Investor Presentation

Q1-2011

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

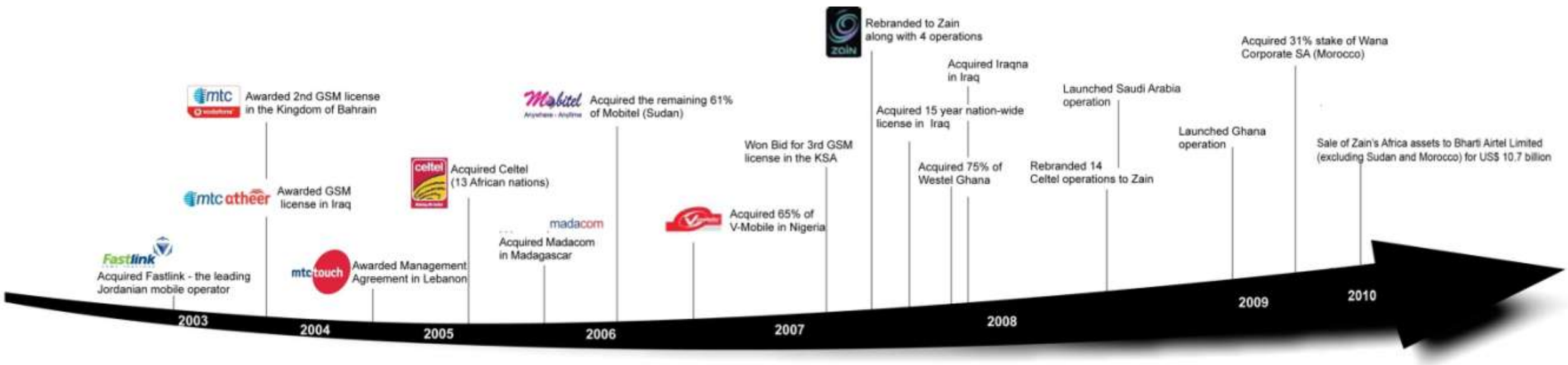
- Zain is an emerging telecoms player operating in 7 countries in the Middle East, serving over 37.6 million active customers

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

- Revenues: US$ 1,162.8 million; EBITDA: US$ 529.7 million; Net Income: US$ 251.1 million for Q1-2011

