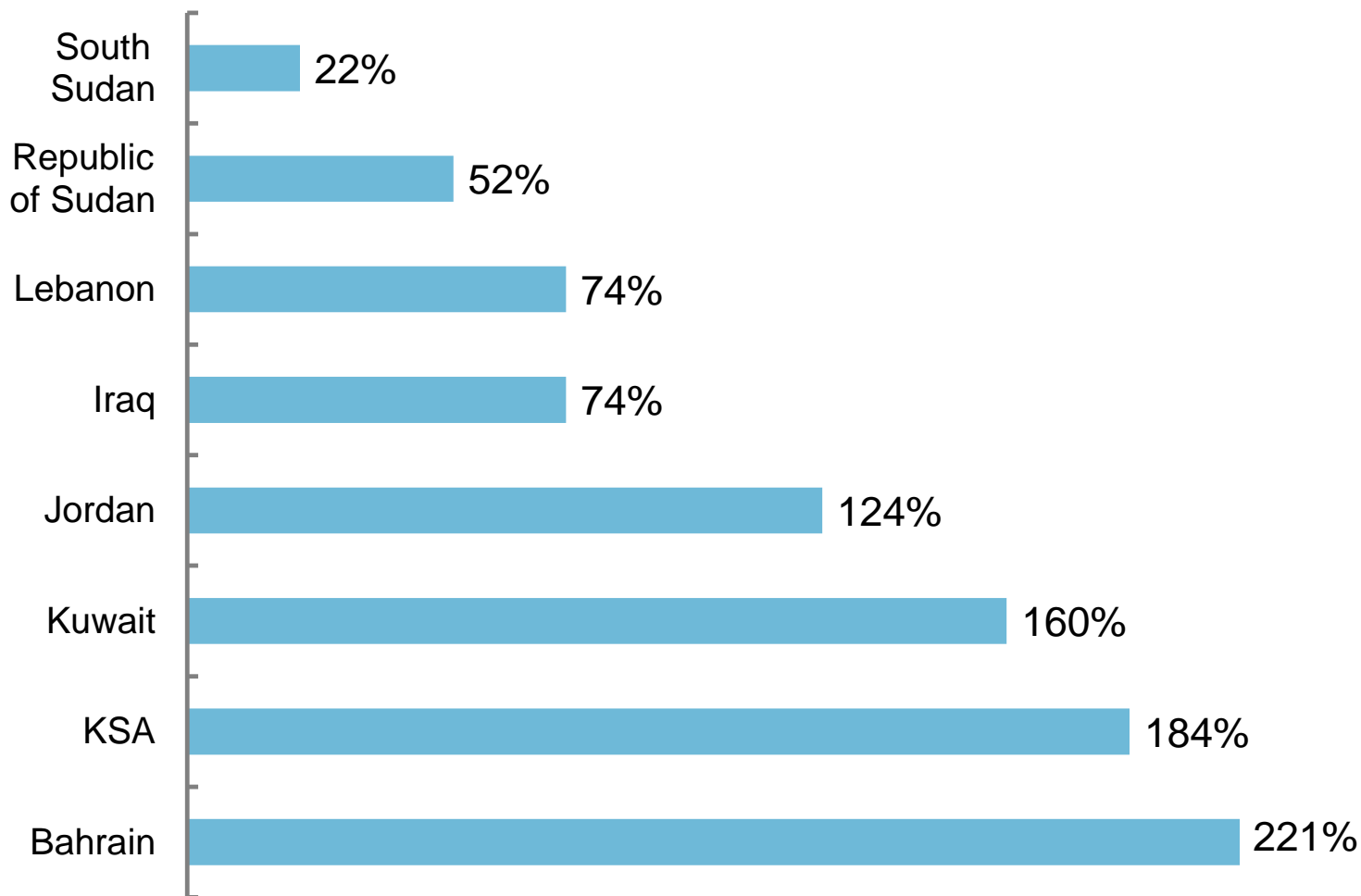


# Zain's Key Performance Indicators





# Penetration Rates



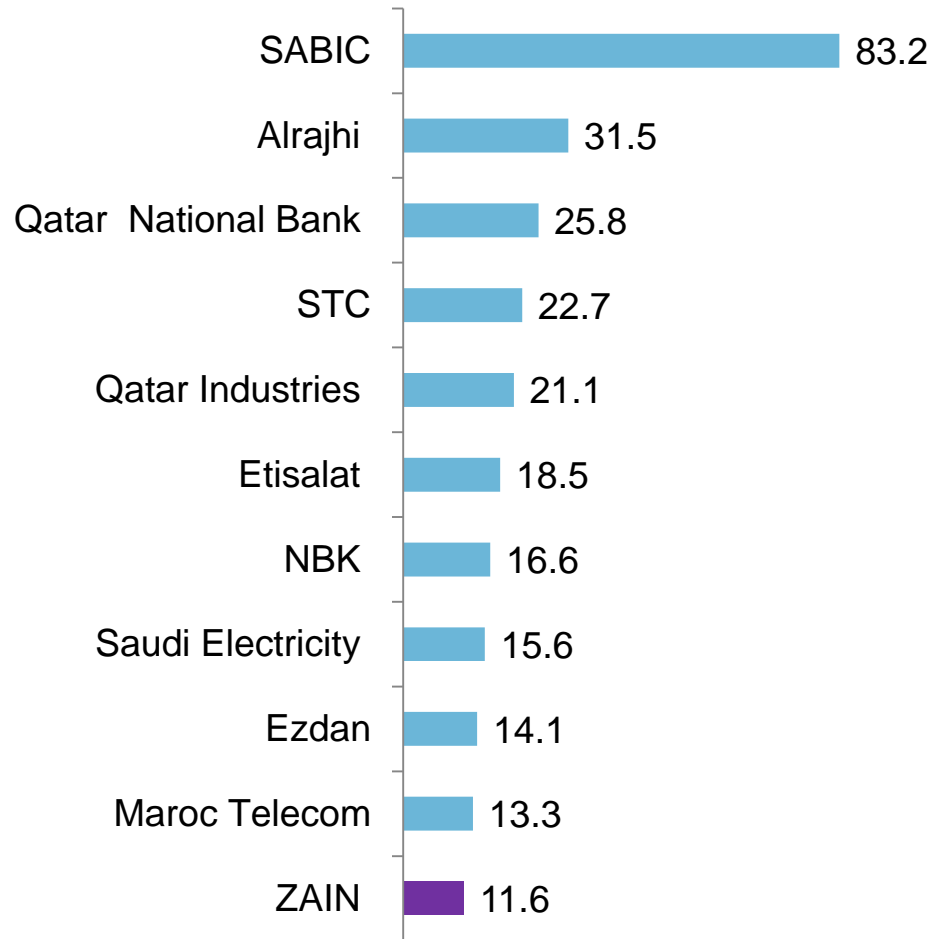


# Top 10 Companies in Middle East

Market Cap (Billion)

