

**MOBILE TELECOMMUNICATIONS COMPANY
SAUDI ARABIA
(A Saudi Joint Stock Company)**

UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX MONTH
PERIODS ENDED JUNE 30, 2011 AND
INDEPENDENT ACCOUNTANTS' LIMITED
REVIEW REPORT

**MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A Saudi Joint Stock Company)
INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTH
PERIOD ENDED JUNE 30, 2011 (UNAUDITED)**

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INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT

July 16, 2011

To the Shareholders of Mobile Telecommunications Company Saudi Arabia
(A Saudi Joint Stock Company)

Scope of review

We have reviewed the accompanying interim balance sheet of Mobile Telecommunications Company (A Saudi Joint Stock Company) (the "Company") as of June 30, 2011 and the related interim statements of operations for the three-month and six-month periods then ended, and the interim statements of cash flows and changes in shareholders' equity for the six-month period ended June 30, 2011 and the related notes which form an integral part of these interim financial statements. These interim financial statements are the responsibility of the Company's management.

We conducted our limited review in accordance with the standard of review of interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of the limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with accounting principles generally accepted in Saudi Arabia, appropriate to the circumstances of the Company.

Emphasis of matter

Without modifying our report, we draw attention to Note 1 to the interim financial statements. The Company incurred net loss for the six-month period ended June 30, 2011 and its current liabilities exceeded its current assets and has accumulated deficit as of that date. The Company believes that it will be successful in meeting its obligations in the normal course of operations. Accordingly, the accompanying interim financial statements have been prepared under the going concern basis.

PricewaterhouseCoopers



By: _____

Khalid A. Mahdhar
License Number 368

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A Saudi Joint Stock Company)
Interim balance sheet
(All amounts in Saudi Riyals thousands unless otherwise stated)

		June 30, 2011	December 31, 2010	June 30, 2010
	Notes	(Unaudited)	(Audited)	(Unaudited)
Assets				
Current assets				
Cash and cash equivalents		502,367	702,117	599,702
Accounts receivable - net		636,748	1,463,166	1,048,439
Inventories - net		27,718	28,799	25,013
Due from related parties		-	-	15,406
Prepayments and other receivables - net		509,589	408,527	446,316
		<u>1,676,422</u>	<u>2,602,609</u>	<u>2,134,876</u>
Non-current assets				
Property and equipment - net		3,850,482	4,298,200	3,974,830
Intangible assets - net		20,740,600	21,154,628	21,648,813
		<u>24,591,082</u>	<u>25,452,828</u>	<u>25,623,643</u>
Total assets		<u>26,267,504</u>	<u>28,055,437</u>	<u>27,758,519</u>
Liabilities				
Current liabilities				
Accounts payable		1,240,617	2,104,503	1,977,414
Accrued and other liabilities		2,180,586	2,587,223	2,308,557
Deferred revenue		428,171	451,342	305,056
Due to related parties		36,695	117,294	-
Short-term borrowing facility	3	-	2,193,750	2,193,750
Derivative financial instruments	6	81,572	-	-
		<u>3,967,641</u>	<u>7,454,112</u>	<u>6,784,777</u>
Non-current liabilities				
Notes payable		807,915	659,221	329,644
Advances from shareholders	4	3,891,837	3,665,497	3,552,515
Long-term borrowing facility	3	2,214,737	-	-
Syndicated Murabaha financing from banks	5	9,735,877	9,655,693	9,516,951
Derivative financial instruments	6	-	134,630	-
Due to related parties		425,876	339,776	231,305
Employee termination benefits		21,073	17,096	14,888
		<u>17,097,315</u>	<u>14,471,913</u>	<u>13,645,303</u>
Total liabilities		<u>21,064,956</u>	<u>21,926,025</u>	<u>20,430,080</u>
Shareholders' equity				
Share capital	1,7	14,000,000	14,000,000	14,000,000
Accumulated losses	1	(8,715,880)	(7,735,958)	(6,671,561)
Hedging reserve	6	(81,572)	(134,630)	-
Total shareholders' equity		<u>5,202,548</u>	<u>6,129,412</u>	<u>7,328,439</u>
Total liabilities and shareholders' equity		<u>26,267,504</u>	<u>28,055,437</u>	<u>27,758,519</u>
Contingencies and commitments	10			

The accompanying notes on pages 7 to 14 form an integral part of these interim financial statements.

