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

Unaudited Interim Financial Statements for the Three-Month and Nine-Month Periods Ended September 30, 2009 and the Independent Accountants' Limited Review Report

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INDEPENDENT ACCOUNTANT'S LIMITED REVIEW REPORT October 18, 2009

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 (A Saudi Joint Stock Company) (the "Company") as of September 30, 2009 and the related interim statements of operations for the three-month and nine-month periods ended September 30, 2009, and the statements of changes in shareholders' equity and cash flows for the nine-month period ended September 30, 2009 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 standards established 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. It is substantially less in scope 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.

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.

PricewaterhouseCoopers Al Juraid

By: ____________________
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License Number 366

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

BALANCE SHEETS

		SR'000		
ASSETS	NOTES	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Current assets				
Cash and cash equivalents	3	100,539	583,450	1,398,036
Trade receivables - net	4	946,572	317,669	67,968
Prepaid expenses and other - net	5	373,077	220,632	270,676
Inventories	6	32,990	59,832	40,400
Total current assets		**1,453,178**	**1,181,583**	**1,777,080**
Non-current assets				
Property and equipment - net	7	3,243,899	2,408,987	2,011,608
Intangible assets - net	8	22,375,546	23,074,860	23,315,678
Total non-current assets		**25,619,445**	**25,483,847**	**25,327,286**
TOTAL ASSETS		**27,072,623**	**26,665,430**	**27,104,366**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Trade and other payables	9	1,193,783	413,799	265,540
Accrued expenses and other	10	1,717,610	564,050	325,736
Due to bank		-	-	166,667
Deferred revenue		216,900	251,623	144,013
Due to related parties	11	498,476	534,189	504,990
Notes payable	12	2,152,219	1,847,544	-
Advances from shareholders - current portion	13	-	314,890	2,164,000
Syndicated Murabaha financing from banks	14	-	9,164,001	-
Total current liabilities		**5,778,988**	**13,090,096**	**3,570,946**
Non-current liabilities				
Advances from shareholders - non-current portion	13	2,914,000	1,849,110	-
Syndicated Murabaha financing from banks	14	9,090,406	-	9,164,001
Notes payables	12	-	-	1,712,201
Employees' end-of-service benefits		9,164	4,396	3,489
Total non-current liabilities		**12,013,570**	**1,853,506**	**10,879,691**
Total liabilities		**17,792,558**	**14,943,602**	**14,450,637**
Shareholders' equity				
Paid-up share capital	15	14,000,000	14,000,000	14,000,000
Accumulated losses		(4,719,935)	(2,278,172)	(1,346,271)
Total shareholders' equity		**9,280,065**	**11,721,828**	**12,653,729**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**27,072,623**	**26,665,430**	**27,104,366**

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

INTERIM STATEMENTS OF OPERATIONS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2009 AND FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2008 AND FOR PERIOD FROM MARCH 12, 2008 (DATE OF COMMERCIAL REGISTRATION) TO SEPTEMBER 30, 2008 (UNAUDITED)

		SR'000			
	NOTES	2009		2008	
		For the three-month period ended September 30	For the nine-month period ended September 30	For the three-month period ended September 30	For the period from March 12 to September 30
Revenue	16	825,485	2,108,672	80,795	80,795
Cost of revenue	17	(582,558)	(1,587,172)	(95,518)	(95,518)
Gross profit (loss)		**242,927**	**521,500**	**(14,723)**	**(14,723)**
Expenses:					
Distribution, marketing and operating expenses	18	(453,826)	(1,233,098)	(398,149)	(607,466)
General and administrative expenses	19	(88,499)	(290,987)	(63,637)	(169,689)
Depreciation and amortization	7,8	(368,693)	(1,027,846)	(122,731)	(124,492)
Total expenses		(911,018)	(2,551,931)	(584,517)	(901,647)
Operating loss		**(668,091)**	**(2,030,431)**	**(599,240)**	**(916,370)**
Other (expense) income:					
Commission (expense) income		(8)	1,073	12,861	51,679
Financing charges		(151,635)	(412,405)	(62,657)	(65,655)
Other (expense) income - net		(151,643)	(411,332)	(49,796)	(13,976)
Loss before Pre-operating expenses - net		**(819,734)**	**(2,441,763)**	**(649,036)**	**(930,346)**
Pre-operating expenses - net	20	-	-	-	**(415,925)**
Net loss for the period		**(819,734)**	**(2,441,763)**	**(649,036)**	**(1,346,271)**
Loss per share (SR):					
Operating loss	21	(0.48)	(1.45)	(0.43)	(0.65)
Non-operating loss	21	(0.11)	(0.29)	(0.03)	(0.31)
Net loss for the period	21	(0.59)	(1.74)	(0.46)	(0.96)

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

INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2009 AND 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
2009			
Balances, at the beginning of the period	14,000,000	(2,278,172)	11,721,828
Net loss for the period	-	(2,441,763)	(2,441,763)
Balances, at the end of the period	14,000,000	(4,719,935)	9,280,065
2008			
Balance, March 12, 2008	14,000,000	-	14,000,000
Net loss for the period	-	(1,346,271)	(1,346,271)
Balances, at the end of the period	14,000,000	(1,346,271)	12,653,729

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

INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2009 AND FOR THE PERIOD FROM MARCH 12, 2008 (DATE OF COMMERCIAL REGISTRATION) TO SEPTEMBER 30, 2008 (UNAUDITED)