N	Company	Market Cap \$b
1	Saudi Basic Industries Corp	83.2
2	Alrajhi Bank & Investment Corp	31.5
3	Qatar National Bank	25.8
6	Saudi Telecom Co (STC)	22.7
4	Qatar Industries	21.1
5	Etisalat	18.5
7	NBK	16.6
9	Saudi Electricity	15.6
8	Ezdan Real Estate	14.1
10	Maroc Telecom	13.3
<b>11</b>	<b>ZAIN</b>	<b>11.6</b>

## Market Cap (\$Billion)



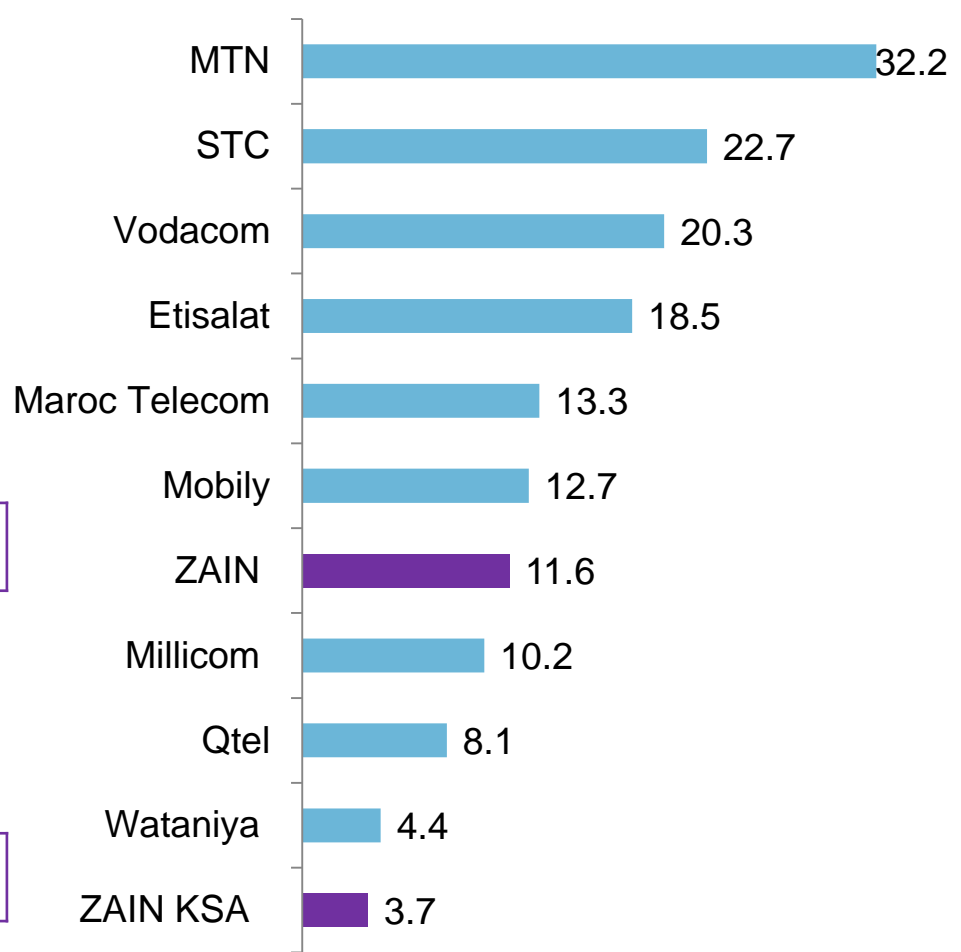


# Top Telecom Companies in Middle East & Africa

## Market Cap (Billion)

N	Company	Market Cap \$b
1	MTN	32.2
2	Saudi Telecom Co (STC)	22.7
4	Vodacom	20.3
3	Emirates Telecom (Etisalat)	18.5
5	Maroc Telecom	13.3
6	Etihad Etisalat (Mobily)	12.7
<b>7</b>	<b>ZAIN</b>	<b>11.6</b>
8	Millicom	10.2
9	Qatar Telecom (Qtel)	8.1
10	Wataniya Telecom	4.4
<b>11</b>	<b>ZAIN KSA</b>	<b>3.7</b>

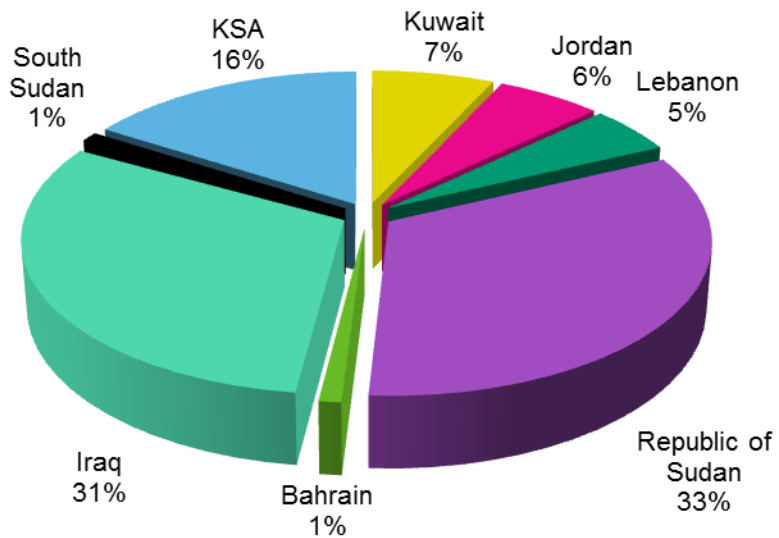
### Market Cap (\$Billion)