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A Saudi Joint Stock Company)
Interim statement of operations (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Three-month period ended June 30, 2011	Six-month period ended June 30, 2011	Three-month period ended June 30, 2010	Six-month period ended June 30, 2010
Note				
Revenue	1,704,646	3,188,861	1,450,409	2,544,639
Cost of revenue	(781,430)	(1,549,630)	(842,375)	(1,552,265)
Gross profit	923,216	1,639,231	608,034	992,374
Operating expenses				
Distribution and marketing	(560,465)	(1,042,934)	(469,774)	(845,660)
General and administrative	(87,326)	(166,998)	(81,116)	(159,892)
Depreciation and amortization	(419,224)	(806,207)	(371,596)	(736,559)
Loss from operations	(143,799)	(376,908)	(314,452)	(749,737)
Other income (expenses)				
Financial charges	(304,385)	(603,034)	(317,224)	(544,542)
Commission income	7	20	90	239
Net loss for the period	(448,177)	(979,922)	(631,586)	(1,294,040)
Loss per share (Saudi Riyals):				
• Loss from operations	8	(0.10)	(0.27)	(0.22)
• Non-operating loss	8	(0.22)	(0.43)	(0.38)
• Net loss	8	(0.32)	(0.70)	(0.92)

The accompanying notes on pages 7 to 14 form an integral part of these interim financial statements.

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A Saudi Joint Stock Company)
Interim cash flow statement
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Six-month period ended June 30, 2011	Six-month period ended June 30, 2010
	(Unaudited)	(Unaudited)
Cash flow from operating activities		
Net loss for the period	(979,922)	(1,294,040)
<u>Adjustments for non-cash items</u>		
Provision for doubtful debts	102,836	84,336
Provision for slow moving items	750	-
Provision against other receivables	2,697	-
Depreciation and amortization	806,207	736,559
Loss on disposal of property and equipment	-	32
<u>Other adjustments</u>		
Financial charges	603,034	544,542
Commission income	(20)	(239)
<u>Changes in working capital</u>		
Accounts receivable	723,582	(125,528)
Inventories	331	14,409
Prepayments and other receivables	(103,759)	(148,841)
Accounts payable	(757,480)	162,622
Accrued and other liabilities	(510,150)	344,053
Deferred revenue	(23,171)	53,797
Due to related parties	(80,599)	(18,595)
Employee termination benefits	3,977	4,488
Net cash (utilized in) generated from operating activities	<u>(211,687)</u>	<u>357,595</u>
Cash flow from investing activities		
Purchase of property and equipment	(47,371)	(367,972)
Additions to intangible assets	(3,496)	(12,128)
Proceed from sale of property and equipment	-	43
Commission income received	20	239
Net cash utilized in investing activities	<u>(50,847)</u>	<u>(379,818)</u>
Cash flow from financing activities		
Short-term borrowing facility	(2,193,750)	2,193,750
Notes payable	144,780	(1,822,575)
Advances from shareholders	126,601	185,388
Long-term borrowing	2,214,737	-
Due to related parties - net	86,100	81,429
Financial charges paid	(315,684)	(521,859)
Net cash generated from financing activities	<u>62,784</u>	<u>116,133</u>
Net change in cash and cash equivalents	<u>(199,750)</u>	<u>93,910</u>
Cash and cash equivalents at beginning of period	<u>702,117</u>	<u>505,792</u>
Cash and cash equivalents at end of period	<u><u>502,367</u></u>	<u><u>599,702</u></u>
Supplement non-cash information		
Changes in fair value of derivative financial instruments and corresponding debit to shareholders' equity	<u>53,058</u>	-
Adjustment to property and equipment with corresponding effect to accounts payable	<u>106,406</u>	-

The accompanying notes on pages 7 to 14 form an integral part of these interim financial statements.