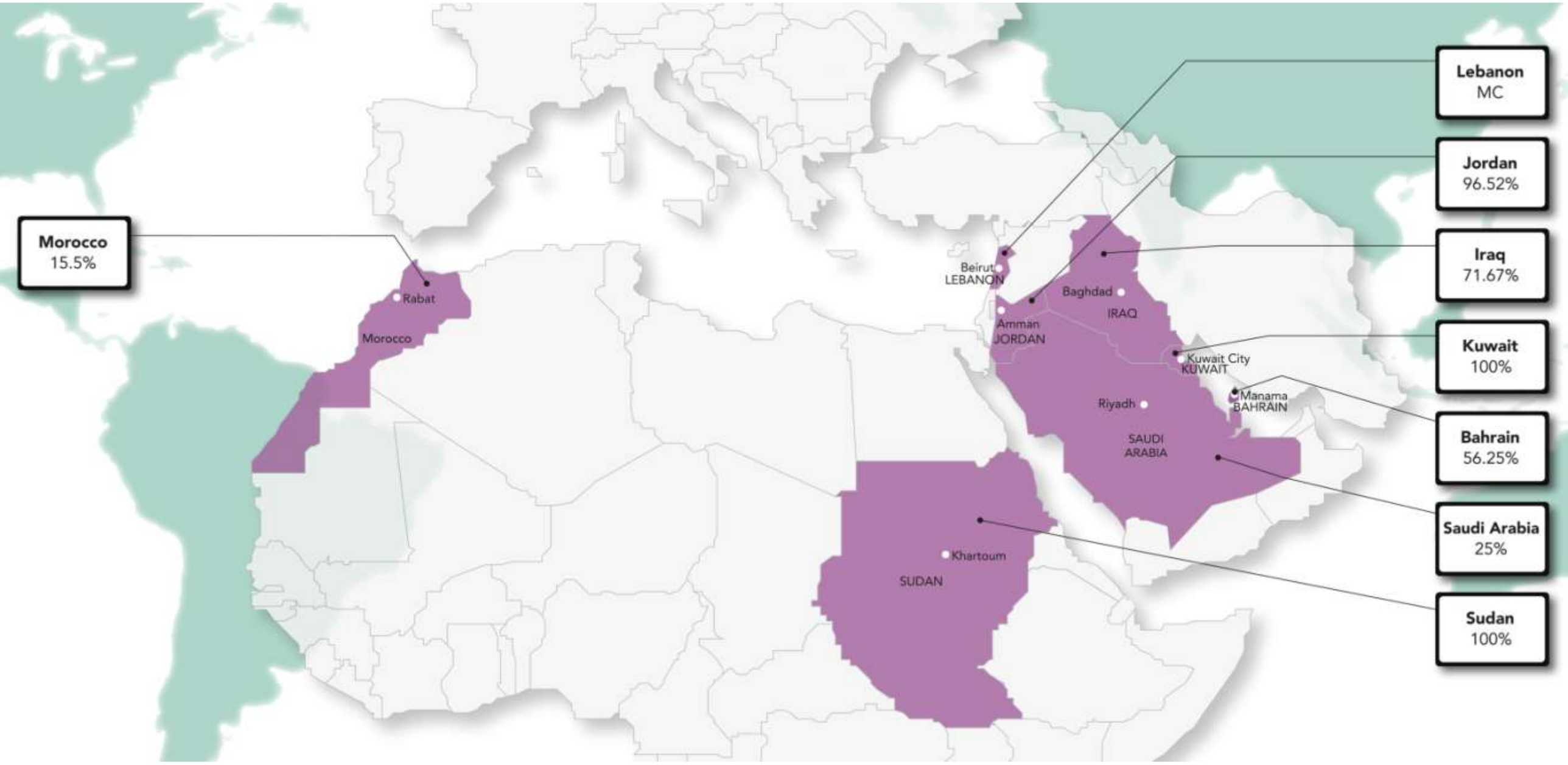
Zain's Historical Growth

From a National Player to an Emerging Markets Leader



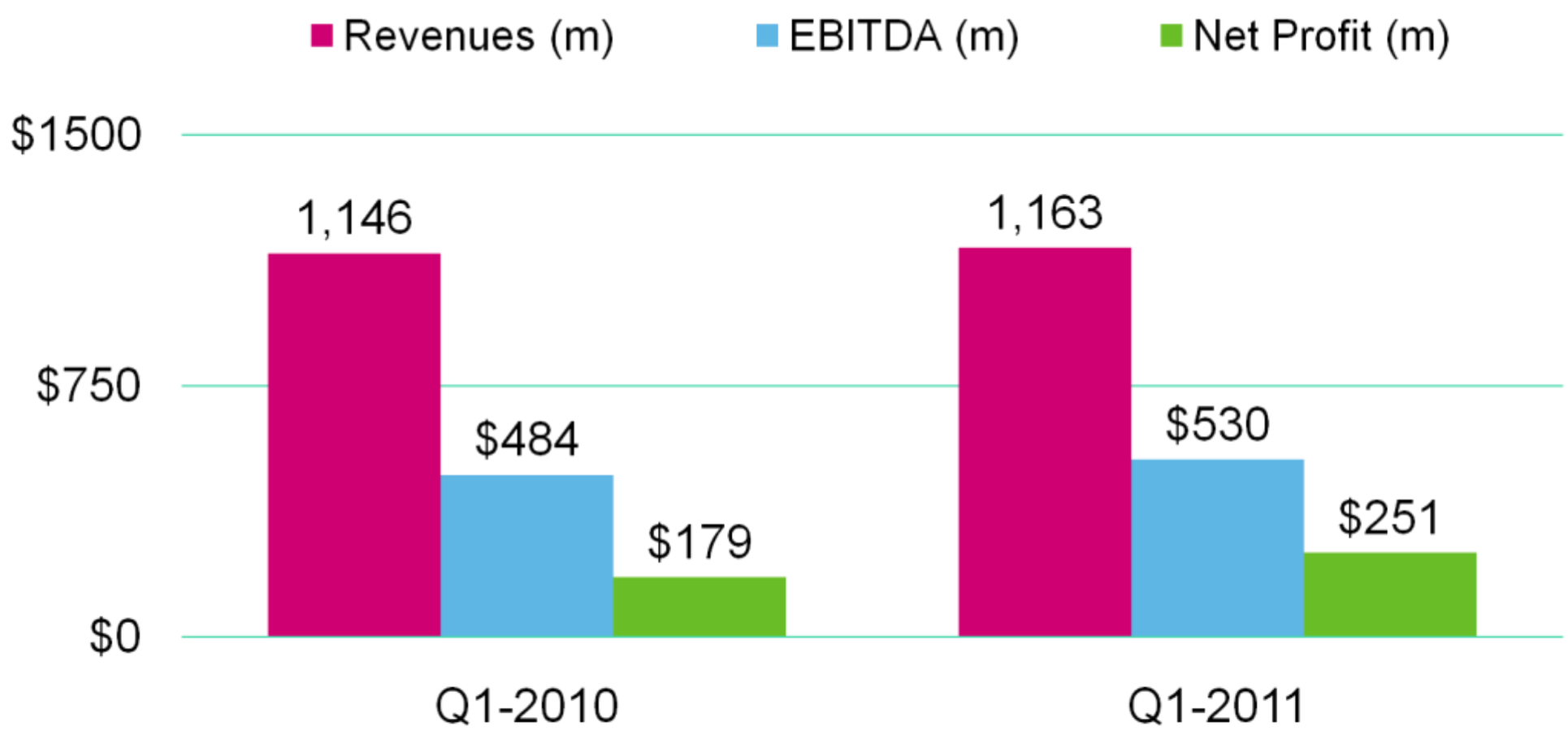
* MTC Atheer & Iraqna jointly operate under the Zain brand

