Mobile Telecommunications Company Saudi Arabia

(A Saudi Joint Stock Company)

Unaudited Interim Condensed Financial Statements for the Period Ended September 30, 2008 with Limited Review Report

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LIMITED REVIEW REPORT

October 19, 2008

To the Shareholders of Mobile Telecommunications Company Saudi Arabia
(A Saudi joint stock company)

We have reviewed the accompanying interim balance sheet of Mobile Telecommunications Company (the "Company") as of September 30, 2008 and the related statements of operations for the three month period ended September 30, 2008 and for the period from March 12, 2008 (date of Commercial Registration) to September 30, 2008 and of changes in shareholders' equity and of cash flows for the period from March 12, 2008 (date of Commercial Registration) to September 30, 2008, and the related notes which form an integral part of these interim condensed financial statements. These 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 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 review is substantially less than an audit in accordance with generally accepted auditing standards, 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.

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

PricewaterhouseCoopers Al Juraid

By: ______________________
Rashid S. Al Rashoud
License Number 366

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محاسبون قانونيون
ترخيص رقم ٢٥
PRICEWATERHOUSECOOPERS AL JURAID
CERTIFIED PUBLIC ACCOUNTANTS
LICENSE NO. 25

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

BALANCE SHEET
AS AT SEPTEMBER 30, 2008 (UNAUDITED)

	NOTES	SR'000
ASSETS		
Current assets		
Cash and cash equivalents	3	1,398,036
Trade receivables		31,278
Prepaid expenses and other	4	307,366
Inventory		40,400
Total current assets		**1,777,080**
Non-current assets		
Intangible assets - net	5	23,315,678
Property and equipment - net	6	2,011,608
Total non-current assets		**25,327,286**
TOTAL ASSETS		**27,104,366**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Due to bank	9	166,667
Accounts payable		265,540
Advances and other		324,175
Deferred revenue		144,013
Due to related parties	7	504,990
Advances from shareholders	9	2,164,000
Total current liabilities		**3,569,385**
Non-current liabilities		
Notes payable	8	1,712,201
Syndicated Murabaha financing from banks	9	9,164,001
Employees' end-of-service benefits		3,489
Other	12	1,561
Total non-current liabilities		**10,881,252**
Total liabilities		**14,450,637**
Shareholders' equity		
Paid-up capital	10	14,000,000
Accumulated losses		(1,346,271)
Total shareholders' equity		**12,653,729**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**27,104,366**

The accompanying notes form an integral part of these interim condensed financial statements.

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

STATEMENT OF OPERATIONS
FOR THREE MONTH PERIOD ENDED SEPTEMBER 30, 2008 AND FOR THE PERIOD FROM MARCH 12, 2008 (DATE OF COMMERCIAL REGISTRATION) TO SEPTEMBER 30, 2008 (UNAUDITED)

		SR'000	
	NOTE	For the three month period ended September 30, 2008	For the period from March 12, 2008 to September 30, 2008
Revenue		80,795	80,795
Cost of sales		(73,145)	(73,145)
Gross profit		**7,650**	**7,650**
Distribution, marketing and operating expenses		(420,522)	(629,839)
General and administrative expenses		(63,637)	(169,689)
Depreciation		(23,951)	(25,712)
Amortisation		(98,780)	(98,780)
Operating loss		**(599,240)**	**(916,370)**
OTHER INCOME (EXPENSE):			
Commission income		12,861	51,679
Financing charges		(62,657)	(65,655)
Loss for the period		**(649,036)**	**(930,346)**
Pre-operation costs - net	**11**	**-**	**(415,925)**
Net loss for the period		**(649,036)**	**(1,346,271)**
Loss per share:			
From operating loss		**(0.43)**	**(0.65)**
From net loss for the period		**(0.46)**	**(0.96)**

The accompanying notes form an integral part of these interim condensed financial statements.