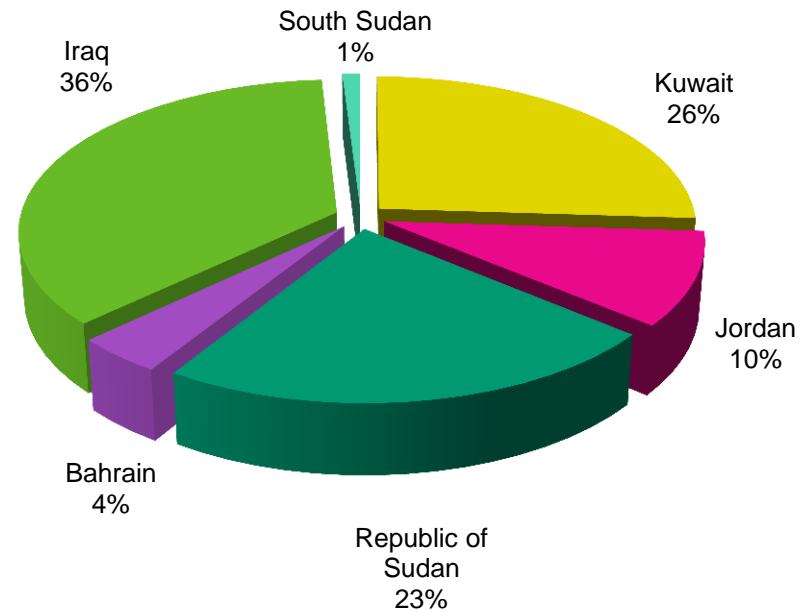


# Zain Group Country Breakdown Q1-2012

## Zain Group Customers



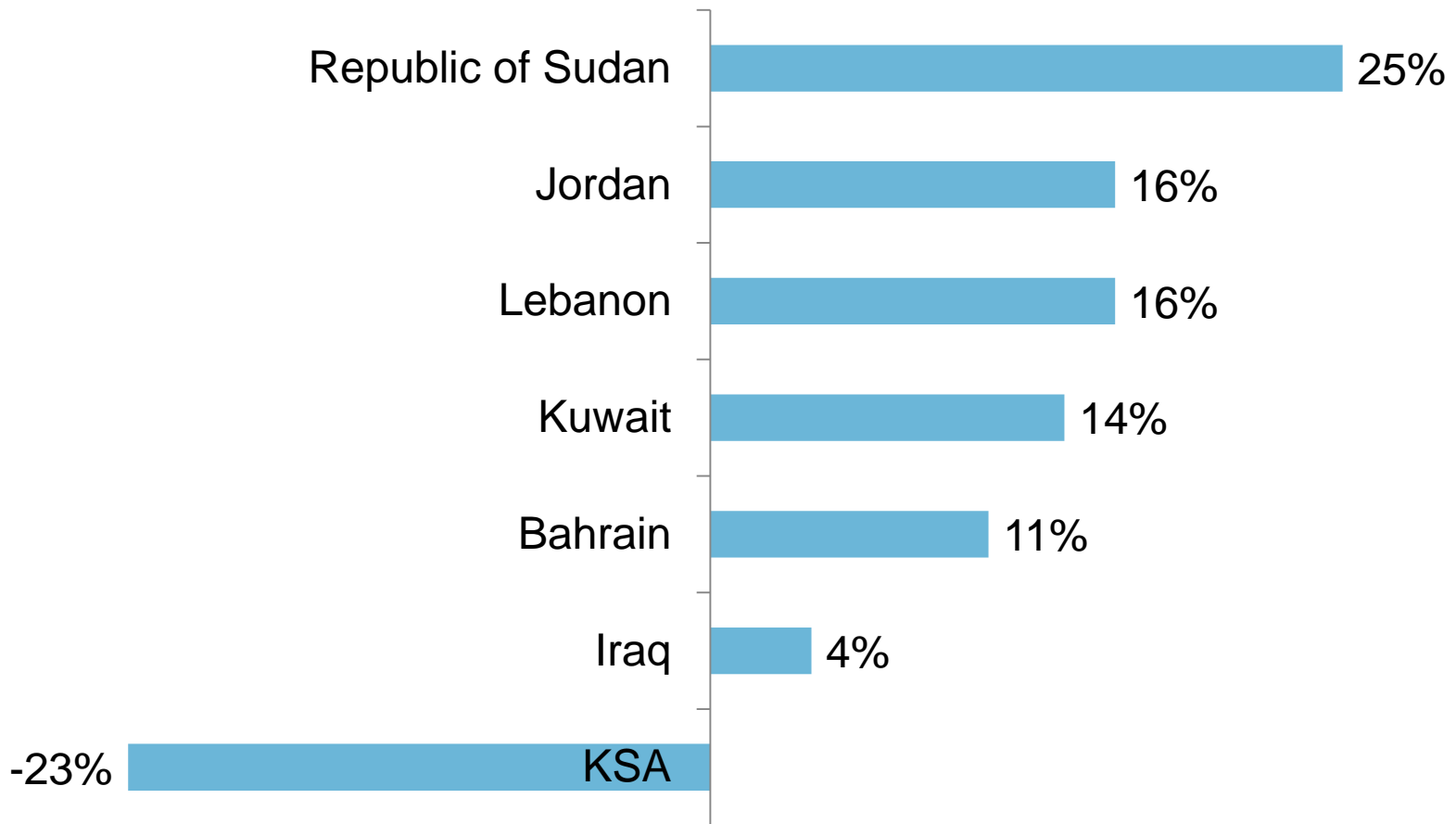
## Zain Group Revenues





# Zain Group Customer Growth Q1-2012 vs. Q1-2011

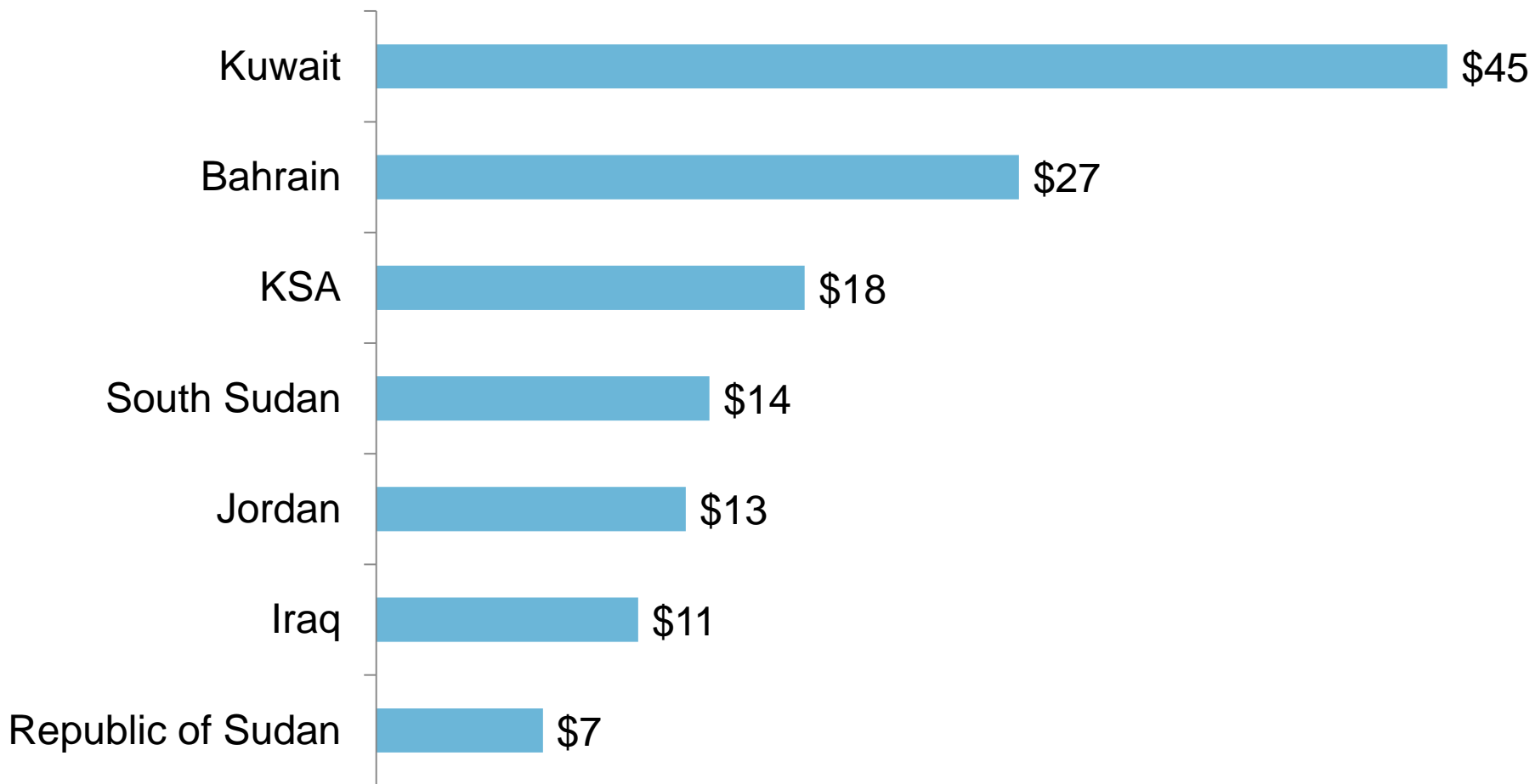
Group Customer Growth : +7%





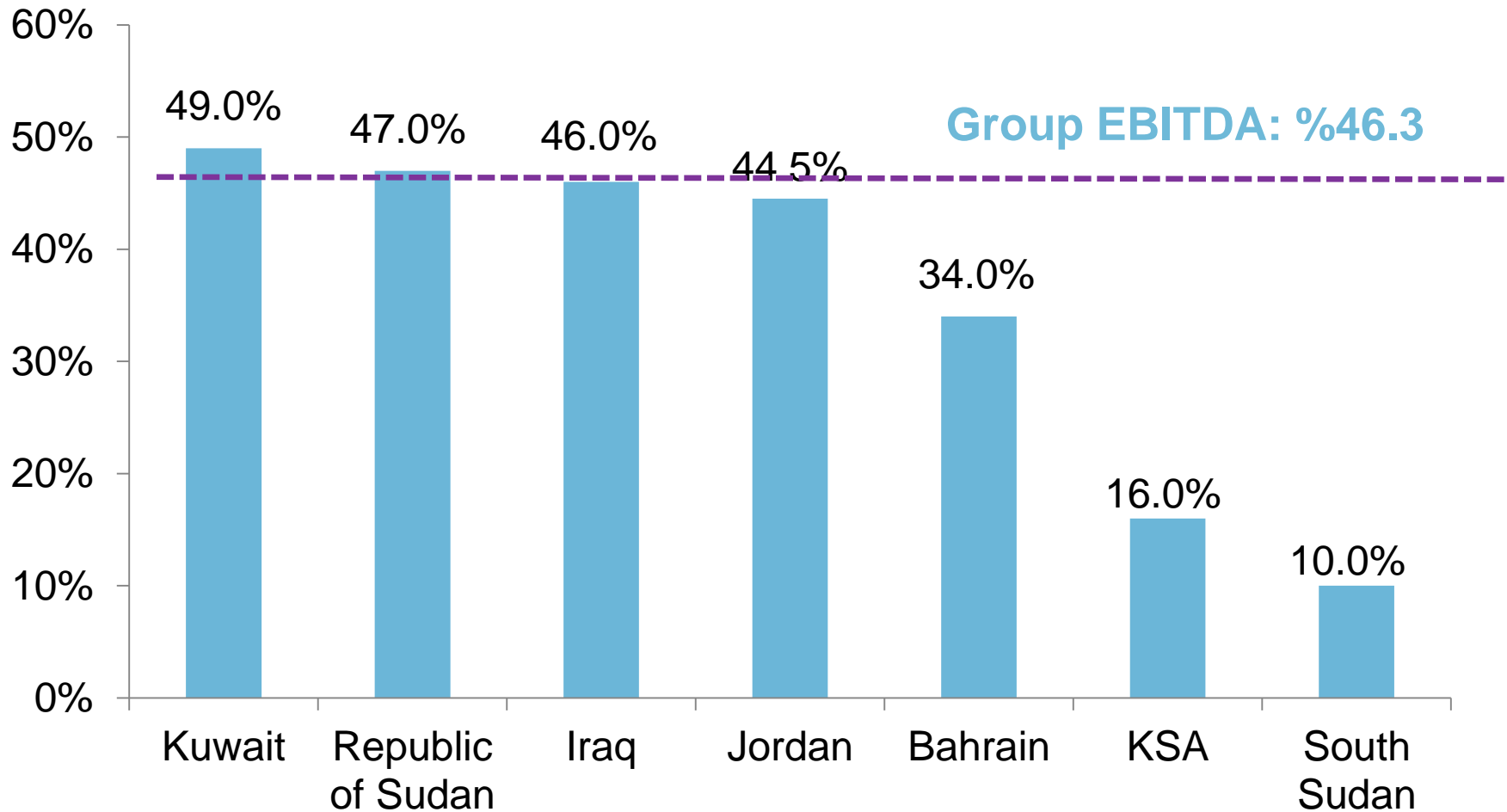
# Blended ARPUs

## Q1-2012





# EBITDA Margins Q1-2012





# Zain's Operations

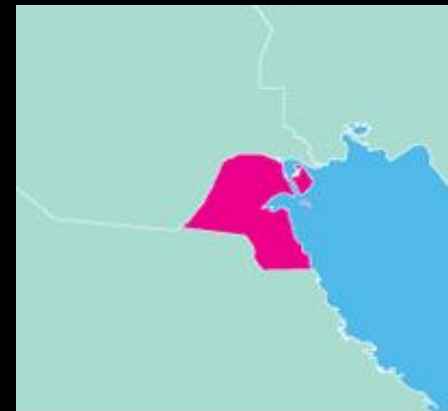
Q1 2012



# Kuwait

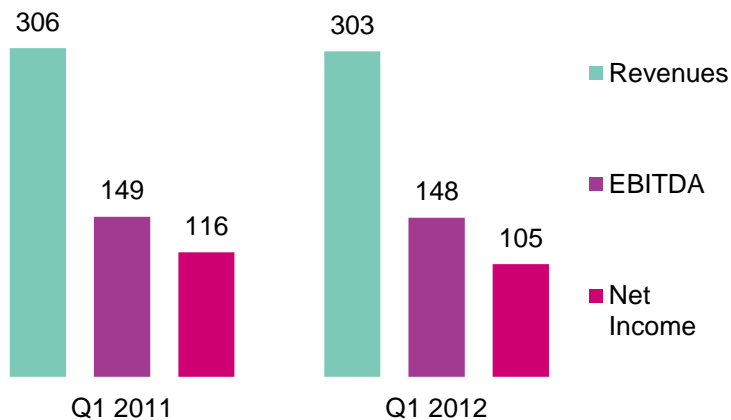
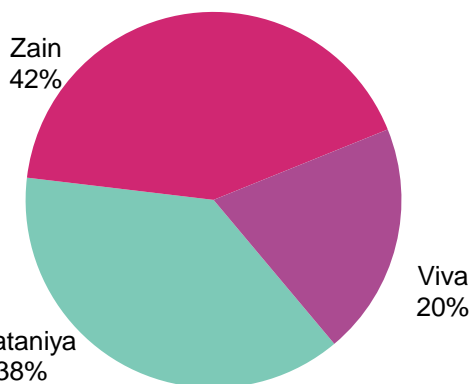
Contribution to Group total - Population: 2% Customers: 6% Revenues: 26% - Customer YoY Growth: 14%

- Zain Kuwait, the Group's flagship stayed ahead of its competitors and was able to maintain its leading position with a 42% market share.