Zain Group's Footprint



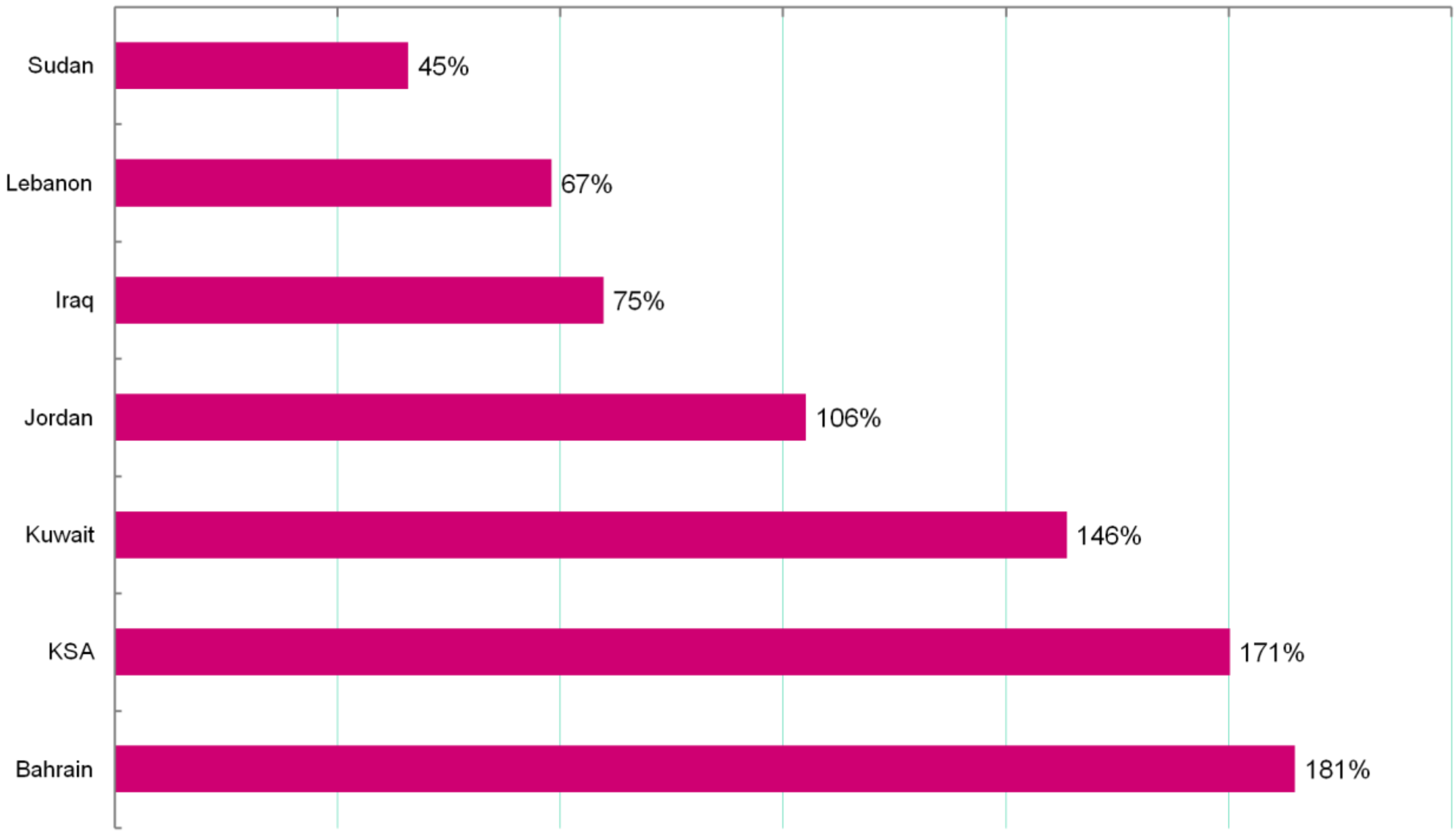
% reflects ownership

Zain's Key Performance Indicators



Penetration Rates

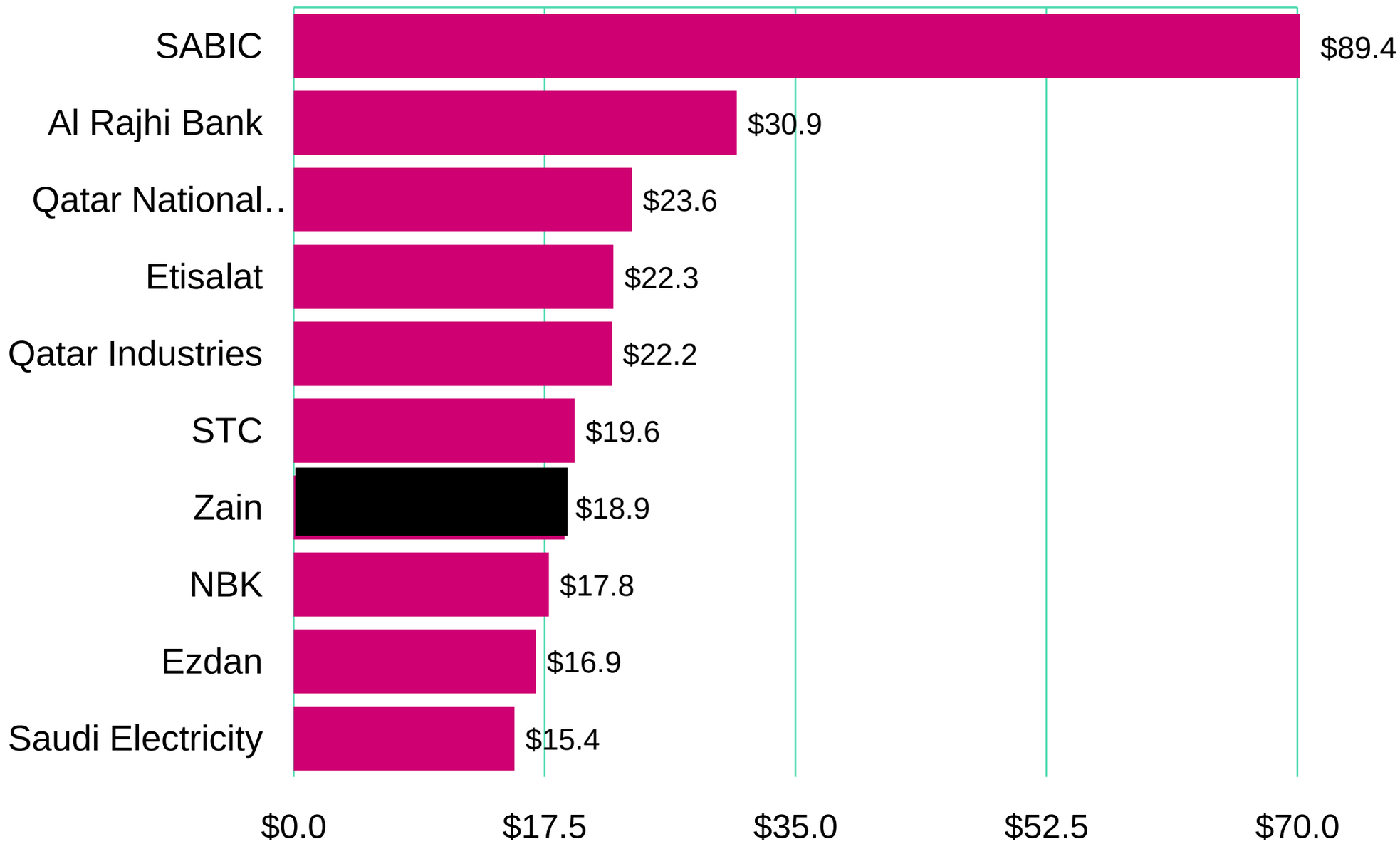
Substantial Potential for Future Growth



Source: Informa

Top 10 Companies in Middle East

Market Cap (Billion)

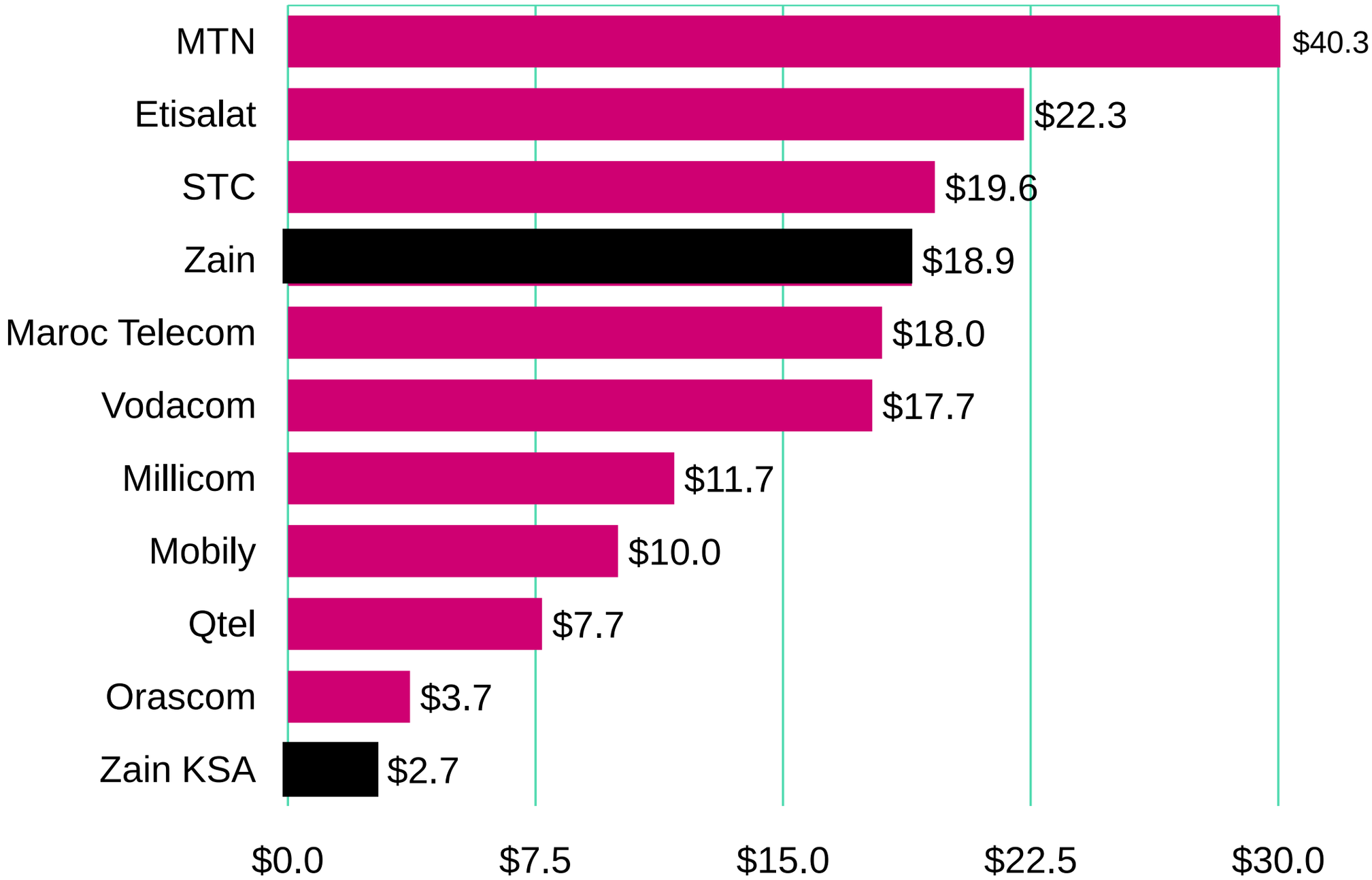


As of May 1, 2011

Source: Reuters

Top Telecom Companies in Middle East & Africa

Market Cap (Billion)



