



IR Presentation

H1 2012

August 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

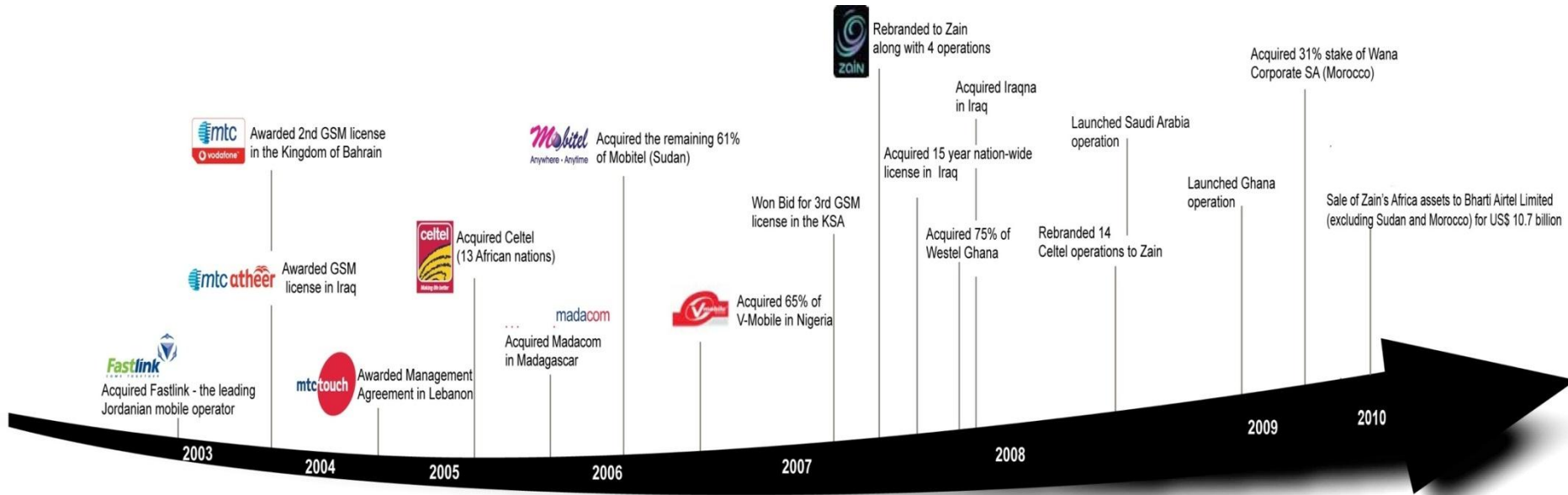
Who we are now :

- Zain is an emerging telecoms player operating in **8 countries** across the region, serving over **41.3 million** active customers.
- The company is the leading mobile telecom operator in **5** of its markets.
- Revenues: **US\$ 2.38 billion**; EBITDA: **US\$ 1.07 billion**; Net Income: **US\$ 509.6 million** for H1 2012.