- The launch of new Happy hour offer, Student zone and other offers contributed to the increase in the operation's customer base by 14% from the previous year.
- The operation has the highest ARPU (\$45) in the Group.
- Zain managed to maintain its financial indicators with a slight decrease of 1% in Revenues and EBITDA as compared with Q1-2011, while Capex increased 76% from the previous year due to expansion of the operations' network and related infrastructure.



## Key Statistics Q1 2012

Population (000s)	3,132
GDP/Capita (PPP)	\$51,799
Year of launch	1983
Ownership	100%
Mobile Penetration	160%
Customers (000s)	2,150
Number of Operators	3
Market Positioning	1
Market Share	42%
ARPU	\$45





# Iraq

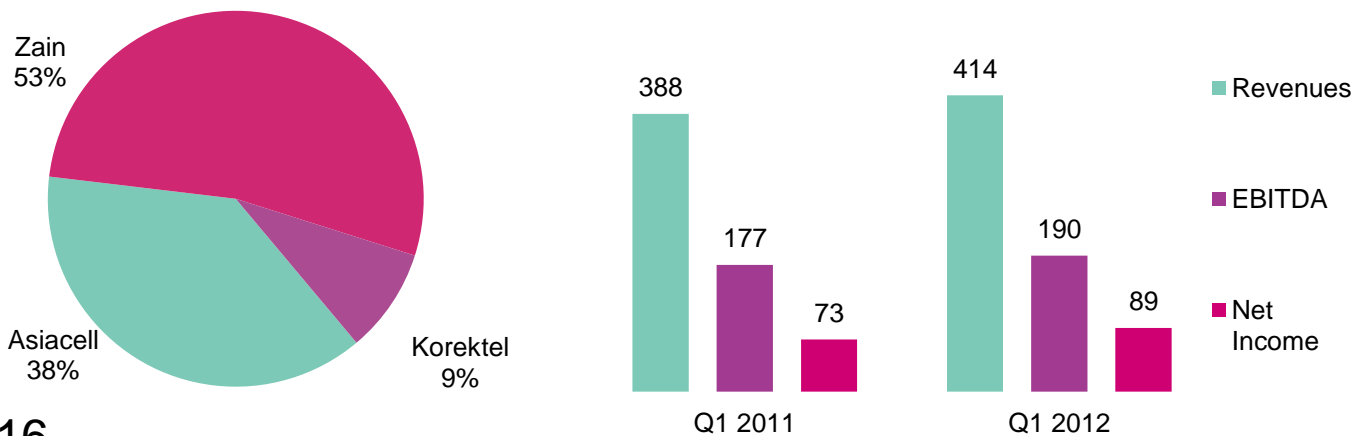
Contribution to Group total - Population: **25%** Customers: **31%** Revenues: **36%** - Customer YoY Growth: **4%**

- 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.
- Zain group has appointed international advisors namely Citi, BNP Paribas and NBK Capital to list 25% of Zain Iraq shares through an IPO in Iraqi Stock Exchange as per the license requirement.
- Zain Iraq just embarked into the northern regions of Iraq in 4Q-2011, which represents a further growth opportunity as the northern regions ARPU is the highest in Iraq.
- Zain Iraq posted an impressive growth of 7% in revenues and EBITDA compared with Q1-2011, while net income witnessed a double digit growth of 21% for the same period.



## Key Statistics Q1 2012

Population (000s)	32,571
GDP/Capita (PPP)	\$3,600
Year of acquisition	2003
Ownership	76%
Mobile Penetration	76%
Customers (000s)	12,497
Number of Operators	3
Market Positioning	1
Market Share	53%
ARPU	\$11