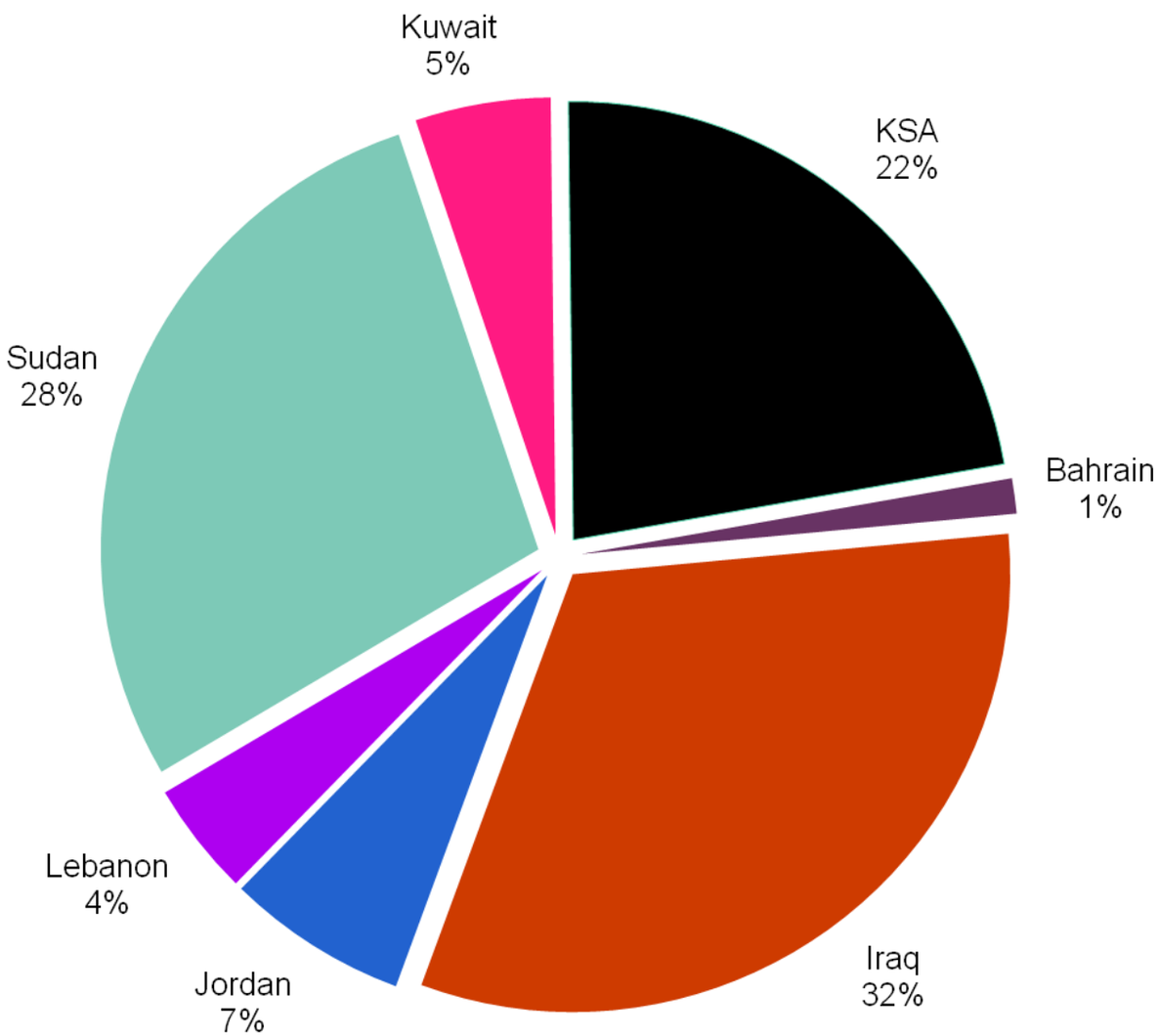
As of May 1, 2011

Source: Reuters

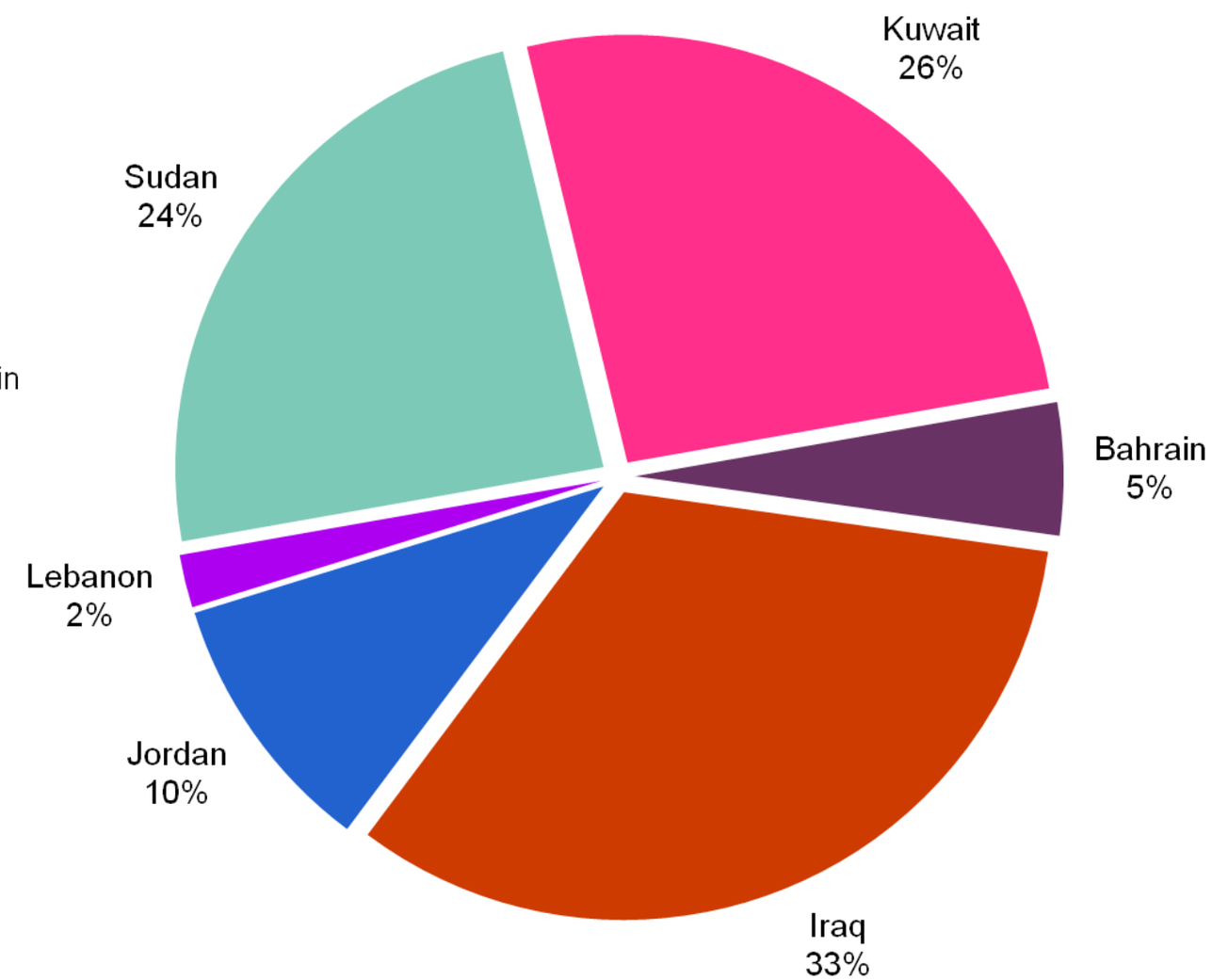
Zain’s Mobile Operations

Zain Group Country Breakdown
Q1-2011