Zain's Historical Growth

From a National Player to an Emerging Markets Leader

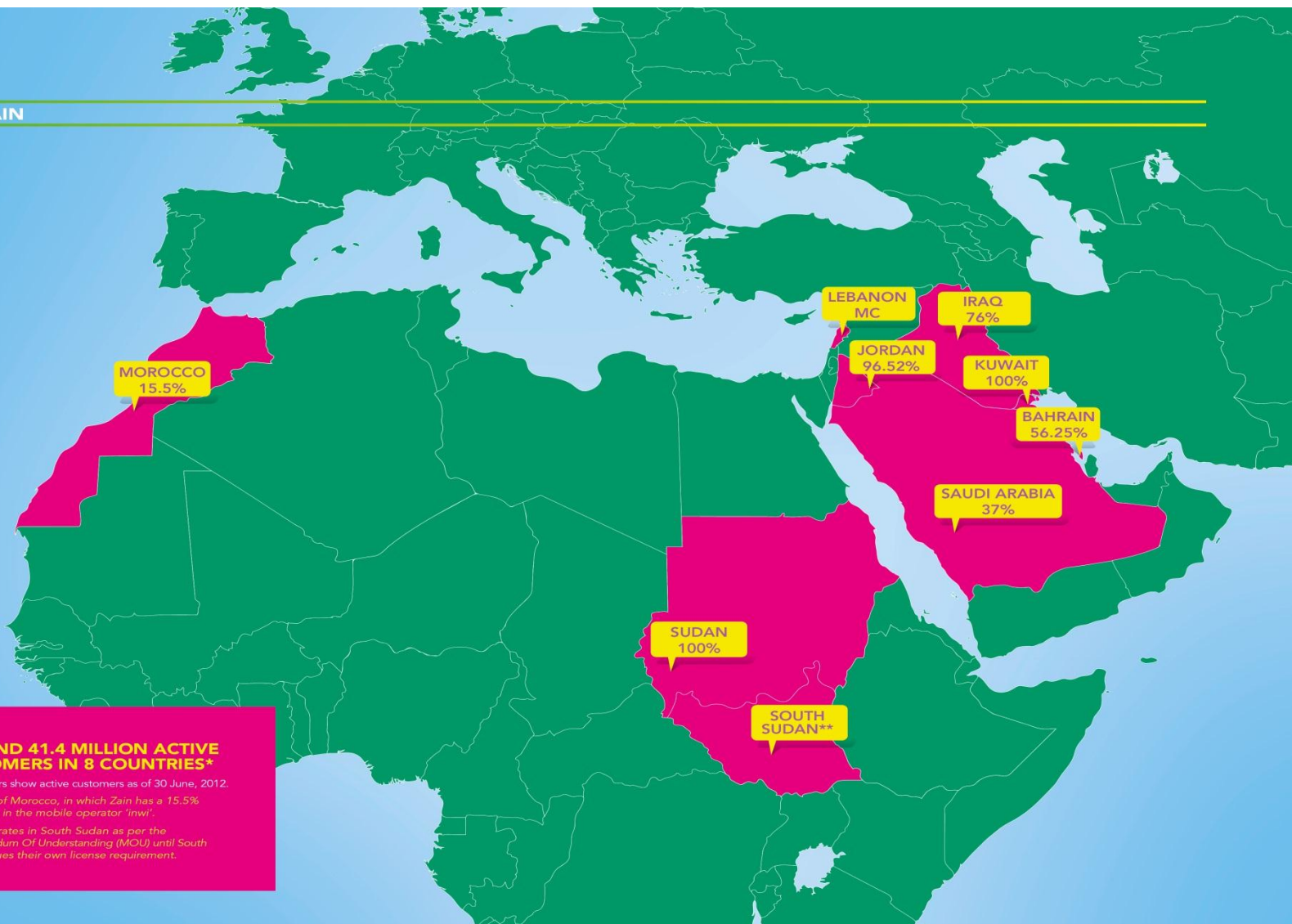


* MTC Atheer & Iraqna jointly operate under Zain brand



Zain Group's Footprint

THE WORLD OF ZAIN



AROUND 41.4 MILLION ACTIVE CUSTOMERS IN 8 COUNTRIES*

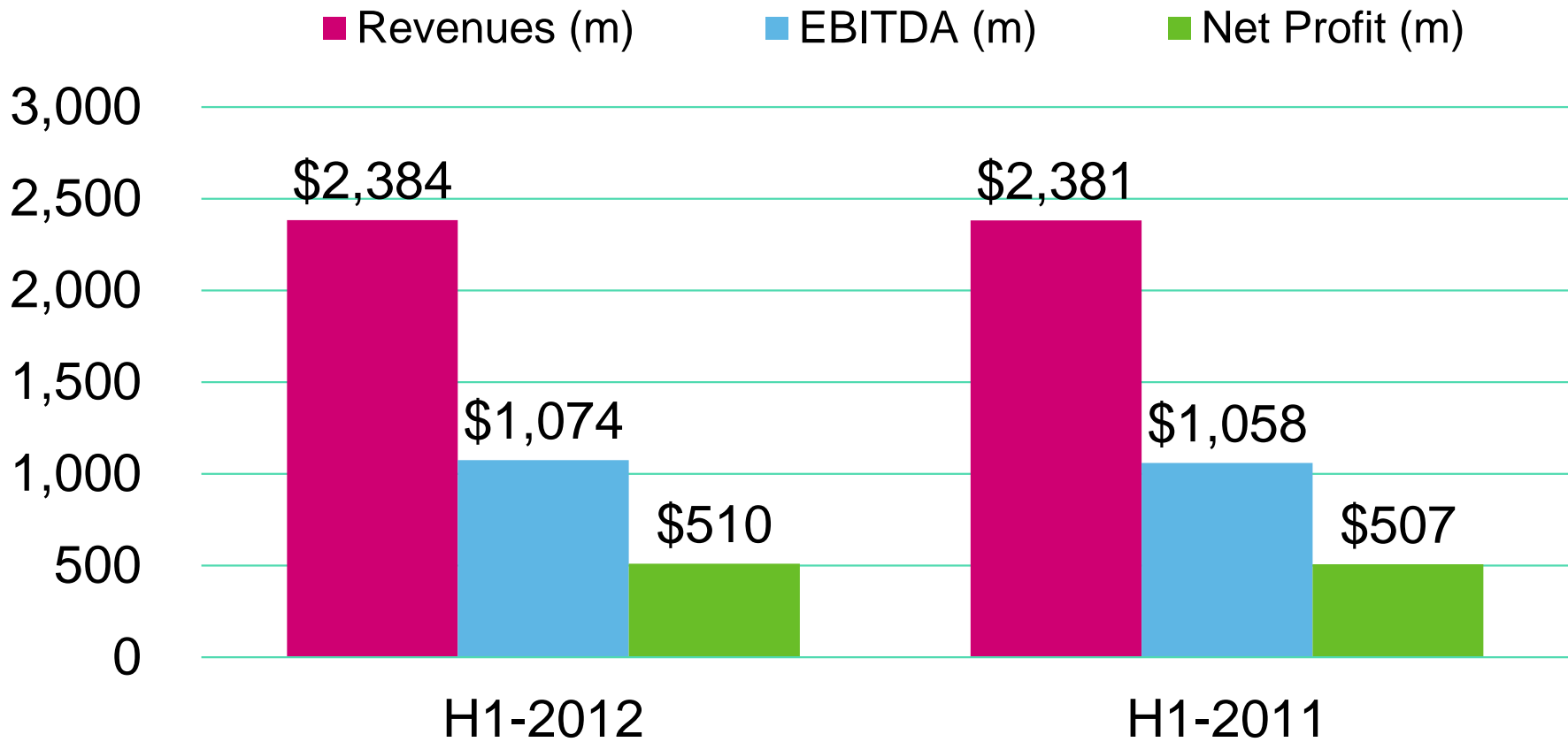
The numbers show active customers as of 30 June, 2012.

*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.