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A Saudi Joint Stock Company)
Interim statement of changes in shareholders' equity
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Accumulated losses	Hedging reserve	Total
<u>(Unaudited)</u>				
January 1, 2011	14,000,000	(7,735,958)	(134,630)	6,129,412
Net loss for the period	-	(979,922)	-	(979,922)
Derivative financial instruments (Note 6)	-	-	53,058	53,058
June 30, 2011	14,000,000	(8,715,880)	(81,572)	5,202,548
<u>(Unaudited)</u>				
January 1, 2010	14,000,000	(5,377,521)	-	8,622,479
Net loss for the period	-	(1,294,040)	-	(1,294,040)
June 30, 2010	14,000,000	(6,671,561)	-	7,328,439

The accompanying notes on pages 7 to 14 form an integral part of these interim financial statements.

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA

(A Saudi Joint Stock Company)

Notes to the interim financial statements for the six-month period ended June 30, 2011 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information

Mobile Telecommunications Company Saudi Arabia (the "Company" or "Zain - KSA"), provides mobile telecommunication services in the Kingdom of Saudi Arabia in which it operates; purchases, delivers, installs, manages and maintains mobile telephone services.

The Company is a Saudi Joint Stock Company established pursuant to the Ministerial Resolutions No. 176 dated 25 Jumada I, 1428H (corresponding to June 11, 2007) and No. 357 dated 28 Dhu Al-Hijjah, 1428H (corresponding to January 7, 2008), Royal Decree No. 48/M dated 26 Jumada I, 1428H (corresponding to June 12, 2007) and Commercial Registration No. 1010246192 issued in Riyadh, Saudi Arabia on 4 Rabi Awal 1429H (corresponding to March 12, 2008) to operate as the 3rd GSM public mobile cellular and 3G public mobile cellular licensee in the Kingdom of Saudi Arabia for 25 years. The head office of the Company is located in Riyadh, Kingdom of Saudi Arabia.

The Company incurred net loss for the period ended June 30, 2011 and its current liabilities exceeded its current assets and has accumulated deficit as of that date. These conditions indicate that the Company's ability to meet its obligations as they become due and to continue as a going concern depends upon the Company's ability to arrange adequate funds in a timely manner. The Company believes that it will be successful in its efforts to secure funding to meet its obligations in the normal course of its operations. Accordingly, the accompanying interim financial statements have been prepared under the going concern basis.

The Board of Directors (the "Board") in their meeting held on February 20, 2011 recommended to restructure the share capital of the Company by reducing it from Saudi Riyals 14,000,000,000 to Saudi Riyals 6,265,000,000 and the total number of shares from 1.4 billion shares to 626,500,000 shares by cancellation of 773,500,000 shares with a 55.25% reduction of share capital, an average reduction of approximately one share for every 1.80995 shares. The purpose of such capital reduction is to absorb the accumulated losses of the Company as of December 31, 2010. Further, the Board has recommended to increase the share capital by Saudi Riyals 4,383,487,180 through the issuance of 438,348,718 new shares (rights issue). The recommendation of the Board is subject to approval by the shareholders in the extra ordinary general assembly meeting and by the Capital Market Authority and Ministry of Commerce and Industry.

As a consequence of a joint proposal by Batelco, Bahrain and Kingdom Holding Company, Saudi Arabia, related to the potential acquisition of Mobile Telecommunications Company ("MTC") Kuwait's 25% equity interest in the Company, the Company's Board of Directors in their meeting held on June 14, 2011 agreed to proceed with the due diligence pursuant to the request by MTC Kuwait.

The registered address of the Company is P.O. Box 295814, Riyadh 11351, Kingdom of Saudi Arabia.

These interim financial statements were approved by the Management on July 16, 2011.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these interim financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

The accompanying interim financial statements have been prepared under the historical cost convention on the accrual basis of accounting, as modified by revaluation of derivative financial instruments at fair value, and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants ("SOCPA"). These interim financial statements should be read in conjunction with the annual audited financial statements for the year ended December 31, 2010.

The significant accounting policies used for the preparation of the interim financial statements mentioned below are in conformity with the accounting policies described in the audited financial statements for the year ended December 31, 2010.

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA

(A Saudi Joint Stock Company)

Notes to the interim financial statements for the six-month period ended June 30, 2011 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

2.2 Period of the financial statements

The Company's financial year begins on January 1 and ends on December 31 of each Gregorian year. The interim financial statements have been prepared in accordance with SOCPA's Standard of Review of Interim Financial Reporting, on the basis of integrated periods, which views each interim period as an integral part of the financial year. Accordingly, revenues, gains, expenses and losses of the period are recognized during the period. The accompanying interim financial statements include all adjustments, comprising mainly of normal recurring accruals, considered necessary by the management to present fairly the statements of financial position, results of operations and cash flows.