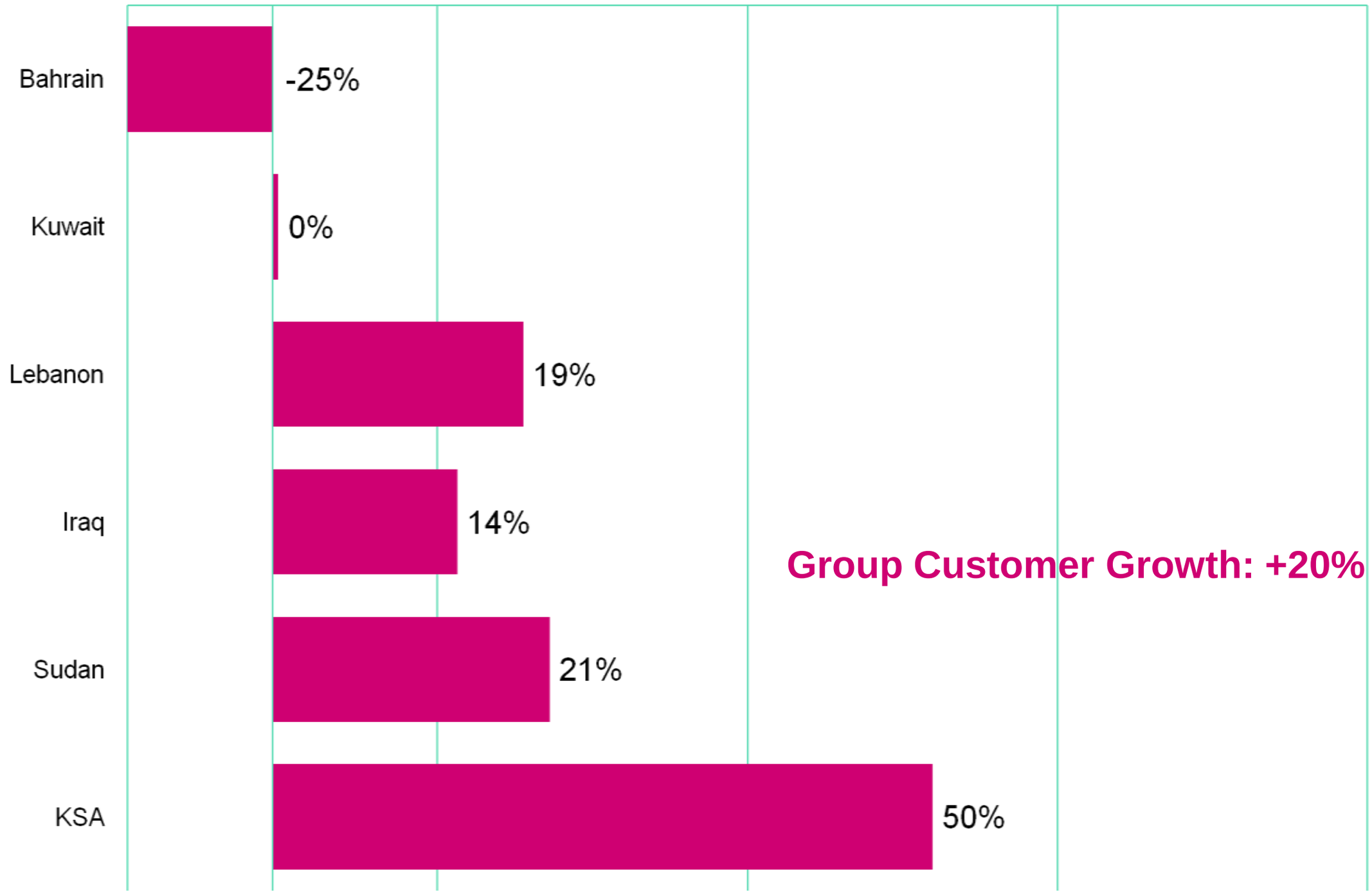
Zain Group Customers



Zain Group Revenues



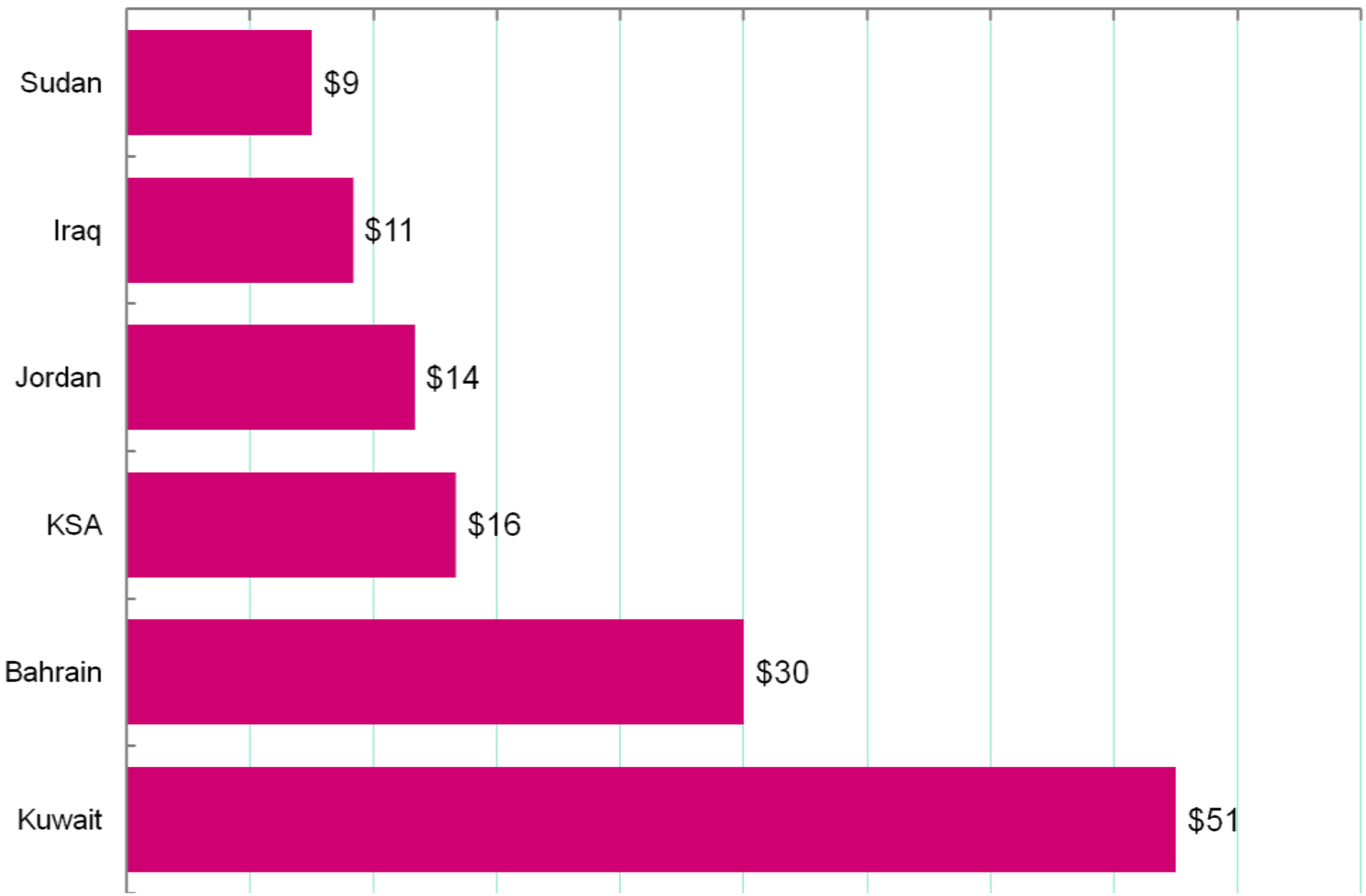
Zain Group Customer Growth
Q1-2011 vs. Q1-2010