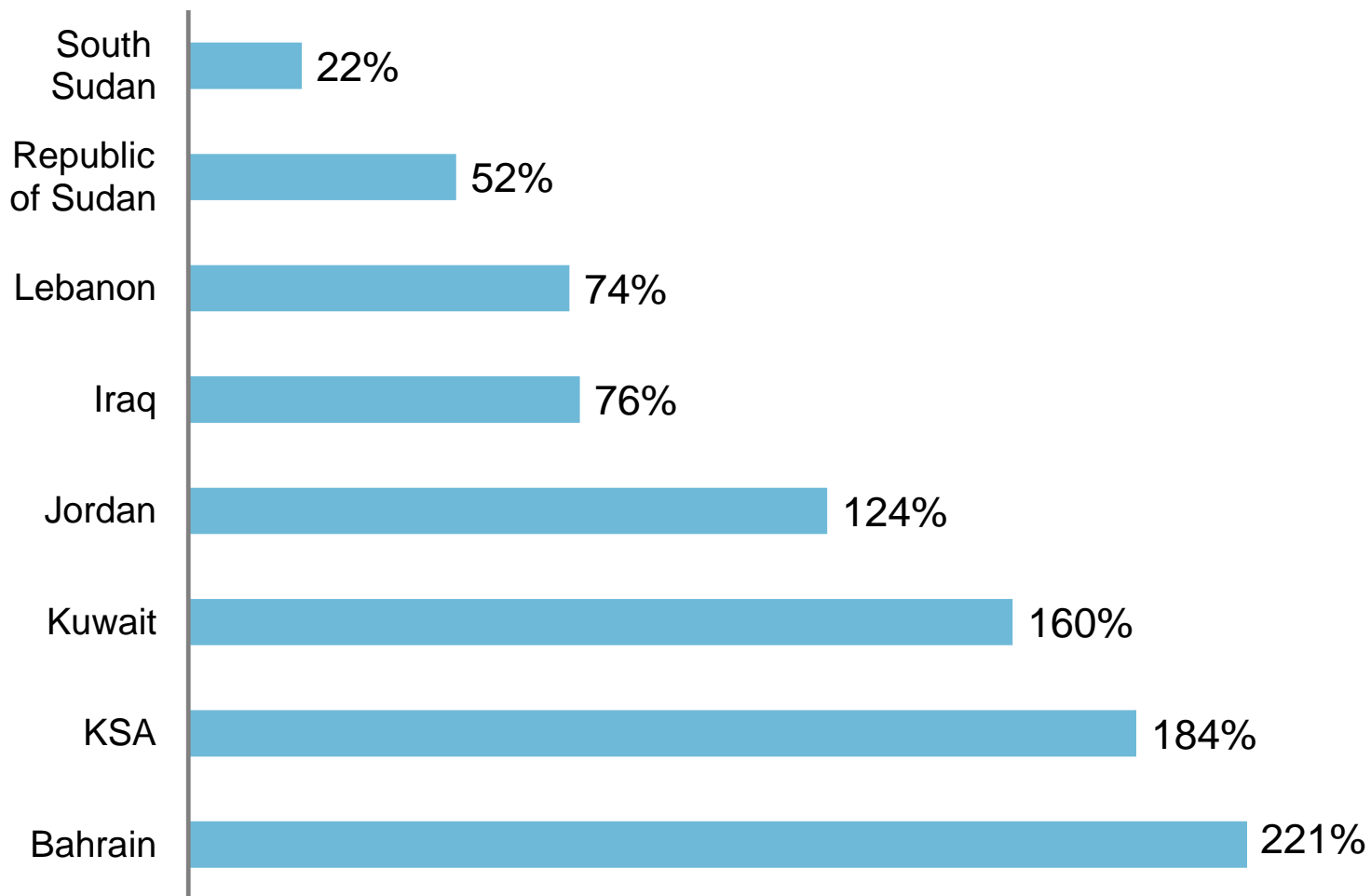


Zain's Key Performance Indicators





Penetration Rates



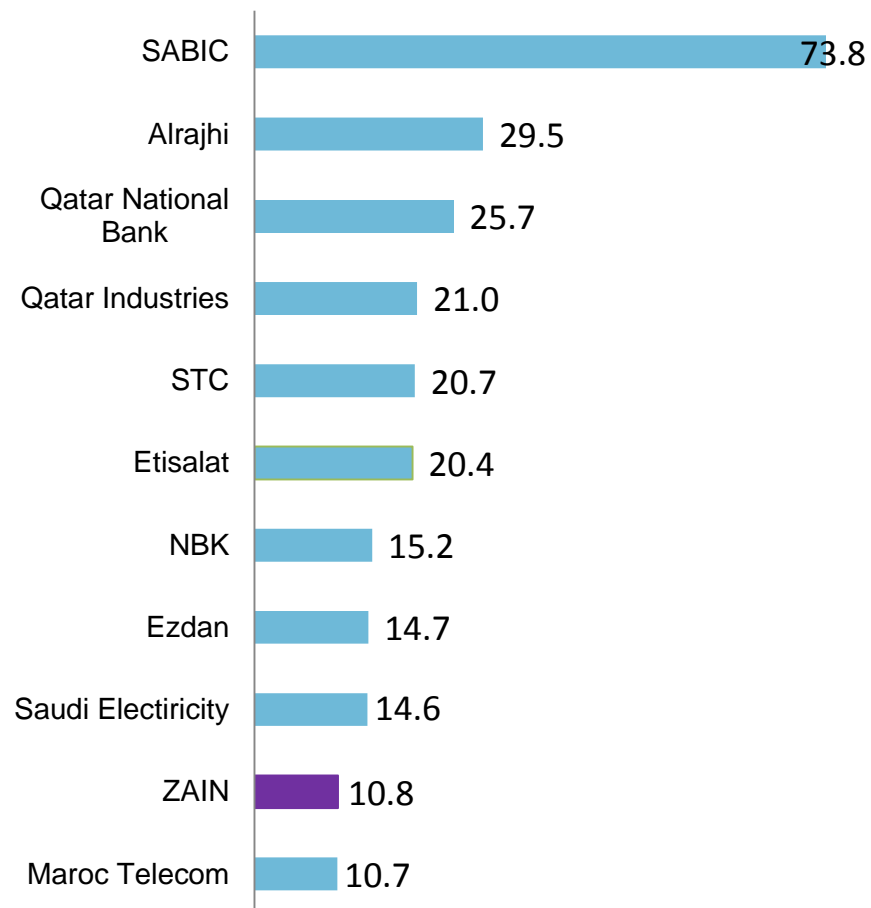


Top 10 Companies in Middle East

Market Cap (Billion)

N	Company	Market Cap \$b
1	Saudi Basic Industries Corp	73.8
2	Alrajhi Bank & Investment Corp	29.5
3	Qatar National Bank	25.7
4	Qatar Industries	21.0
6	Saudi Telecom Co (STC)	20.7
5	Etisalat	20.4
7	NBK	15.2
8	Ezdan Real Estate	14.7
9	Saudi Electricity	14.6
10	ZAIN	10.8
11	Maroc Telecom	10.7

Market Cap (\$Billion)



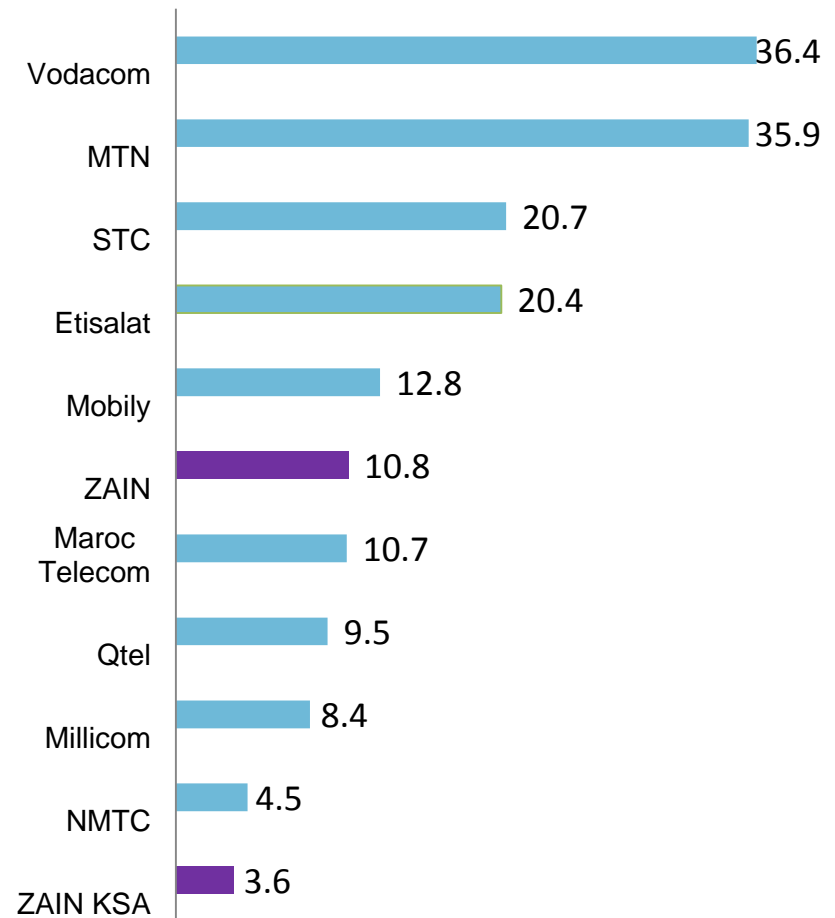


Top Telecom Companies in Middle East & Africa

Market Cap (Billion)

N	Company	Market Cap \$b
1	Vodacom	36.4
2	MTN	35.9
4	Saudi Telecom Co (STC)	20.7
3	Emirates Telecom (Etisalat)	20.4
5	Etihad Etisalat (Mobily)	12.8
6	ZAIN	10.8
7	Maroc Telecom	10.7
8	Qatar Telecom (Qtel)	9.5
9	Millicom	8.4
10	Wataniya Telecom (NMTC)	4.5
11	ZAIN KSA	3.6

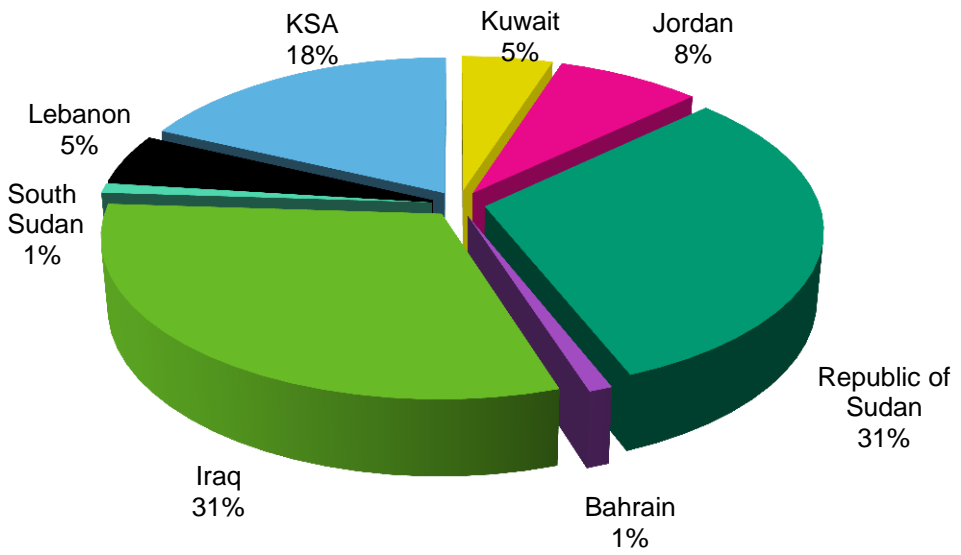
Market Cap (\$Billion)