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD FROM MARCH 12, 2008 (DATE OF COMMERCIAL REGISTRATION) TO SEPTEMBER 30, 2008 (UNAUDITED)

	SR'000		
	Share capital	Accumulated losses	Total shareholders' equity
Balance, March 12, 2008	14,000,000	-	14,000,000
Net loss for the period	-	(1,346,271)	(1,346,271)
Balance, September 30, 2008	14,000,000	(1,346,271)	12,653,729

The accompanying notes form an integral part of these interim condensed financial statements.

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

STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM MARCH 12, 2008 (DATE OF COMMERCIAL REGISTRATION) TO SEPTEMBER 30, 2008 (UNAUDITED)

	SR'000
OPERATING ACTIVITIES:	
Loss for the period	(930,346)
Adjustments to reconcile net loss to net cash used in operating activities:	
Amortization	98,780
Depreciation	26,778
Commission income	(51,679)
Financing charges	65,655
Pre-operating costs - net	(415,925)
Changes in operating assets and liabilities:	
Trade receivables	(31,278)
Prepaid expenses and other assets	(307,366)
Inventory	(40,400)
Account payable	265,540
Advances and other current liabilities	324,175
Deferred revenue	144,013
Employees' end-of-service benefits	3,489
Net cash used in operating activities	(848,564)
INVESTING ACTIVITIES:	
Purchase of property and equipment	(2,038,386)
Intangible assets	(23,414,458)
Commission income received	51,679
Net cash used in investing activities	(25,401,165)
FINANCING ACTIVITIES:	
Due to bank	166,667
Due to related parties	504,990
Advances from shareholders	2,164,000
Notes payable	1,712,201
Syndicated Murabaha financing from banks	9,164,001
Other non-current liabilities	1,561
Share capital contribution	14,000,000
Financing charges paid	(65,655)
Net cash provided by financing activities	27,647,765
Increase in cash and cash equivalents during the period	1,398,036
Cash and cash equivalents, beginning of the period	-
Cash and cash equivalents, end of the period	1,398,036

The accompanying notes form an integral part of these interim condensed financial statements.

1. INCORPORATION AND ACTIVITIES

Mobile Telecommunications Company Saudi Arabia (the "Company" or "Zain - KSA"), 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) and 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 Hijrah years.

The Company provides mobile telecommunication services in the Kingdom of Saudi Arabia in which it operates; purchases, delivers, installs, manages and maintains mobile telephone and paging systems; and invest surplus funds in investment securities.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Financial year - The Company's financial year begins on January 1 and ends on December 31 of each Gregorian year. However, the Company's first financial period starts from the date of Commercial Registration, which is March 12, 2008, and ends December 31, 2008.

Basis of preparation - The Company's financial statements are prepared in compliance with the accounting standards promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA").

The interim financial statements have been prepared in accordance with SOCPA's standard 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.

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

Use of estimates in the preparation of financial information - The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions. Such estimates and assumptions may affect the reported balances of certain assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date.

Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Pre-operating costs - Pre-operating costs are charged to the statement of operations currently, unless future economic benefits can be determined in which case the relevant costs are capitalized and amortized on a straight-line basis over a period not to exceed seven years or their expected economic lives, whichever is shorter.

Cash and cash equivalents - Cash and cash equivalents includes cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less.

Inventories – Inventories are stated at the lower of weighted average cost or the net realizable value.

Property and equipment - Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Property and equipment are depreciated on a straight-line basis over their estimated economic useful lives, which are as follows:

Furniture and office equipment	2-5 Years
Leasehold improvements	5 Years
Information technology systems	2-5 Years
Cellular and other site equipment	8-15 Years
Leasehold Vehicles	5 Years

Intangible assets - License fee is measured at cost less any accumulated amortization. The amortization period is 25 Hijrah years and is determined primarily 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 lives 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 costs beyond one year, are recognized as intangible assets.

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

Impairment – The Company assesses its assets 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment loss is recorded in the statement of operations currently.

Assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. When it becomes evident that the circumstances which resulted in the impairment no longer exist, the impairment amount will be reversed (in exception of goodwill) and recorded as income in the statement of operations of the period in which such reversal is determined.