Blended ARPUs

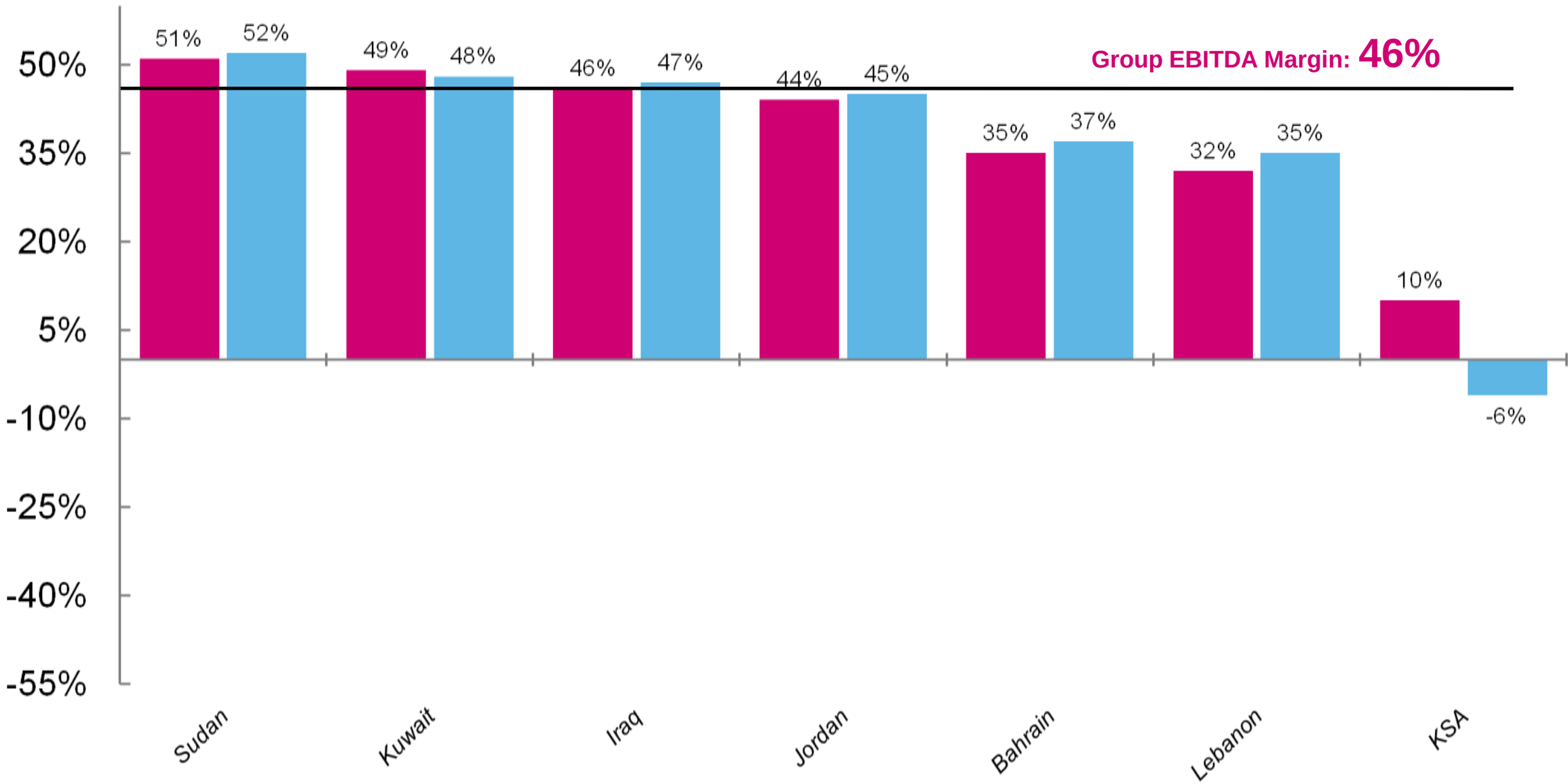
March 31, 2011

US$



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

EBITDA Margins
Q1-2011



Kuwait

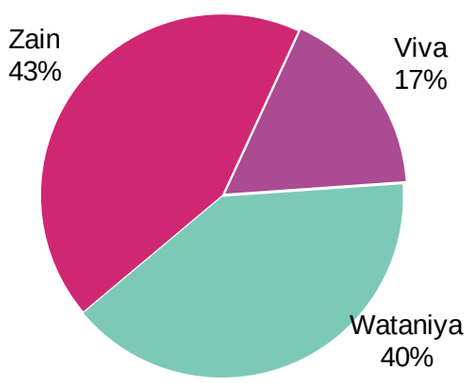
Contribution to Group total - Population: **2.5%** Customers: **5%** Revenues: **26%** - Customer YoY Growth: **0.4%**

- 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.
- New postpaid data packages were introduced in Q1-2011 for voice and data usage aimed to boost the postpaid client base.
- The operation has the highest ARPU ($51) in the Group.
- The operation's future strategy is to consistently exceed customers' expectations and capitalize on the demand and growth of data services as a way to generate additional revenues.

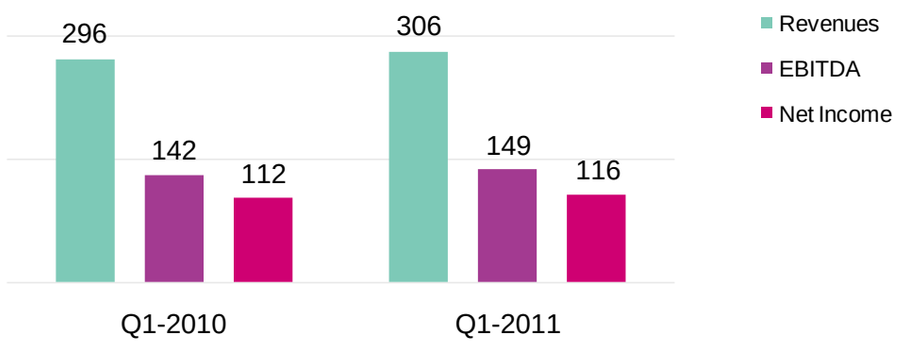
Key Statistics Q1-2011

Population (000s)	3,084
GDP/Capita (PPP)	$51,799
Year of launch	1983
Ownership	100%
Mobile Penetration	146%
Customers (000s)	1,887
Number of Operators	3
Market Positioning	1
Market Share	43%
ARPU	$51

Market Share



Financial Performance ($ m)



Sudan

Contribution to Group total - Population: **37%** Customers: **28%** Revenues: **24%** - Customer YoY Growth: **21%**

- 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 21% increase in customer base from the previous year.

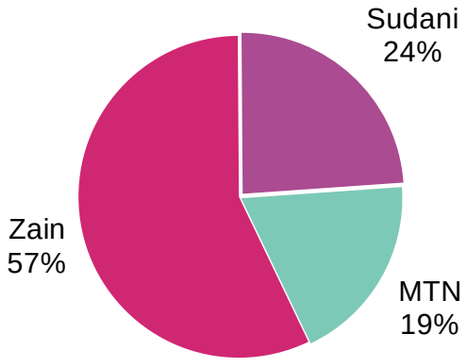
- In local currency, Zain Sudan reported an increase of 13% and 11% in revenues and EBITDA respectively.

- Going forward, the operation will be focusing on maintaining its market share growth and its position as market leader through an Acquisition & Retention strategy.

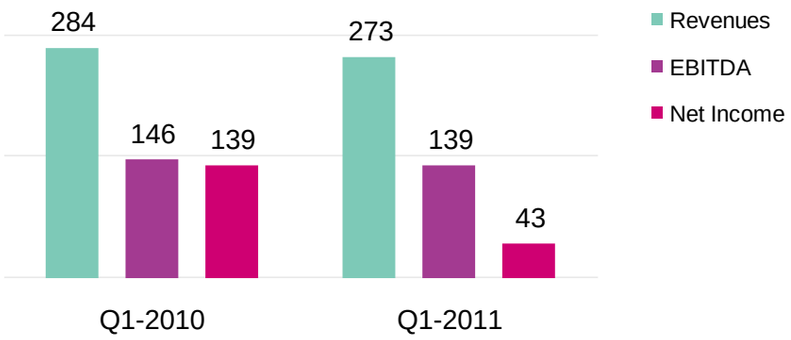
Key Statistics Q1-2011

Population (000s)	43,646
GDP/Capita (PPP)	$2,300
Year of full acquisition	2006
Ownership	100%
Mobile Penetration	45%
Customers (000s)	10,653
Number of Operators	3
Market Positioning	1
Market Share	57%
ARPU	$9

Market Share



Financial Performance ($ m)



Iraq

Contribution to Group total - Population: **27%** Customers: **32%** Revenues: **33%** - Customer YoY Growth: **14%**

- 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 54% customer market share and remains the major contributor to the Group's customer base and revenues at 32% and 33% respectively.

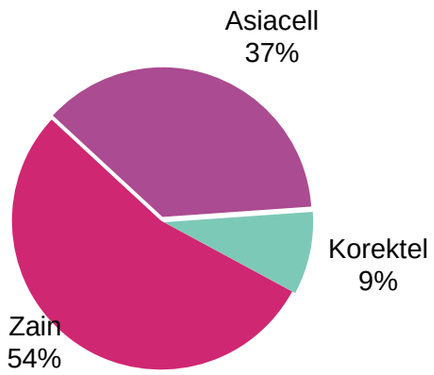
- Earlier in 2010, the Iraqi government announced the award of a 4th national license in a move to encourage market liberalization.

- In Q1-2011, Zain Iraq launched its first phase of extending services to the Kurdistan region, reflected in the 68% increase in Capex over the previous year.