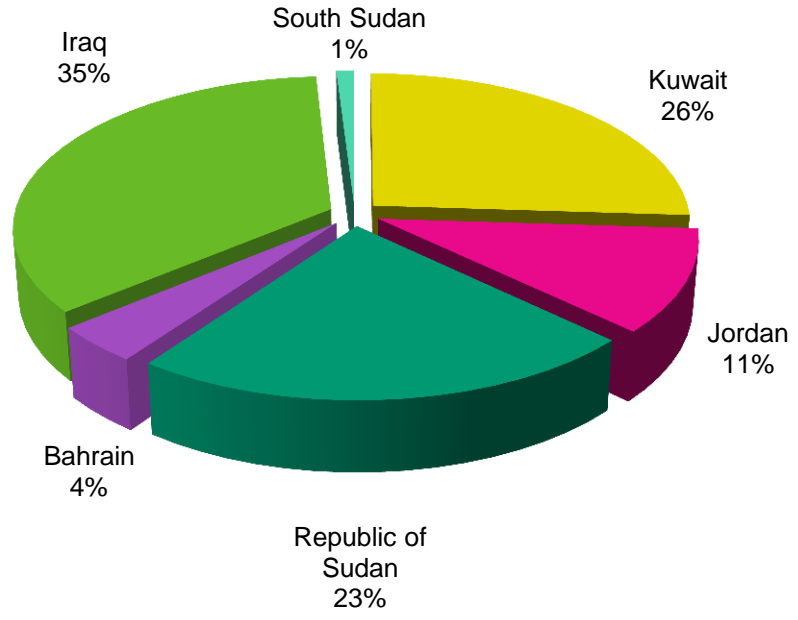


Zain Group Country Breakdown H1-2012

Zain Group Customers



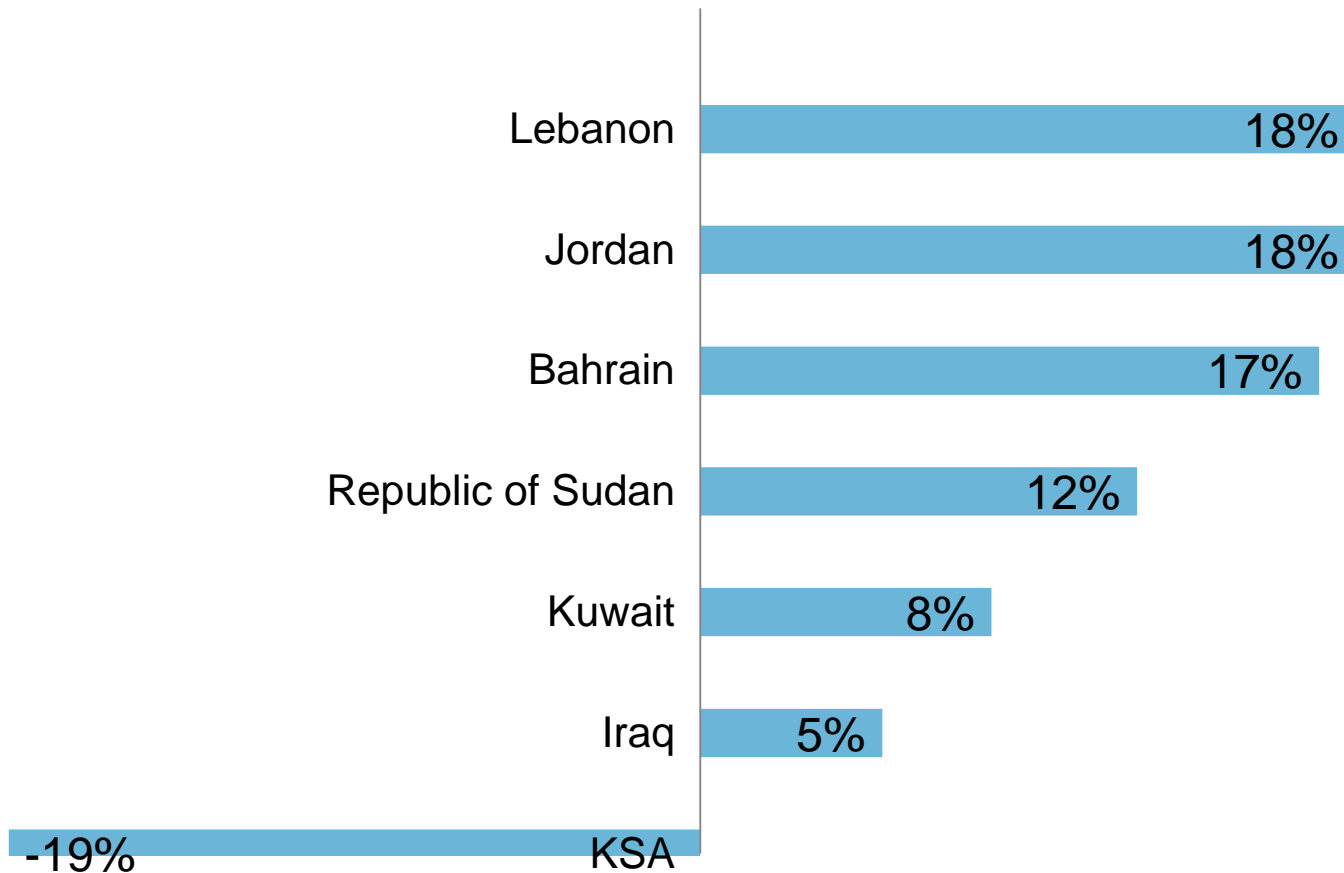
Zain Group Revenues





Zain Group Customer Growth H1-2012 vs. H1-2011

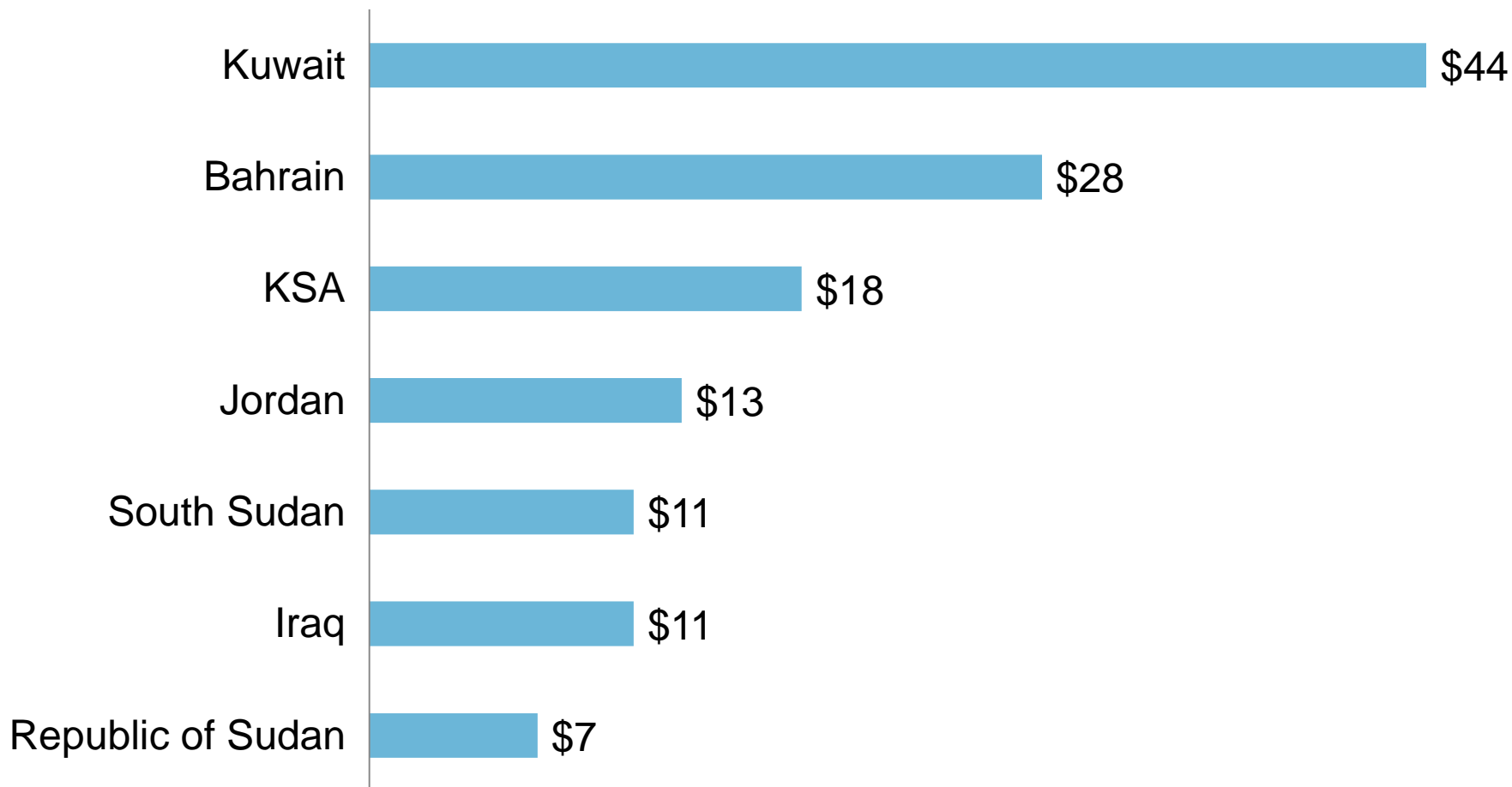
Group Customer Growth : +5%





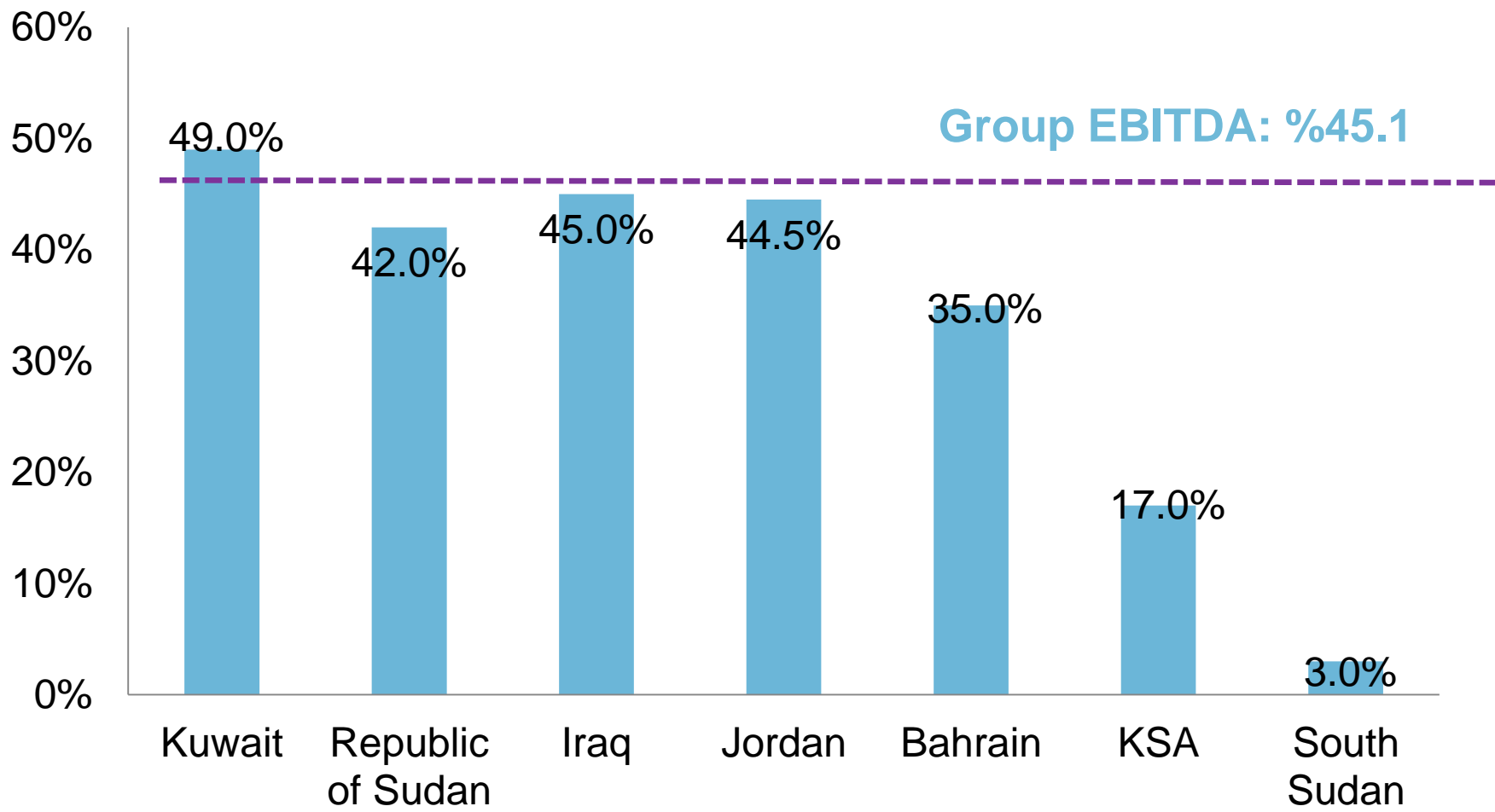
Blended ARPUs

H1-2012





EBITDA Margins H1-2012





Zain's Operations

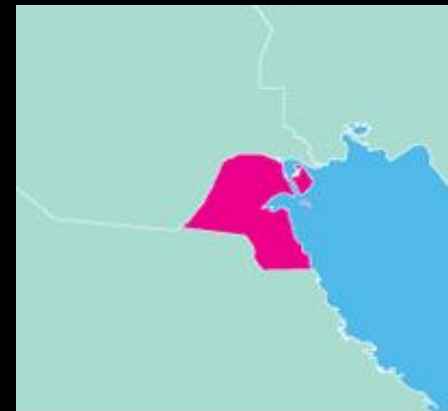
H1 2012



Kuwait

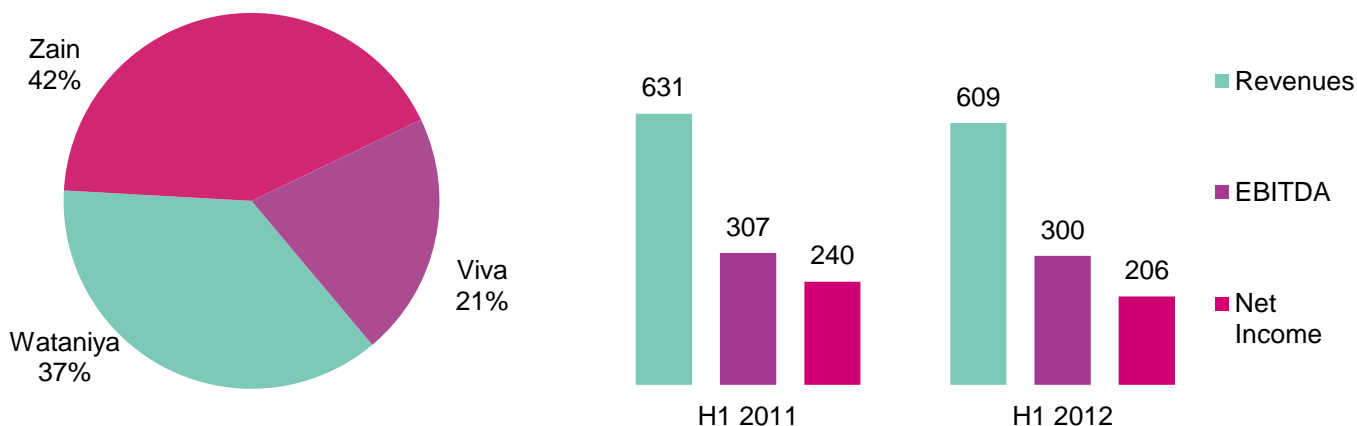
Contribution to Group total - Population: 2% Customers: 5% Revenues: 26% - Customer YoY Growth: 8%

- 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 Hybrid VPN, 8 GB for 8 KD and other offers contributed to the increase in the operation's customer base by 8% from the previous year.
- The operation has the highest ARPU \$44 in the Group.
- Zain Kuwait managed to sustain its Key Performance Indicators (KPI) with slight decrease as compared with H1-2011, while Capex increased 45% from the previous year due to expansion of the operations' network and related infrastructure.