The results of operations for the interim period may not represent a proper indication of the annual results of operations.

2.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

2.4 Segment reporting

(a) Business segment

A business segment is group of assets, operations or entities:

- (i) engaged in revenue producing activities;
- (ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- (iii) financial information is separately available.

(b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

2.5 Foreign currency translations

(a) Reporting currency

These financial statements are presented in Saudi Riyals ("SR") which is the reporting currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which were not significant for the period ended June 30, 2011 and 2010, are recognized in the statement of operations.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments, if any, with maturities of three months or less from the purchase date.

2.7 Accounts receivable

Accounts receivable are shown at their net realizable values, which represent billed and unbilled usage revenues net of allowances for doubtful accounts. A provision against doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the statement of operations and reported under "distribution and marketing expenses". When account receivable is uncollectible, it is written-off against the

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(All amounts in Saudi Riyals thousands unless otherwise stated)

provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "distribution and marketing expenses" in the statement of operations.

2.8 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.9 Property and equipment

Property and equipment are carried at cost less accumulated depreciation except capital work in progress which is carried at cost. Depreciation is charged to the statement of operations, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

	Shorter of lease term or useful life
Leasehold improvements	
Telecommunications equipment	8 Years
Civil works (telecommunications)	15 Years
Information technology systems	2 Years
Information technology servers	5 Years
Furniture and fixtures	5 Years
Office equipment	2 Years
Vehicles and other transportation equipment	5 Years

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the statement of operations.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of operations as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

2.10 Intangible assets

License fee is stated at cost less accumulated amortization. The amortization period is 25 years and is primarily determined by reference to the unexpired license period, the conditions for license renewal and whether the license is dependent on specific technologies. Amortization is charged to the statement of operations on a straight-line basis over the estimated useful life from the commencement of service of the network.

Computer software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software into use. These costs are amortized over their estimated useful lives, being 2 to 5 years. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company and that are expected to generate economic benefits exceeding one year are recognized as intangible assets.

Costs associated with maintaining software are recognized as an expense when they are incurred.

2.11 Impairment of non-current assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets other than intangible assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of operations. Impairment losses recognized on intangible assets are not reversible.

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA

(A Saudi Joint Stock Company)

Notes to the interim financial statements for the six-month period ended June 30, 2011 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

2.12 Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the statement of operations.

2.13 Capital leases

The Company accounts for property and equipment acquired under capital leases by recording the assets and the related liabilities. These amounts are determined on the basis of the present value of minimum lease payments. Financial charges are allocated to the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation on assets under capital leases is charged to the statement of operations applying the straight-line method at the rates applicable to the related assets.

2.14 Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company.

2.15 Provisions

Provisions are recognized when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2.16 Zakat

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax (the "DZIT"). Provision for zakat, if any, is charged to the statement of operations. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

2.17 Employee termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and charged to the statement of operations. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

2.18 Revenues

The Company's revenue comprises revenue from mobile telecommunications. Revenue from mobile telecommunications comprises amounts charged to customers in respect of airtime usage, text messaging, the provision of other mobile telecommunications services, including data services and information provision, fees for connecting users of other fixed line and mobile networks to the Company's network.

Airtime used by customers is invoiced and recorded as part of a periodic billing cycle and recognized as revenue over the related access period. Unbilled revenue resulting from services already provided from the billing cycle date to the end of each accounting period is accrued and unearned revenue from services to be provided in periods after each accounting period is deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

Revenue from data services and information provision is recognized when the Company has performed the related service and, depending on the nature of the service, is recognized either at the gross amount billed to the customer or the amount receivable by the Company as commission for facilitating the service.

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA

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Notes to the interim financial statements for the six-month period ended June 30, 2011 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

Incentives are provided to customers in various forms as part of a promotional offering. Where such incentives are provided in the context of an arrangement that comprises other deliverables, revenue representing the fair value of the incentive, relative to other deliverables provided to the customer as part of the same arrangement, is deferred and recognized in line with the Company's performance of its obligations relating to the incentive. In arrangements including more than one deliverable, the arrangement consideration is allocated to each deliverable based on the fair value of the individual element. The Company generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a standalone basis.