Employees' end-of-service benefits - Employees' end-of-service benefits are payable as a lump sum to all employees employed under the terms and conditions of Saudi Labor and Workman Law on termination of their employment contracts. The liability is calculated as 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 defined by the conditions stated in the laws of the Kingdom of Saudi Arabia.

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

Capital leases - Leases of property and equipment where the Company assumes substantially all the benefits and risks of ownership are classified as capital leases. Assets held under capital leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments as determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a capital lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of operations.

Revenue – Company's revenue comprises revenue from mobile telecommunications after excluding any discounts and from investments.

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 are 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 accrued and unearned revenue from services provided in periods after each accounting period 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.

Incentives are provided to customers in various forms as part of a promotional offering. Where such incentives are provided, 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, after considering volume discounts where appropriate.

Commission income is recognized on a time proportion basis using the effective yield method.

Borrowing costs - Borrowing costs are recognized as an expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the asset.

Foreign currencies - Foreign currency transactions are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Saudi riyals at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the statement of operations.

Zakat - The Company is subject to the Regulations of the Department of Zakat and Income Tax in the Kingdom of Saudi Arabia. Zakat liability, if any, is accrued and charged to the statement of operations.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at September 30, 2008 are comprised of the following:

	SR'000
Cash in hand	730
Cash at bank	1,397,306
Total	1,398,036

4. ADVANCES AND OTHER CURRENT ASSETS

Advances and other current assets as at September 30, 2008 are comprised of the following:

	SR'000
Accrued income	36,690
Advances to suppliers	108,269
Advances for transmission lines and fiber links	93,551
Prepaid rent	40,578
Advances to employees	512
Prepaid other	27,766
Total	307,366

5. INTANGIBLE ASSETS - NET

Intangible assets, net at September 30, 2008 are comprised of the following:

	SR'000		
	Beginning balance	Additions	Balance as of September 30, 2008
Cost:			
License fee *	-	23,359,180	23,359,180
Computer software licenses	-	55,278	55,278
Total	-	23,414,458	23,414,458
Accumulated amortization:			
License fee	-	(96,470)	(96,470)
Computer software licenses	-	(2,310)	(2,310)
Total	-	(98,780)	(98,780)
Intangible assets - net	-		23,315,678

* 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) and Royal Decree No. 48/M dated 26 Jumada I, 1428H (corresponding to June 12, 2007), the 3rd license to provide mobile telecommunication services within the Kingdom of Saudi Arabia over 25 Hijrah years was granted to the Company for an amount of SR 22.91 billion.

6. PROPERTY AND EQUIPMENT - NET

Property and equipment, net at September 30, 2008 are comprised of the following:

	SR'000		
	Beginning balance	Additions	Balance as of September 30, 2008
Cost:			
Furniture and office equipment	-	40,527	40,527
Leasehold improvements	-	48,033	48,033
Information technology systems	-	147,590	147,590
Cellular and other site equipment	-	1,590,502	1,590,502
Leasehold vehicles	-	2,750	2,750
Work in progress	-	208,984	208,984
Total	-	2,038,386	2,038,386
Accumulated depreciation:			
Furniture and office equipment	-	(1,940)	(1,940)
Leasehold improvements	-	(1,566)	(1,566)
Information technology systems	-	(5,473)	(5,473)
Cellular and other site equipment	-	(17,616)	(17,616)
Leasehold vehicles	-	(183)	(183)
Total	-	(26,778)	(26,778)
Property and equipment - net	-		2,011,608

7. DUE TO RELATED PARTIES

Due to related parties as at September 30, 2008 is comprised of the following:

	SR'000
Zain group	487,058
MADA	14,198
MTC Bahrain	3,488
Other	246
Total	504,990

The balance due to related parties represents funds advanced by them to finance the start up costs. The balance bears no financing charges and does not have a fixed settlement date.

8. NOTES PAYABLE

Note payable as at September 30, 2008 are comprised of the following:

	SR'000
Nokia Siemans Network	1,464,417
Motorola Inc.	247,784
Total	1,712,201

9. ADVANCES FROM SHAREHOLDERS AND CREDIT FACILITIES

Advances from shareholders - The founding shareholders provided an amount of SR 2.2 billion as advances to the Company with no fixed repayment dates. The lending shareholders have also decided to waive the financing costs associated with these advances.