# Republic of Sudan

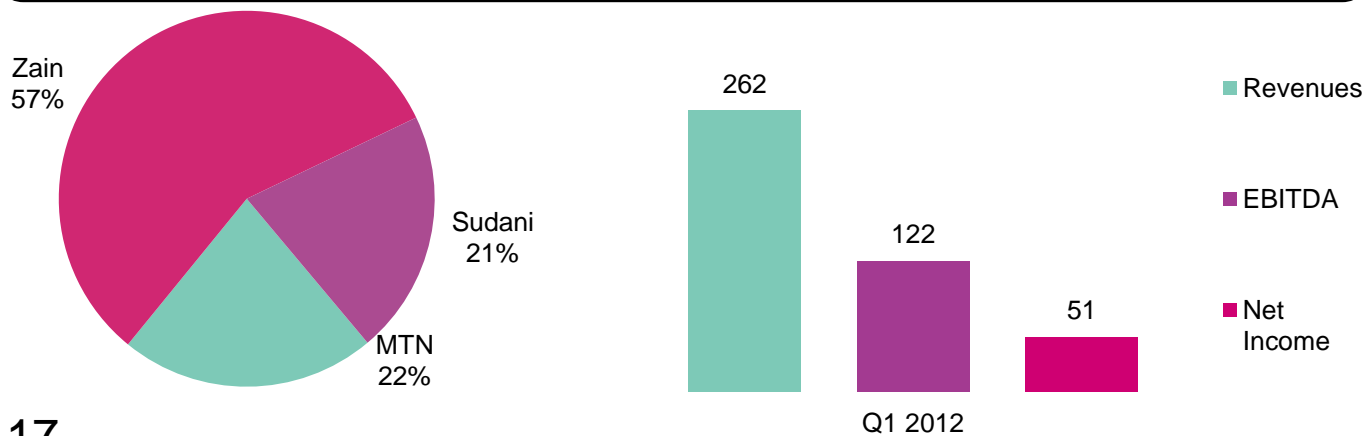
Contribution to Group total - Population: **34%** Customers: **33%** Revenues: **23%** - Customer YoY Growth: **N/A**

- Zain entered Sudan through its 2005 acquisition of Celtel which had a minority 39% 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, maintain the largest customer base in the group by forming 33% of the group's customer base.
- Zain Sudan prepaid its Euro 220 million loan in full during Q1-2012, which thus eliminated the group's largest exposure to the euro currency.
- Income tax increased from 3% to 15% in 2011, and was further increased to 30% in January 2012, which will have an impact on Zain Sudan financial indicators.



## Key Statistics Q1 2012

Population (000s)	44,327
GDP/Capita (PPP)	\$2,300
Year of full acquisition	2006
Ownership	100%
Mobile Penetration	52%
Customers (000s)	13,060
Number of Operators	3
Market Positioning	1
Market Share	57%
ARPU	\$7





# South Sudan

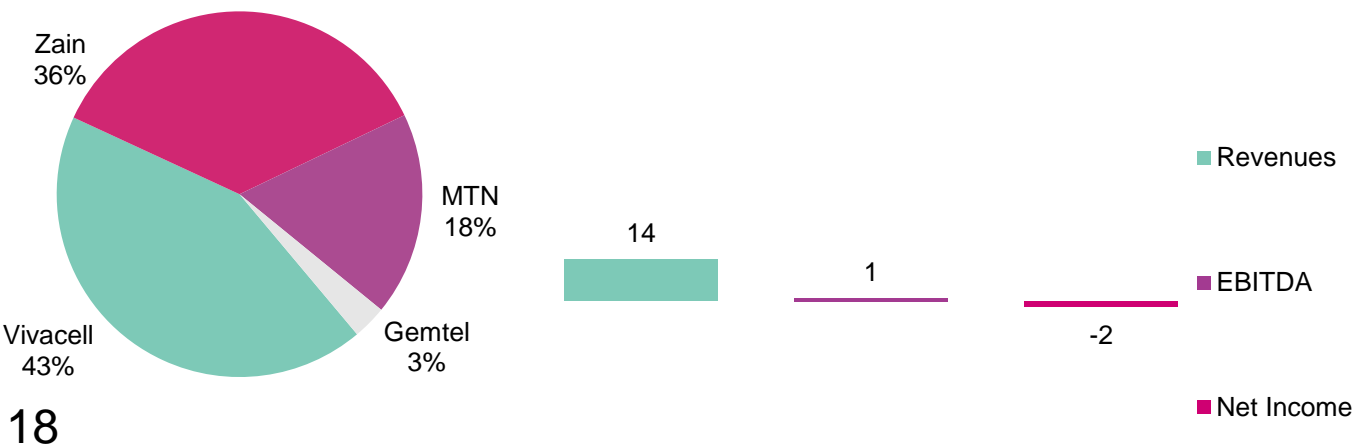
Contribution to Group total - Population: 8% Customers: 1% Revenues: 1% - Customer YoY Growth: N/A

- In June 2011, Republic of Sudan and South Sudan have successfully completed the separation process. Accordingly, Zain Group commenced separating the two entities by having different financial statements and organizational structure.
- Zain can operate in South Sudan as per the Memorandum Of Understanding (MOU) until South Sudan issues their own license requirement.
- Zain South Sudan is going through some difficulties as customers are still unable to convert to 211 South Sudan country code and are still operating on 249 Republic of Sudan country code.
- Zain group has appointed a new management team in South Sudan post the separation process.



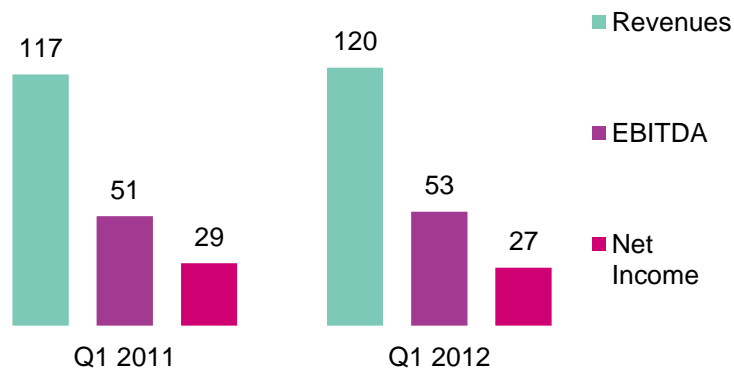
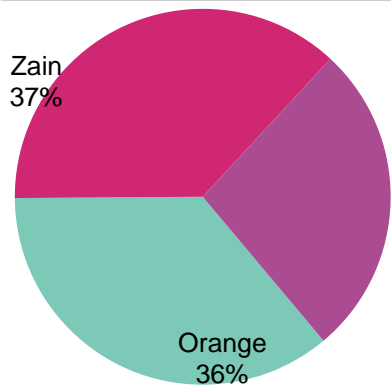
## Key Statistics Q1 2012

Population (000s)	10,625
GDP/Capita (PPP)	\$1,546
Year of full acquisition	2006
Ownership	100%
Mobile Penetration	22%
Customers (000s)	499
Number of Operators	4
Market Positioning	2
Market Share	36%
ARPU	\$14



Contribution to Group Total - Population: **5%** Customers: **7%** Revenues: **10%** Customer YoY Growth: **16%**

- 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 16% compared with Q1-2011.
- Despite a 7% decrease net income compared with Q1-2011, Zain Jordan managed to register a growth of 2% and 4% in Revenues and EBITDA respectively as compared with Q1-2011
- The operation managed to sustain it's market share and increase, as the competition is getting fierce and other telecom providers are continuously launching aggressive products.