2.19 Distribution, marketing, general and administrative expenses

Distribution, marketing and general and administrative expenses include direct and indirect costs not specifically part of cost of revenue as required under generally accepted accounting principles. Allocations between distribution, marketing and general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

2.20 Operating leases

Lease of property and equipment under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Rental expenses under operating leases are charged to the statement of operations on a straight-line basis over the period of the lease.

2.21 Derivative financial instruments

Derivative financial instruments are measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedge is recognized in hedging reserve under shareholders' equity. The gain or loss relating to the ineffective portion is recognized immediately in the interim statement of operations. Gains or losses recognized initially in hedging reserve are transferred to the interim statement of operations in the period in which the hedged item impacts the interim statement of operations.

2.22 Reclassifications

Following reclassifications have been made in the comparative December 31, 2010 financial statements and June 30, 2010 interim financial statements to conform with 2011 presentation:

- (i) For better presentation accrued financial charges amounting to Saudi Riyals 147.3 million as at June 30, 2010 has been reclassified as part of advances from shareholders (Note 4) from accrued and other liabilities.
- (ii) Balance amounting to Saudi Riyals 491.2 million as at June 30, 2010 has been reclassified from due to related parties to advances from shareholders (Note 4).
- (iii) Balance amounting to Saudi Riyals 15.4 million as at June 30, 2010 has been reclassified from due to related parties to due from a related party.
- (iv) Balance amounting to Saudi Riyals 339.8 million and Saudi Riyals 231.3 million as of December 31, 2010 and June 30, 2010, respectively, has been reclassified from due to related parties - current liabilities to due to related parties - non-current liabilities.

3 Short-term borrowing facility

During June 2010, a short-term facility was arranged by BNP Paribas to refinance the Company's obligations under the existing vendor financing arrangements to be repayable in June 2011. This facility consists of a SR portion totaling SR 438.8 million and a US\$ portion totaling US\$ 468 million (equivalent SR 1,755 million) and is secured by a guarantee provided by a founding shareholder. The facility attracts financing charges as specified in the agreement. The Company has arranged a long-term facility as mentioned below to pay off the short-term borrowing facility.

On April 5, 2011, one of the local commercial banks arranged a long-term facility to refinance the Company's obligations under the above-mentioned existing short-term borrowing facility to be repayable on April 9, 2013. This facility consists of a SR portion totaling SR 1,875 million and a US\$ portion totaling US\$ 100 million (equivalent SR 375 million) and is secured by a guarantee provided by a founding shareholder. The facility attracts financing charges as specified in the agreement.

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA**(A Saudi Joint Stock Company)****Notes to the interim financial statements for the six-month period ended June 30, 2011 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Advances from shareholders

The founding shareholders have provided advances to the Company. In accordance with the arrangements agreed with the shareholders during the third quarter of 2009, the outstanding balance carries finance cost that approximate the prevailing market rates.

The following is a breakdown of the advances from shareholders:

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)	June 30, 2010 (Unaudited)
Mobile Telecommunications Company K.S.C.	2,477,196	2,350,595	2,350,595
Faden Trading & Contracting Est.	314,890	314,890	314,890
Saudi Plastic Factory	301,365	301,365	301,365
Rakisa Holding Company	136,984	136,984	136,984
Almarai Company	109,587	109,587	109,587
Ashbal Al-Arab Contracting Est.	109,587	109,587	109,587
Al Jeraisy Development Company Limited	54,793	54,793	54,793
Al Sale Al Sharkiyah Company Limited	27,397	27,397	27,397
	3,531,799	3,405,198	3,405,198
Accrued financial charges	360,038	260,299	147,317
Total	3,891,837	3,665,497	3,552,515

The advances from shareholders at June 30, 2011 and the related accrued financial charges are currently not scheduled for repayment until the settlement of Syndicated Murabaha facility of Saudi Riyals 9.75 billion (Note 5).

5 Syndicated Murabaha financing from banks

A Syndicated Murabaha facility ("Murabaha facility") of approximately SR 9.75 billion was arranged by Banque Saudi Fransi to refinance the previous financing which matured in July 2009. This facility consists of a SR portion totaling SR 7.09 billion and a US\$ portion totaling US\$ 710 million (SR 2.66 billion).