The following is a breakdown of the advances by shareholders:

	SR'000
Mobile Telecommunications Company K.S.C.	1,082,000
Faden Trading & Contracting Est.	314,890
Saudi Plastic Factory	301,365
Rakisa Holding Company	136,984
Almarai Company	109,587
Ashbal Al-Arab Contracting Est.	109,587
Al Jeraisy Development Company Limited	54,793
Architectural Elite Est. for Engineering and Contracting	27,397
Al Sale Al Sharkiyah Company Limited	27,397
Total	2,164,000

Syndicated Murabaha financing - A Syndicated Murabaha facility of SR 9.2 billion (net of commission calculated at 1.25 plus SIBOR and LIBOR) was arranged by the Bank Saudi Fransi ("Murabaha facility") to finance part of the license fee. This facility consists of a Saudi riyal portion totaling SR 7.1 billion and a US dollar portion totaling US$ 547.5 million (SR 2.1 billion). The full amount was withdrawn during the first quarter.

The commission is payable in eight quarterly installments over two years. The principal amount is payable on bullets through refinancing as at July 29, 2009. The Company has the option to rollover the liability for another period upon the expiry of initial term and the Company intends to do so. The Murabaha facility is collateralized by securities given by some of the founding shareholders.

Financial covenants imposed by the lending banks are Negative Pledge on all revenues and assets, loans & guarantees restrictions for customers, distributors, dealers, retailers, wholesalers, & employees, no further financial indebtedness exceeding SR 50 million, Pari Passu, insurance on all assets, and compliance with various financial milestones across time.

Due to bank - The Company obtained a short-term Murabaha financing from a local bank to finance its working capital. The outstanding balance bears annual commission rate of SIBOR plus a margin of 0.7%.

10. PAID-UP CAPITAL

The Company's paid up capital of SR 14 billion, consists of 1.4 billion shares with par value of SR 10 each, owned by the following shareholders:

Shareholders	Number of shares	Share capital SR'000
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
Saudi nationals IPO subscribed	630,000,000	6,300,000
Total	1,400,000,000	14,000,000

11. PRE-OPERATING COSTS - NET

Pre-operating costs, net incurred prior to commencement of operations are comprised of the following:

	SR'000
IPO costs	92,539
Bank credit facilities commitment charges and financing charges expenses	70,029
Consulting fees	36,092
Salaries and other benefits	83,094
Rent	20,833
Advertising	11,769
Depreciation	1,066
Legal fees	299
Other expenses	104,714
Withholding taxes	107
Pre-operating income	(4,617)
Pre-operating costs, net	415,925

12. CAPITAL LEASES

The Company's liabilities under capital leases as at September 30, 2008 are as follows:

	SR'000
Within 12 months	749
Within 12-24 months	944
Within 24-36 months	617
Total	2,310

The rate of return for capital lease ranges from 7.92% per annum to 8.29% per annum. Rentals are payable in monthly installments. The Company has the option to purchase the related assets at the end of lease term.

13. OPERATING LEASES

The Company leases sites, technical building and offices in connection with its operation. The lease commitments relating to such leases as at September 30, 2008 are as follows:

	SR'000
Within 12 months	6,755
Within 2-5 years	756,661
Over 5 years	67,838
Total	831,254

14. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Company entered into arrangements with suppliers for the purchase of telecommunication equipment and with other mobile telecom companies for providing mobile cellular services. Capital commitments as at September 30, 2008, are as follows:

	SR'000
Within 12 months	1,659,431
Within 2-5 years	4,997,153
Over 5 years	1,550,671
Total	8,207,255

15. SEGMENT INFORMATION

The company has commenced commercial activities in the month of September 2008, therefore segmental information is not available as at September 30, 2008 and hence not disclosed.

16. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed financial statements were approved by the management on October 19, 2008.