Key Statistics H1 2012

Population (000s)	3,132
GDP/Capita (PPP)	\$51,799
Year of launch	1983
Ownership	100%
Mobile Penetration	160%
Customers (000s)	2,186
Number of Operators	3
Market Positioning	1
Market Share	42%
ARPU	\$44





Iraq

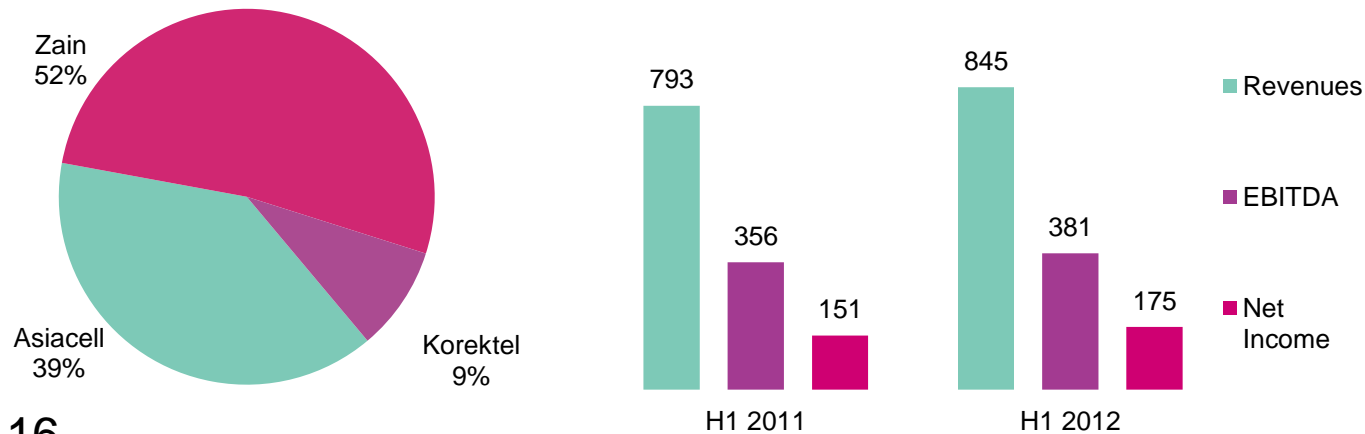
Contribution to Group total - Population: **25%** Customers: **31%** Revenues: **35%** - Customer YoY Growth: **5%**

- 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.
- 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 has recently embarked into the northern region of Iraq, which represents a further growth opportunity as the northern region ARPU is the highest in Iraq.
- Zain Iraq posted an impressive growth of 7% in revenues and EBITDA compared with H1-2011, while net income witnessed a double digit growth of 16% for the same period.



Key Statistics H1 2012

Population (000s)	32,571
GDP/Capita (PPP)	\$3,600
Year of acquisition	2003
Ownership	76%
Mobile Penetration	76%
Customers (000s)	12,863
Number of Operators	3
Market Positioning	1
Market Share	52%
ARPU	\$11





Republic of Sudan

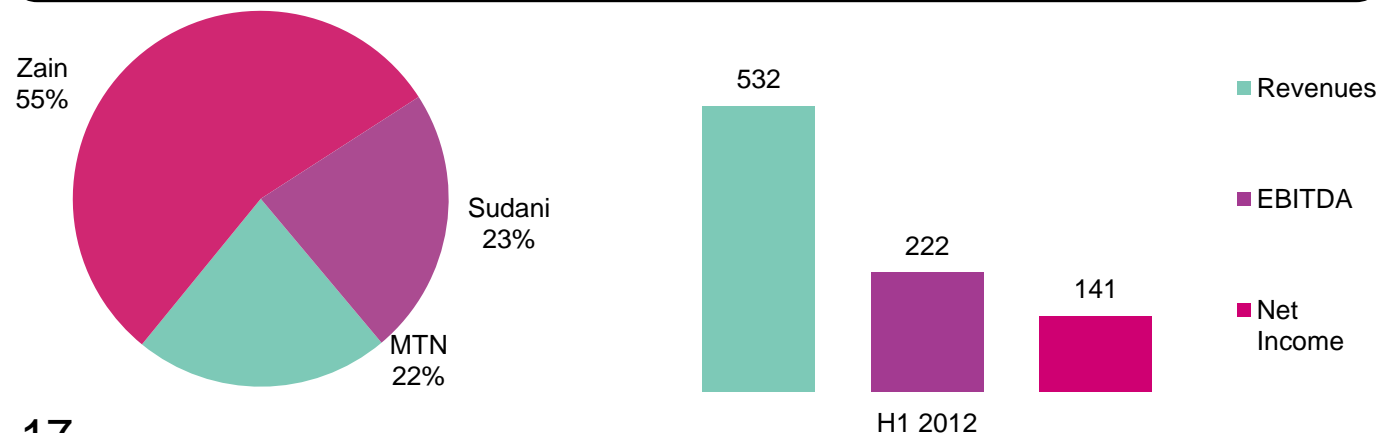
Contribution to Group total - Population: **34%** Customers: **31%** Revenues: **23%** - Customer YoY Growth: **N/A**

- 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 55% market share, maintain the largest customer base in the group by forming 31% of the group's customer base.
- On the 25th of June 2012, The Central Bank of Sudan adopted a new exchange rate for USD/SDG which increased from 2.7 to 4.4



Key Statistics H1 2012

Population (000s)	44,327
GDP/Capita (PPP)	\$2,300
Year of full acquisition	2006
Ownership	100%
Mobile Penetration	52%
Customers (000s)	12,697
Number of Operators	3
Market Positioning	1
Market Share	55%
ARPU	\$7





South Sudan

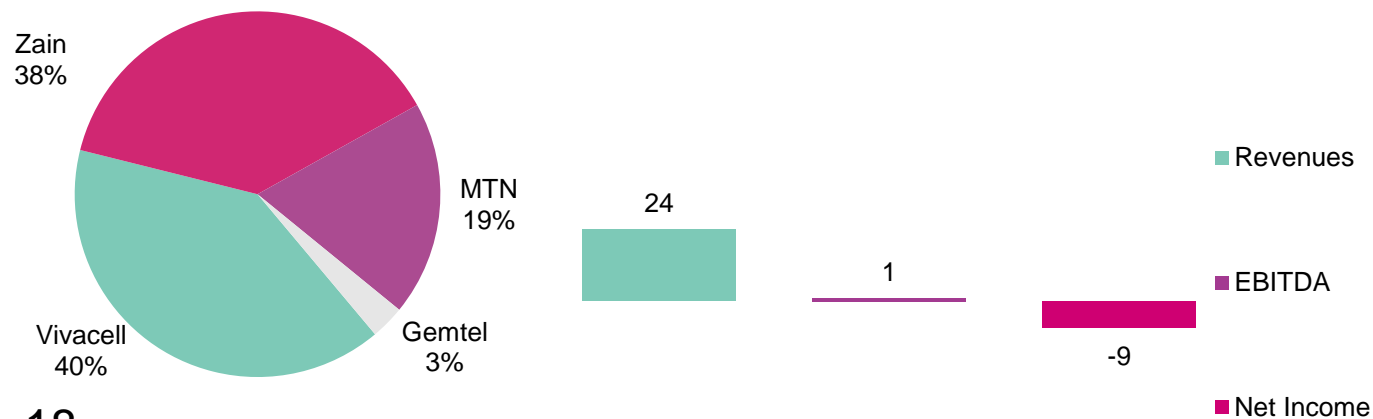
Contribution to Group total - Population: 8% Customers: 1% Revenues: 1% - Customer YoY Growth: N/A

- 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 group has appointed a new management team in South Sudan post the separation process.