Financing charges as specified under the Murabaha facility are payable in quarterly installments over two years. The principal amount is payable in one bullet payment on July 27, 2011. As per the terms of the Murabaha facility agreement and in the event that no default has occurred, the Company has the unconditional option to extend the initial maturity date (July 27, 2011) by six months, upto January 27, 2012, by giving notice to the lenders. The Company has exercised this option by giving notice to the lenders, to extend the initial maturity upto January 27, 2012. Further if no default has occurred, the agreement also provides the Company to further extend the maturity of Murabaha facility for another six months with the prior written consent of the lenders. The Company intends to exercise this option and believes that it will be able to get the required approval from the lenders. Accordingly, the outstanding balance at June 30, 2011 has been classified as long term.

Financial covenants imposed by the lending banks are:

- Negative pledge on all revenues and assets;
- Loans and guarantees restrictions to customers, distributors, dealers, retailers, wholesalers and employees;
- No further financial indebtedness, pari passu, insurance on all assets; and
- Compliance with various financial milestones across time.

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA

(A Saudi Joint Stock Company)

Notes to the interim financial statements for the six-month period ended June 30, 2011 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Derivative financial instruments

The fair value of derivative financial instrument (commission rate swap) together with the contract notional amounts are as follows:

	Contract notional amount	Negative fair value	
		June 30, 2011 (Unaudited)	December 31, 2010 (Audited)
Derivative financial instruments	8,287,500	81,572	134,630

7 Share capital

The share capital of the Company as of June 30, 2011, December 31, 2010 and June 30, 2010 was comprised of 1.4 billion shares stated at Saudi Riyals 10 per share owned as follows:

Shareholders	Number of shares	Share capital
Mobile Telecommunications Company K.S.C.	350,000,000	3,500,000
Saudi Plastic Factory	96,250,000	962,500
Faden Trading & Contracting Est.	96,250,000	962,500
Rakisa Holding Company	43,750,000	437,500
Almarai Company	35,000,000	350,000
Ashbal Al-Arab Contracting Est.	35,000,000	350,000
Al Jeraisy Development Company Limited	17,500,000	175,000
Architectural Elite Est. for Engineering and Contracting	17,500,000	175,000
Al Sale Al Sharkiyah Company Limited	8,750,000	87,500
Total founding shareholders	700,000,000	7,000,000
Public Pension Agency	70,000,000	700,000
Public shareholding	630,000,000	6,300,000
Total	1,400,000,000	14,000,000

8 Loss per share

Loss per share has been computed by dividing the operating loss, non-operating items - net and net loss for each period by the weighted average number of shares outstanding during the period which was 1.4 billion shares.

9 Operating leases

The Company leases sites, technical buildings and offices in connection with its operations. The lease commitments relating to such operating leases are as follows:

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)	June 30, 2010 (Unaudited)
Within 12 months	141,189	164,520	124,292
Within 2 to 5 years	543,377	614,753	615,354
Over 5 years	251,017	294,747	391,487
	935,583	1,074,020	1,131,133

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10 Contingencies and commitments

The Company has entered into arrangements with suppliers for the purchase of telecommunication equipment and with other mobile telecom companies for providing mobile cellular services. The capital commitments are comprised of the following:

	June 30, 2011 (Unaudited)	December 31, 2010 (Audited)	June 30, 2010 (Unaudited)
Within 12 months	850,753	480,367	435,353
Within 2 to 5 years	113,756	912,494	641,801
	<u>964,509</u>	<u>1,392,861</u>	<u>1,077,154</u>

Also see Note 9 for operating lease commitments.

Furthermore, the Company in the normal course of business is subject to and also pursuing lawsuits and other claims. Management believes that these matters are not expected to have a significant impact on the financial position or the results of operations of the Company.

11 Segment information

The Company commenced commercial activities on August 26, 2008 and since commencement of activities, the Company's operations are substantially from mobile phone services. Accordingly, segment information is not applicable.

12 Zakat

No zakat provision has been made in the accompanying interim financial statements as the Company's zakat base is negative and the Company has incurred losses. The Company has not received final zakat assessments from the DZIT for the years 2008 and 2009.