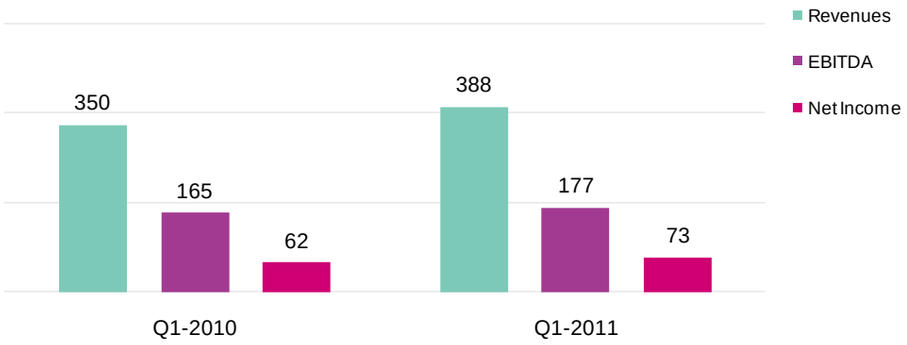
Key Statistics Q1-2011

Population (000s)	31,908
GDP/Capita (PPP)	$3,600
Year of acquisition	2003
Ownership	71.67%
Mobile Penetration	75%
Customers (000s)	12,065
Number of Operators	3
Market Positioning	1
Market Share	54%
ARPU	$11

Market Share



Financial Performance ($ m)



Jordan

Contribution to Group Total - Population: **5.5%** Customers: **7%** Revenues: **10%** Customer YoY Growth: **(0.5%)**

- 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 maintain its lead in this liberalized market with a 37% market share while ARPU levels remained stable from Q1-2010.

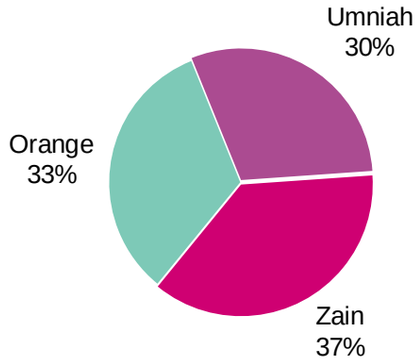
- Capex increased by double compared to the previous year, reaching US$ 7.3 million, due to the successful launch of HSPA+ across the country.

- The operation launched several new promotions and services targeting youth and serving as a retention plan for current postpaid customers.

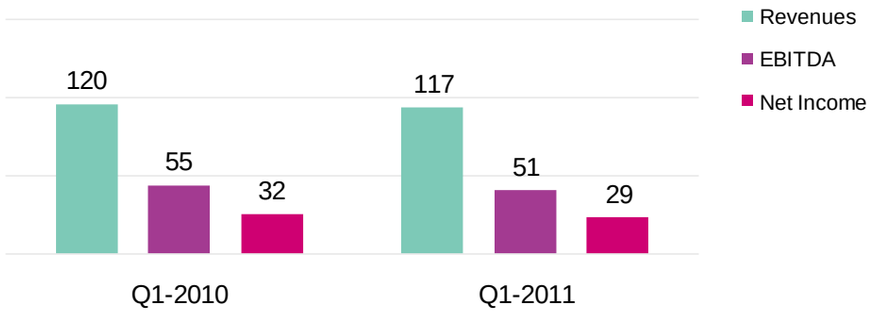
Key Statistics Q1-2011

Population (000s)	6,521
GDP/Capita (PPP)	$5,300
Year of acquisition	2003
Ownership	96.52%
Mobile Penetration	106%
Customers (000s)	2,522
Number of Operators	3
Market Positioning	1
Market Share	37%
ARPU	$14

Market Share



Financial Performance ($ m)



Bahrain

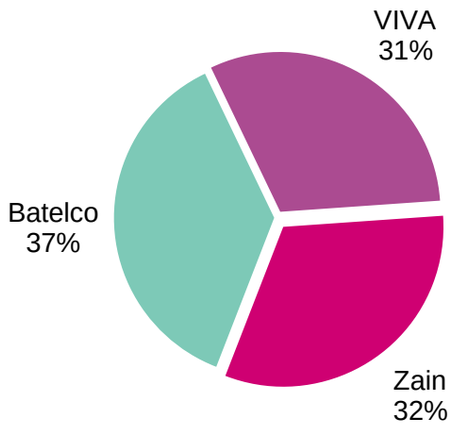
Contribution to Group Total - Population: **1%** Customers: **1%** Revenues: **5%** - Customer YoY Growth: **(26%)**

- 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 Q1-2011, the operation's market share remained at 32% from year-end, while ARPU levels increased to US$ 30.
- 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 provder.

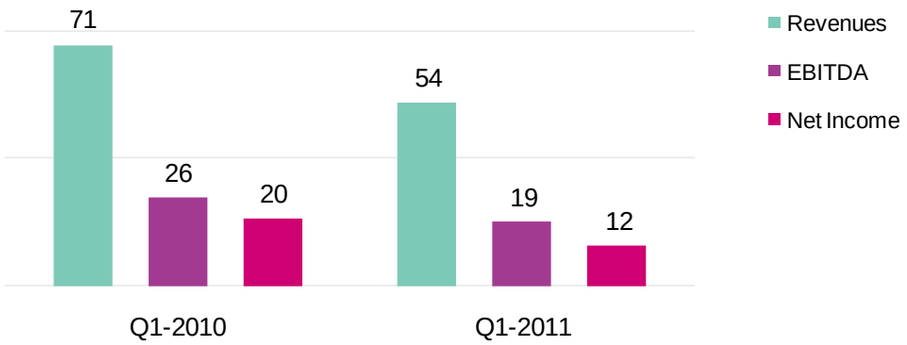
Key Statistics Q1-2011

Population (000s)	815
GDP/Capita (PPP)	$40,400
Year of launch	2003
Ownership	56.25%
Mobile Penetration	181%
Customers (000s)	476
Number of Operators	3
Market Positioning	2
Market Share	32%
ARPU	$30

Market Share



Financial Performance ($ m)



Kingdom of Saudi Arabia

Contribution to Group Total - Population: **23%** Customers: **22%** - Customer YoY Growth: 50%

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

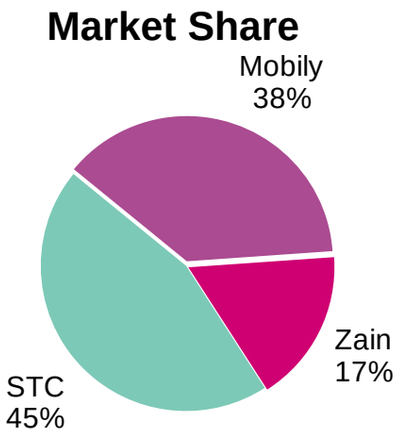
- The operation's customer base represented 22% of Zain Group's customer base, and increased by 50% from the previous year, representing the highest customer growth in the Group.

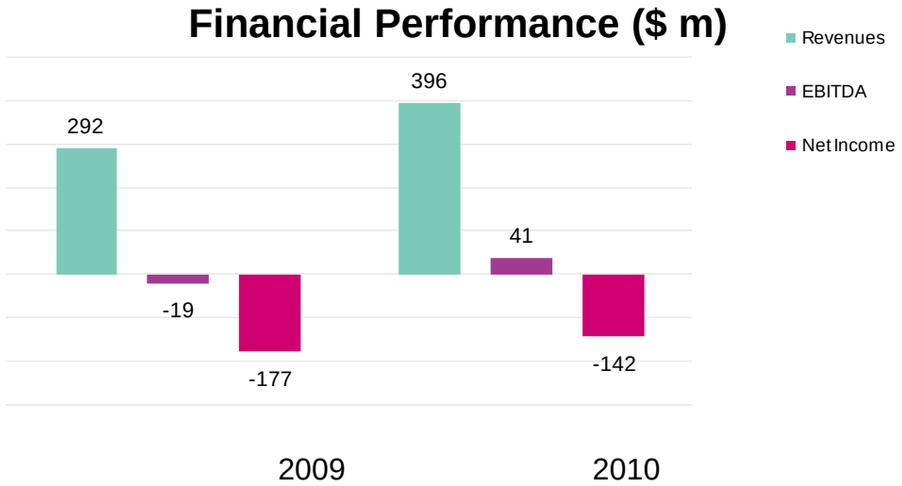
- Zain KSA succeeded in increasing the volume of calls and average broadband usage on its network, while decreasing the cost of national roaming, which led to a 20% decrease in net losses.