Key Statistics H1 2012

Population (000s)	10,625
GDP/Capita (PPP)	\$1,546
Year of full acquisition	2006
Ownership	100%
Mobile Penetration	22%
Customers (000s)	600
Number of Operators	4
Market Positioning	2
Market Share	38%
ARPU	\$11



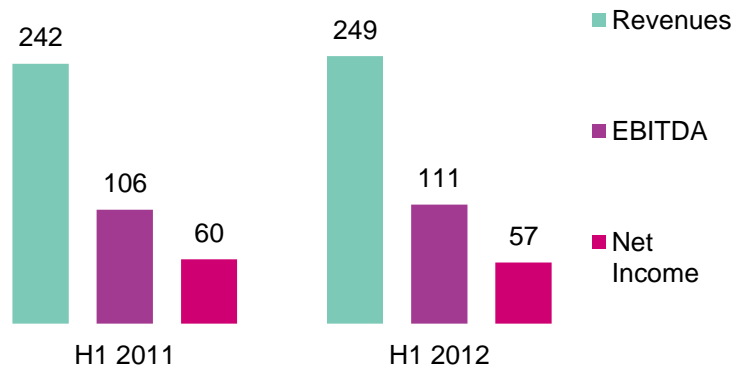
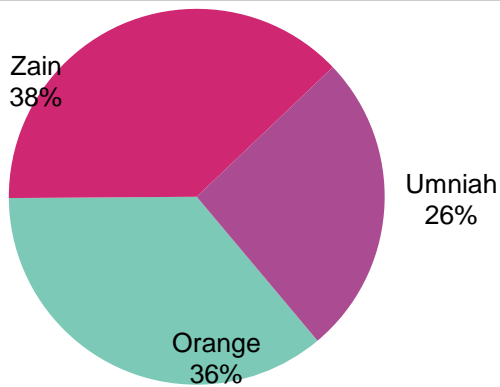
Contribution to Group Total - Population: **5%** Customers: **8%** Revenues: **11%** Customer YoY Growth: **18%**

- 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 18% compared with H1-2011.
- Zain Jordan managed to register a growth of 3% and 5% in Revenues and EBITDA respectively as compared with H1-2011.
- The operation managed to increase its market share by 2% , due to the launch of new products and services.



Key Statistics H1 2012

Population (000s)	6,594
GDP/Capita (PPP)	\$5,300
Year of acquisition	2003
Ownership	96.52%
Mobile Penetration	124%
Customers (000s)	3,174
Number of Operators	3
Market Positioning	1
Market Share	38%
ARPU	\$13



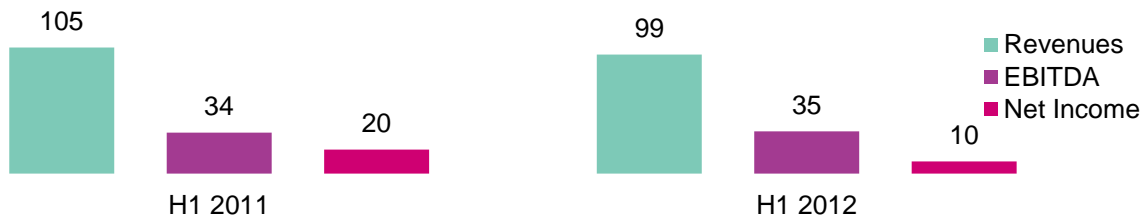
Contribution to Group Total - Population: 1% Customers: 1% Revenues: 4% - Customer YoY Growth: 17%

- 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 heightening of price competition and the pressure on lowering voice prices, Zain managed to increase its customer base by 17% compared with H1-2011.



Key Statistics H1 2012

Population (000s)	826
GDP/Capita (PPP)	\$40,400
Year of launch	2003
Ownership	56.25%
Mobile Penetration	221%
Customers (000s)	548
Number of Operators	3
Market Positioning	2
ARPU	\$28





Kingdom of Saudi Arabia

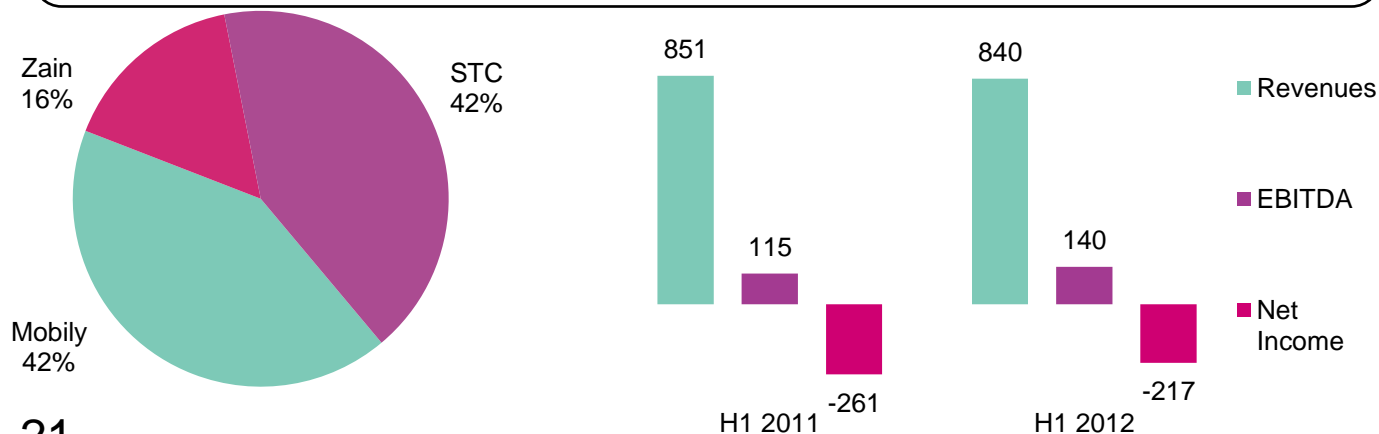
Contribution to Group Total - Population: **21%** Customers: **18%** - Customer YoY Growth: **(19%)**

- Zain KSA launched commercial services in late August 2008, a year after it was rewarded its mobile license.
- Zain KSA has successfully completed its Capital Restructuring in July 2012, through reducing its capital by 65% and subsequently increase it by US\$1.6 Billion Rights Issue. As a result, Zain KSA capital reached SAR 10.8 Billion, while Zain group stake increased to 37% which will be reflected in Q3-2012 financial results.
- Due to the clean-up of customer base of dormant subscribers, the operations' customer base decreased by 19% as compared with H1-2011.
- Zain KSA succeeded in decreasing its net losses by 17% from the previous year, mainly due to EBITDA growth of 22%.