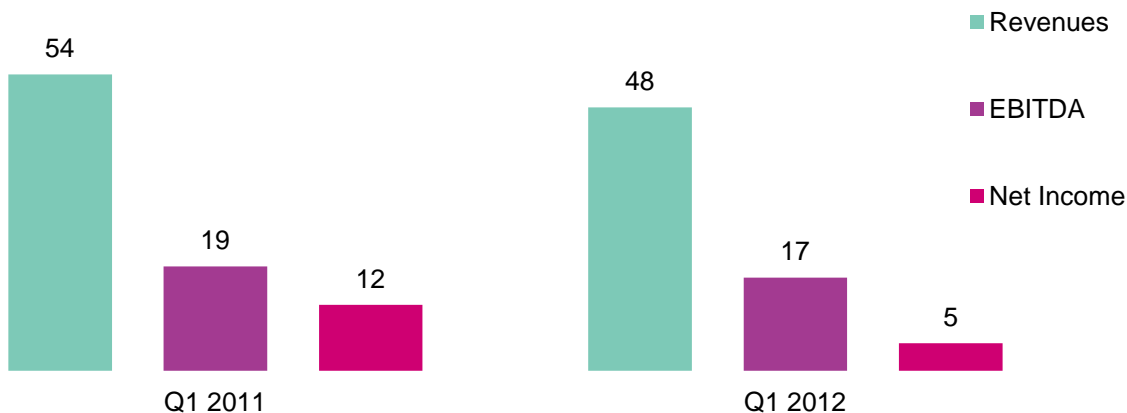


### Key Statistics Q1 2012

Population (000s)	6,594
GDP/Capita (PPP)	\$5,300
Year of acquisition	2003
Ownership	96.52%
Mobile Penetration	124%
Customers (000s)	2,918
Number of Operators	3
Market Positioning	1
Market Share	37%
ARPU	\$13

Contribution to Group Total - Population: 1% Customers: 1% Revenues: 4% - Customer YoY Growth: 11%

- A Greenfield operation, Zain Bahrain launched its commercial services in December 2003.
- Bahrain has the highest mobile penetration in the GCC region with 221%.
- Despite the entrant of the third competitor in the market and political instability in the country, the operations' customer base grew 11% in comparison to Q1-2011.
- Capex increased by 15% due to previous network expansion throughout the year, as the network currently covers 100% of the population.



### Key Statistics Q1 2012

Population (000s)	826
GDP/Capita (PPP)	\$40,400
Year of launch	2003
Ownership	56.25%
Mobile Penetration	221%
Customers (000s)	528
Number of Operators	3
Market Positioning	2
ARPU	\$27



# Kingdom of Saudi Arabia

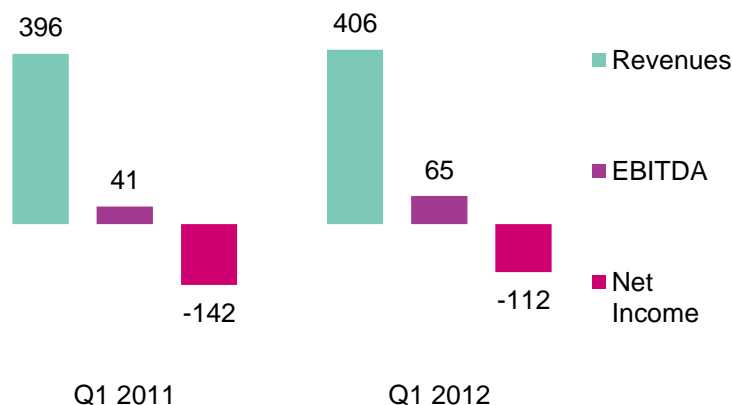
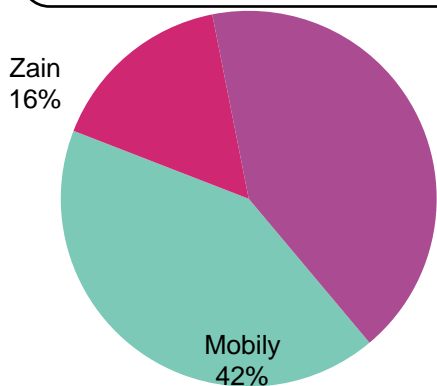
Contribution to Group Total - Population: 21% Customers: 16% - Customer YoY Growth: (23%)

- Zain KSA launched commercial services in late August 2008, a year after it was rewarded its mobile license.
- Zain KSA board and management team are actively working on the company's planned capital restructuring (capital reduction followed by capital increase) along with the full support from founding shareholders including Zain Group, which is subject to the regulatory approvals
- Due to the clean-up of customer base of dormant subscribers, the operations' customer base decreased by 23% as compared with Q1-2011.
- Zain KSA succeeded in decreasing its net losses by 21% from the previous year, mainly due to revenues and EBITDA growth of 3% and 58% respectively.



## Key Statistics Q1 2012

Population (000s)	26,918
GDP/Capita (PPP)	\$24,200
Year of launch	2008
Ownership	25%
Mobile Penetration	184%
Customers (000s)	6,522
Number of Operators	3
Market Positioning	3
Market Share	16%
ARPU	\$18





# Lebanon

Contribution to Group Total - Population: 3% Customers: 5% - Customer YoY Growth: 16%

- Zain operates in Lebanon under a management contract since June 2004, when it was rebranded to mtc-touch.
- The operation launched 3G services in November 2011, which is also expected to contribute to further growth in mtc touch's performance.
- Customers increased by 16% from the previous year .
- The Network Management Agreement (NMA), which expired in January 2012, was subsequently renewed on February 1, 2012 for 12 months.