- 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 Q1-2011

Population (000s)	**26,515**
GDP/Capita (PPP)	**$24,200**
Year of launch	**2008**
Ownership	**25%**
Mobile Penetration	**171%**
Customers (000s)	**8,443**
Number of Operators	**3**
Market Positioning	**3**
Market Share	**17%**
ARPU	**$16**

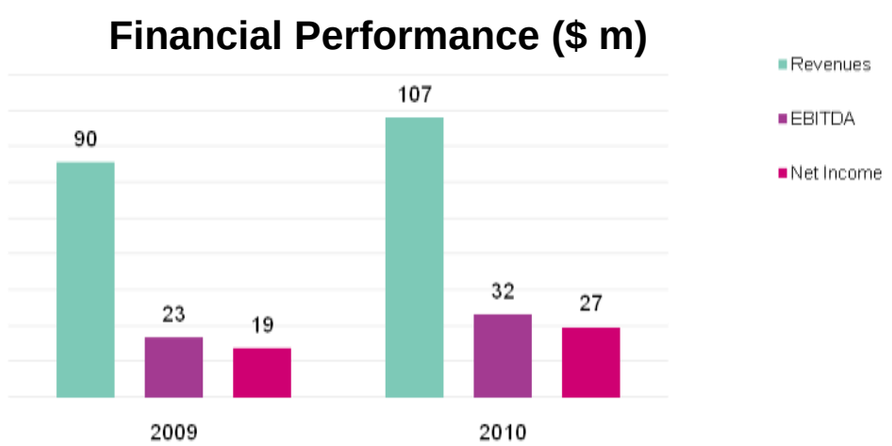




Lebanon

Contribution to Group Total - Population: **4%** Customers: **4%** Revenues: **2%** - Customer YoY Growth: **19%**

- 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.
- The operation's strategy includes the following: enhancing customer experience, launching new customer-centric services, and increasing market penetration.



Key Statistics Q1-2011

Population (000s)	**4,272**
GDP/Capita (PPP)	**$14,200**
Year of MC award	**2004**
Ownership	**MC**
Mobile Penetration	**67%**
Customers (000s)	**1,580**
Number of Operators	**2**

MC= Management Contract

Financial Statements

Balance Sheet

Assets	31-Mar 2011 KD '000	31-Mar 2010 KD '000
Current assets		
Cash and bank balances	1,048,111	165,854
Trade and other receivables	461,076	289,973
Inventories	13,232	14,925
Investment securities at fair value through profit or loss	6,358	8,533
	1,528,777	479,285
Assets of disposal group classified as held for sale	-	2,545,175
	1,528,777	3,024,460
Non-current assets		
Investment securities available for sale	88,754	99,470
Investments in associates	104,869	153,678
Interest in a jointly controlled entity	39,368	42,751
Loans to associates	184,691	142,707
Property and equipment	757,262	807,973
Intangible assets	1,244,717	1,420,999
Other assets	28,314	-
	2,447,975	2,667,578
Total Assets	3,976,752	5,692,038

LIABILITIES AND EQUITY	31-Mar 2011 KD '000	31-Mar 2010 KD '000
Current liabilities		
Trade and other payables	577,733	383,695
Due to banks	230,454	352,745
	808,187	736,440
Liabilities of disposal group classified as held for sale	-	1,044,948
	808,187	1,781,388
Non-current liabilities		
Due to banks	330,632	1,202,916
Other non-current liabilities	142,582	193,386
	473,214	1,396,302
Equity		
Attributable to Parent Company's shareholders		
Share capital	430,754	429,246
Share premium	1,703,351	1,697,785
Treasury shares	(567,834)	(567,834)
Legal reserve	214,871	147,989
Voluntary reserve	-	63,091
Foreign currency translation reserve	(262,844)	(51,099)
Treasury shares reserve	1,967	1,967
Equity issue transaction cost of associate	(1,748)	(1,824)
Investment fair valuation reserve	(5,602)	2,524
Share based compensation reserve	5,991	19,123
Hedge reserve	(1,796)	(45,809)
Retained earnings	302,008	645,185
Dividend payable	776,365	-
	2,595,483	2,340,344
Non-controlling interests	99,868	174,004
Total equity	2,695,351	2,514,348
Total Liabilities and Equity	3,976,752	5,692,038

Income Statement

	31-Mar 2011	31-Mar 2010 (Restated)
	KD '000	KD '000
Continuing operations		
Revenue	324,378	329,674
Cost of sales	(86,534)	(85,193)
Gross profit	237,844	244,481
Distribution, marketing and operating expenses	(67,587)	(65,746)
General and administrative expenses	(19,382)	(38,422)
Depreciation and amortization	(41,810)	(39,749)
Provision for doubtful debts	(3,152)	(1,121)
Operating profit	105,913	99,443
Interest income	4,345	3,670
Investment income	(393)	425
Share of loss of associates	(10,001)	(12,939)
Share of loss of jointly controlled entity	(902)	(1,312)
Other income	2,578	2,970
Finance costs	(5,523)	(23,591)
Gain/ (loss) from currency revaluation	(23,515)	9,254
Board of Directors' remuneration	(8)	(8)
Contribution to Foundation for Advancement of Sciences	(720)	(533)
National Labour Support Tax and Zakat	(2,025)	(1,950)
Profit for the period before income tax	69,749	75,429
Income tax expense	(8,611)	(8,378)
Profit for the period from continuing operations	61,138	67,051
Discontinued operations		
Loss for the period from discontinued operations	-	(12,622)
Release of provisions	16,320	
Profit for the period	**77,458**	**54,429**

	31-Mar 2011	31-Mar 2010 (Restated)
Attributable to:	KD '000	KD '000
Shareholders of the Parent Company	69,915	51,542
Non-controlling interests	7,543	2,887
	77,458	54,429
Earnings per share (EPS)		
Basic – Fils		
From continuing operations	14	15
From discontinued operations	4	(2)
	18	13
Diluted – Fils		
From continuing operations	14	15
From discontinued operations	4	(2)
	18	13

Cash Flow Statement

	31-Mar 2011	31-Mar 2010 (Restated)
Cash flows from operating activities	**KD '000**	**KD '000**
Profit for the period before income tax of continuing and discontinued operations	86,069	59,948
Adjustments for:		
Depreciation and amortization	41,810	107,664
Interest income	(4,345)	(4,749)
Investment income	393	(425)
Share of loss of associates	10,001	12,939
Share of loss of jointly controlled entity	902	1,312
Finance cost	5,523	38,352
(Gain)/ loss from currency revaluation	23,515	(5,829)
Operating profit before working capital changes	163,868	209,212
Increase in trade and other receivables	(33,311)	(46,947)
Decrease/ (increase) in inventories	(878)	1,871
Increase in trade and other payables	5,024	(1,841)
Cash generated from operations	134,703	162,295
Payments:		
Income tax	(1,021)	(20,618)
Kuwait Foundation for Advancement of Sciences (KFAS)	(1,818)	-
Net cash from operating activities	131,864	141,677

	31-Mar 2011	31-Mar 2010 (Restated)
Cash flows from investing activities	**KD '000**	**KD '000**
Purchase of investments	(712)	-
Proceeds from sale of investments	226	67
Acquisition of property and equipment (net)	(40,897)	(96,664)
Acquisition of intangible assets	(40)	(74)
Licence fee paid	-	(35,963)
Interest received	4,006	4,743
Dividend paid	701	156
Net cash used in investing activities	(36,716)	(127,735)
Cash flows from financing activities		
Capital contribution including share premium – employees stock option	6,574	7,641
Borrowing from / (repayments to) banks (net)	338,657	(7,402)
Loan to an associate	-	(10)
Dividends paid to parent company's shareholders	(789)	(191)
Dividends paid to minority shareholders of subsidiaries	(4,341)	(9,372)
Finance cost	(14,187)	(30,752)
Net cash from / (used in) financing activities	325,914	(40,086)
Net increase/ (decrease) in cash and cash equivalents	421,062	(26,144)
Effect of foreign currency translation	(12,970)	1,342
Cash and cash equivalents at beginning of period	463,349	267,175
Cash and cash equivalents at end of period	871,441	242,373

Thank you

For more information please contact Investor Relation Team at:

investor.relations@zain.com

A wonderful world