Key Statistics H1 2012

Population (000s)	26,918
GDP/Capita (PPP)	\$24,200
Year of launch	2008
Ownership	37%
Mobile Penetration	184%
Customers (000s)	7,395
Number of Operators	3
Market Positioning	3
Market Share	16%
ARPU	\$18





Lebanon

Contribution to Group Total - Population: 3% Customers: 5% - Customer YoY Growth: 18%

- Zain operates in Lebanon under a management contract since June 2004, when it was rebranded to mtc-touch.
- In H1 2012, Zain revealed the new brand name for its management operation in Lebanon. After the successes and accomplishments achieved in Lebanon over the past eight years under the name "mtc touch", the company has unveiled a vibrant new brand - "Touch – Managed by Zain".
- Customers increased by 18% from the previous year.
- The company continues to benefit from existing revenue drivers, such as postpaid and prepaid mobile lines, and is expected to trigger a substantial increase in inbound data services from the 3rd generation mobile telecommunications (3G) which was launched in November 2011.
- The Network Management Agreement (NMA), which expired in January 2012, was subsequently renewed on February 1, 2012 for 12 months.



Key Statistics H1 2012

Population (000s)	4,297
GDP/Capita (PPP)	\$14,200
Year of MC award	2004
Ownership	MC
Mobile Penetration	74%
Customers (000s)	1,927
Number of Operators	2

MC= Management Contract



Financial Statements

H1 2012



Balance Sheet

	Unaudited 30-Jun-12	Audited 31-Dec-11	Unaudited 30-Jun-11
	KD '000		
Assets			
Current assets			
Cash and bank balances	240,253	404,764	535,518
Trade and other receivables	309,989	332,843	227,303
Inventories	14,884	21,182	15,265
Investment securities – at fair value through profit or loss	3,200	5,879	6,364
	<u>568,326</u>	<u>764,668</u>	<u>784,450</u>
Non-current assets			
Investment securities – available for sale	54,711	62,470	83,534
Investment in associates	66,852	81,131	96,196
Interest in a jointly controlled entity	51,239	44,871	40,584
Loans to associates	193,350	190,166	185,264
Property and equipment	699,537	795,644	764,412
Intangible assets	1,070,750	1,256,094	1,245,225
Other assets	87,790	92,190	62,188
	<u>2,224,229</u>	<u>2,522,566</u>	<u>2,477,403</u>
Total Assets	<u>2,792,555</u>	<u>3,287,234</u>	<u>3,261,853</u>

	Unaudited 30-Jun-12	Audited 31-Dec-11	Unaudited 30-Jun-11
	KD '000		
Liabilities and Equity			
Current liabilities			
Trade and other payables	459,625	506,541	506,938
Due to banks	176,501	313,823	231,447
	<u>636,126</u>	<u>820,364</u>	<u>738,385</u>
Non-current liabilities			
Due to banks	389,518	226,159	362,882
Other non-current liabilities	34,058	35,173	143,990
	<u>423,576</u>	<u>261,332</u>	<u>506,872</u>
Equity			
Attributable to the Parent Company's shareholders			
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	-550,690	-214,064	-241,799
Treasury shares reserve	1,967	1,967	1,967
Equity issue transaction cost of an associate	-1,767	-1,760	-1,734
Investment fair valuation reserve	-11,619	-10,046	-5,439
Share based compensation reserve	4,209	7,141	6,339
Hedge reserve	-	-849	-1491
Retained earnings	385,920	516,453	372,271
	<u>1,612,077</u>	<u>2,080,490</u>	<u>1,911,256</u>
Non-controlling interests	120,776	125,048	105,340
Total equity	<u>1,732,853</u>	<u>2,205,538</u>	<u>2,016,596</u>
Total Liabilities and Equity	<u>2,792,555</u>	<u>3,287,234</u>	<u>3,261,853</u>



Income Statement

	Six months ended	
	30-Jun	
	2012	2011
	KD'000	
Continuing operations		
Revenue	663,535	659,440
Cost of sales	-183,629	-177,099
Gross profit	479,906	482,341
Distribution, marketing & operating expenses	-130,307	-138,242
General and administrative expenses	-46,239	-46,332
Depreciation and amortization	-97,758	-83,128
Provision for doubtful debts	-4,397	-4,655
Operating profit	201,205	209,984
Interest income	10,536	9,783
Investment income	-1,046	705
Share of loss of associates	-15,402	-18,144
Share of profit of a jointly controlled entity	6,507	314
Other income/(expense)	6,697	-2,457
Finance costs	-12,803	-14,008
Gains/(loss) from currency revaluation	248	-20,912
Board of Directors' remuneration	-215	-16
Contribution to Kuwait Foundation for Advancement of Sciences	-1,459	-1,442
National Labour Support Tax and Zakat	-4,746	-3,989
Profit for the period before income tax	189,522	159,818
Income tax expenses	-34,236	-21,140
Profit for the period from continuing operations	155,286	138,678

	Six months ended	
	30-Jun	
	2012	2011
	KD'000	
Discontinued operations		
Release of provisions	-	16,320
Profit for the period	155,286	154,998
Attributable to:		
Shareholders of the Parent Company	141,895	140,178
Non-controlling interests	13,391	14,820
	155,286	154,998
Earnings per share		
Basic – Fils		
From continuing operations	36	32
From discontinued operations	-	4
	36	36
Diluted – Fils		
From continuing operations	36	32
From discontinued operations	-	4
	36	36



Cash flow Statement

	Six months ended	
	30-Jun	
	2012	2011
	<u>KD'000</u>	
Cash flows from operating activities		
Profit for the period before income tax from continuing and discontinued operations	189,522	176,138
Adjustments for:		
Depreciation and amortization	97,758	83,128
Interest income	-10,536	-9,783
Investment income	1,046	-705
Share of loss of associates	15,402	18,144
Share of profit of a jointly controlled entity	-6,507	-314
Finance costs	12,803	14,008
(Gain)/loss from currency revaluation	-248	20,912
Operating profit before working capital changes	299,240	301,528
Increase in trade and other receivables	-14,376	-65,774
Decrease/(increase) in inventories	3,962	-2,745
Decrease in trade and other payables	-35,172	-29,767
Cash generated from operations	253,654	203,242
Board of Directors' remuneration paid	-430	-32
Paid to Kuwait Foundation for Advancement of Sciences	-5,058	-1,818
National Labor Support Tax and Zakat paid	-4,983	-6,814
Income tax	-33,136	-14,451
Net cash from operating activities	210,047	180,127

	Six months ended	
	30-Jun	
	2012	2011
	<u>KD'000</u>	
Cash flows from investing activities		
Deposits maturing after three months and those under lien	2,853	169,749
Investment in a subsidiary	-19,481	-
Proceeds from disposal of a subsidiary	-	209,839
Investments in securities	-2,869	-771
Proceeds from sale of investment securities	9,772	5,235
Acquisition of property and equipment (net)	-67,987	-72,655
Acquisition of intangible assets	-15,060	-602
Interest received	10,418	9,791
Dividends received	904	1,310
<i>Net cash (used in)/from investing activities</i>	-81,450	321,896
Cash flows from financing activities		
Capital contribution including share premium—employees stock option	2,409	6,574
Proceeds from bank borrowings	314,344	655,112
Repayment of bank borrowings	-293,235	-280,471
Loan to an associate	-2,522	-1,853
Dividends paid to Parent Company's shareholders	-251,147	-775,585
Dividends paid to non-controlling interest holders of subsidiaries	-4,313	-6,866
Finance costs	-7,780	-19,938
<i>Net cash used in financing activities</i>	-242,244	-423,027
Net (decrease)/increase in cash and cash equivalents	-113,647	78,996
Effects of foreign currency translation	-42,276	-16,960
Cash and cash equivalents at beginning of period	386,147	463,349
Cash and cash equivalents at end of period	230,224	525,385



Thank You

For more information, please contact Investor Relations Team at:

Investor.relations@zain.com