## Key Statistics Q1 2012

Population (000s)	4,297
GDP/Capita (PPP)	\$14,200
Year of MC award	2004
Ownership	MC
Mobile Penetration	74%
Customers (000s)	1,834
Number of Operators	2

MC= Management Contract



# Financial Statements

Q1 2012



# Balance Sheet

	Unaudited 31-Mar-12	Audited 31-Dec-11	Unaudited 31-Mar-11
	KD '000		
<b>Assets</b>			
<b>Current assets</b>			
Cash and bank balances	424,004	404,764	1,048,111
Trade and other receivables	334,368	332,843	461,076
Inventories	24,952	21,182	13,232
Investment securities- at fair value through profit or loss	6,587	5,879	6,358
	<u>789,911</u>	<u>764,668</u>	<u>1,528,777</u>
<b>Non-current assets</b>			
Investment securities – available for sale	64,742	62,470	88,754
Investment in associates	73,877	81,131	104,869
Interest in a jointly controlled entity	46,185	44,871	39,368
Loans to associates	189,737	190,166	184,691
Property and equipment	794,911	795,644	757,262
Intangible assets	1,250,637	1,256,094	1,244,717
Other assets	81,220	92,190	28,314
	<u>2,501,309</u>	<u>2,522,566</u>	<u>2,447,975</u>
<b>Total Assets</b>	<u>3,291,220</u>	<u>3,287,234</u>	<u>3,976,752</u>

	Unaudited 31-Mar-12	Audited 31-Dec-11	Unaudited 31-Mar-11
	KD '000		
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Trade and other payables	783,375	506,541	577,733
Due to banks	149,121	313,823	230,454
	<u>932,496</u>	<u>820,364</u>	<u>808,187</u>
<b>Non-current liabilities</b>			
Due to banks	332,276	226,159	330,632
Other non- current liabilities	36,541	35,173	142,582
	<u>368,817</u>	<u>261,332</u>	<u>473,214</u>
<b>Equity</b>			
<b>Attributable to the Parent Company's shareholders</b>			
Share capital	431,356	430,754	430,754
Share premium	1,705,158	1,703,351	1,703,351
Treasury shares	-567,834	-567,834	-567,834
Legal reserve	215,377	215,377	214,871
Foreign currency translation reserve	-218,821	-214,064	-262,844
Treasury shares reserve	1,967	1,967	1,967
Equity issue transaction cost of associate	-1,755	-1,760	-1,748
Investment fair valuation reserve	-7,895	-10,046	-5,602
Share based compensation reserve	4,082	7,141	5,991
Hedge reserve	-	-849	-1,796
Retained earnings	314,944	516,453	302,008
Proposed dividend	-	-	776,365
	<u>1,876,579</u>	<u>2,080,490</u>	<u>2,595,483</u>
Non- controlling interests	113,328	125,048	99,868
<b>Total equity</b>	<u>1,989,907</u>	<u>2,205,538</u>	<u>2,695,351</u>
<b>Total Liabilities and Equity</b>	<u>3,291,220</u>	<u>3,287,234</u>	<u>3,976,752</u>



# Income Statement

	Three months ended 31-Mar	
	2012	2011
	KD'000	
<b>Continuing operations</b>		
Revenue	325,729	324,378
Cost of sales	-87,891	-86,534
<b>Gross profit</b>	<b>237,838</b>	<b>237,844</b>
Distribution, marketing & operating expenses	-62,687	-67,587
General and administrative expenses	-21,969	-19,382
Depreciation and amortization	-47,382	-41,810
Provision for doubtful debts	-2,379	-3,152
<b>Operating profit</b>	<b>103,421</b>	<b>105,913</b>
Interest income	4,487	4,345
Investment income	773	-393
Share of loss of associates	-7,896	-10,001
Share of profit/(loss) of jointly controlled entity	1,452	-902
Other income	3,130	2,578
Finance costs	-5,116	-5,523
Loss on currency revaluation	-4,406	-23,515
Board of Directors' remuneration	-108	-8
Contribution to Kuwait Foundation for Advancement of Sciences	-731	-720
National Labour Support Tax and Zakat	-2,619	-2,025
Profit for the period before income tax	92,387	69,749
Income tax expense	-14,707	-8,611
<b>Profit for the period from continuing operations</b>	<b>77,680</b>	<b>61,138</b>

	Three months ended 31-Mar	
	2012	2011
	KD'000	
<b>Discontinued operations</b>		
Release of provisions	-	16,320
<b>Profit for the period</b>	<b>77,680</b>	<b>77,458</b>

#### Attributable to:

Shareholders of the Parent Company	70,919	69,915
Non-controlling interests	6,761	7,543
	<b>77,680</b>	<b>77,458</b>

#### Earnings per share

##### Basic – Fils

From continuing operations	18	14
From discontinued operations	-	4
	<b>18</b>	<b>18</b>

##### Diluted – Fils

From continuing operations	18	14
From discontinued operations	-	4
	<b>18</b>	<b>18</b>



# Cash flow Statement

	Three months ended 31-Mar		Three months ended 31-Mar	
	2012	2011	2012	2011
	KD'000		KD'000	
<b>Cash flows from operating activities</b>				
Profit for the period before income tax of continuing and discontinued operations	92,387	86,069		
Adjustments for:				
Depreciation and amortization	47,382	41,810		
Interest income	-4,487	-4,345		
Investment income	-773	393		
Share of loss of associates	7,896	10,001		
Share of (profit)/loss of jointly controlled entity	-1,452	902		
Finance costs	5,116	5,523		
Loss from currency revaluation	4,406	23,515		
Operating profit before working capital changes	150,475	163,868		
Increase in trade and other receivables	-10,393	-33,311		
Increase in inventories	-3,932	-878		
(Decrease)/increase in trade and other payables	-10,416	5,024		
Cash generated from operations	125,734	134,703		
Paid to Kuwait Foundation for Advancement of Sciences	-5,058	-1,818		
Income tax paid	-8,823	-1,021		
<i>Net cash from operating activities</i>	111,853	131,864		
<b>Cash flows from investing activities</b>				
Deposits maturing after three months			-15,065	-
Purchase of investments			-276	-712
Proceeds from sale of investments			73	226
Acquisition of property and equipment (net)			-25,328	-40,897
Acquisition of intangible assets			-8,368	-40
Interest received			4,488	4,006
Dividend received			100	701
<i>Net cash used in investing activities</i>			-44,376	-36,716
<b>Cash flows from financing activities</b>				
Capital contribution including share premium – employees stock option			2,409	6,574
(Repayments to)/borrowings from banks (net)			-57,344	338,657
Dividends paid to Parent Company's shareholders			-555	-789
Dividends paid to minority shareholders of subsidiaries			-1,271	-4,341
Finance costs			-2,013	-14,187
<i>Net cash (used in)/from financing activities</i>			-58,774	325,914
Net increase in cash and cash equivalents			8,703	421,062
Effect of foreign currency translation			-4,528	-12,970
Cash and cash equivalents at beginning of period			386,147	463,349
<b>Cash and cash equivalents at end of period</b>			390,322	871,441



# Thank You

For more information, please contact Investor Relations Team at:

[Investor.relations@zain.com](mailto:Investor.relations@zain.com)