	SR'000	
	2009	2008
OPERATING ACTIVITIES:		
Net loss for the period	(2,441,763)	(1,346,271)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	286,734	26,778
Amortization	741,112	98,780
Provision for doubtful trade receivables	76,378	-
Loss on disposal of property and equipment	158	-
Commission income	(1,073)	(51,679)
Financing charges	412,405	65,655
Changes in operating assets and liabilities:		
Trade receivables	(705,281)	(31,278)
Prepaid expenses and other current assets	(152,445)	(307,366)
Inventories	26,842	(40,400)
Trade and other payables	779,984	265,540
Accrued expenses and other current liabilities	1,133,478	325,736
Deferred revenue	(34,723)	144,013
Due to related parties	(35,713)	504,990
Employees' end-of-service benefits	4,768	3,489
Net cash provided by (used in) operating activities	90,861	(342,013)
INVESTING ACTIVITIES:		
Additions to property and equipment	(1,123,115)	(2,038,386)
Additions to intangible assets	(41,798)	(23,414,458)
Proceeds from sale of property and equipment	1,311	-
Commission income received	1,073	51,679
Net cash used in investing activities	(1,162,529)	(25,401,165)
FINANCING ACTIVITIES:		
Due to bank	-	166,667
Notes payable	304,675	1,712,201
Advances from shareholders	750,000	2,164,000
Syndicated Murabaha financing from banks	(73,595)	9,164,001
Share capital contribution	-	14,000,000
Financing charges paid	(392,323)	(65,655)
Net cash provided by financing activities	588,757	27,141,214
(Decrease) / increase in cash and cash equivalents during the period	(482,911)	1,398,036
Cash and cash equivalents, beginning of the period	583,450	-
Cash and cash equivalents, end of the period (Note 3)	100,539	1,398,036

The accompanying notes form an integral part of these interim 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 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 Hijrah years. The head office of the Company is situated in Riyadh, Kingdom of Saudi Arabia.

The Company 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 incurred losses since commencement of its operations and has a working capital deficiency at September 30, 2009. The ability of the Company to continue its operations depends upon the continued financial support of the shareholders of the Company. The management believes that the shareholders will continue to provide needed financial support to meet the Company's obligations as they become due.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation - The Company's interim financial statements have been prepared under the historical cost convention on the accrual basis of accounting, and in compliance with the accounting standards promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA"). These interim financial statements should be read in conjunction with the annual financial statements as of and for the period from March 12, 2008 to December 31, 2008. These financial statements are expressed in Saudi Riyal ("SR") and amounts are rounded off to the nearest thousand.

The interim financials 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. The accompanying interim financial statements include all adjustments, comprising mainly of normal recurring accruals, considered necessary by the Company's management to present a fair statements of financial position, results of operations and cash flows.

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 the financial statements in conformity with accounting standards promulgated by SOCPA 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 as pre-operating expenses. If future economic benefits can be determined for certain costs, they are capitalized and subsequently 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 on hand, cash with bank and deposits held on call with banks with original maturities of three months or less.

Trade receivables - Trade receivables and other current assets are shown at their net realizable values, which includes billed and unbilled usage revenues net of allowances for doubtful accounts.

Allowance for doubtful accounts - The Company reviews its accounts receivable and other current assets for the purpose of creating the required allowances against doubtful accounts. When creating the allowance, consideration is given to the type of service rendered, customer category, age of the receivable, and the general economic situation.

Offsetting - The Company reports its assets and liabilities and income and expenses separately and does not offset the same except where such offsetting is required to reflect the true substance of the transaction or event.

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:

Leasehold improvements (lease term or useful life which ever is shorter)	5 Years
Furniture and fixtures	5 Years
Office equipment	2 Years
Vehicles and other transportation equipment	5 Years
Telecommunications equipment	8 Years
Civil works (telecommunications)	15 Years
Information technology ("IT") systems	2 Years
Information technology ("IT") servers	5 Years

Intangible assets - License fee is measured at cost less any accumulated amortization. The amortization period is 25 Hijrah 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 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 when asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell as compared to its 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.

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 (except for 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 return on the remaining balance of the liability. Finance charges are recognized in the statement of operations.

Revenue - 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, and 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 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.

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.

General and administrative expenses - General and administrative expenses are treated as period costs.

Distribution, marketing and operating expenses - Distribution, marketing and operating expenses are treated as period costs.

Borrowings - Borrowings are recognized at the proceeds received, net of transaction costs incurred. Borrowing costs are recognized as an expense 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, if any, are capitalized as part of the cost of the asset.

Foreign currencies - The Company's functional currency is Saudi Riyal ("SR"). Foreign currency transactions are recorded at the exchange rate prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to SR at the exchange rate prevailing on that date. Resultant gains and losses are taken to the statement of operations.

Zakat and taxes - The Company calculates and reports the Zakat provision in its financial statements in accordance with Zakat rules and principles, and the instructions of the Department of Zakat and Income Tax in the Kingdom of Saudi Arabia. Zakat, if any, is charged to the statement of operations. Adjustments arising from final Zakat assessments are recorded in the period in which such assessments are approved.

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.

Reclassification - Certain amounts previously reported in the 2008 interim financial statements have been reclassified to conform with the 2009 presentation.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Cash in hand	415	353	730
Cash at bank	100,124	583,097	1,397,306
Total	100,539	583,450	1,398,036

4. TRADE RECEIVABLES - NET

Trade receivables - net, are comprised of the following:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Customers	236,931	51,086	97
Roaming	129,124	32,808	565
Distributors	118,826	84,956	26,068
Other operators (interconnect)	442,568	50,286	4,548
Unbilled revenue	109,904	112,814	36,690
Staff receivables	154	276	-
	1,037,507	332,226	67,968
Less provision for doubtful accounts	(90,935)	(14,557)	-
Net	946,572	317,669	67,968

The movement in the provision for doubtful accounts is comprised of the following:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Beginning balance	14,557	-	-
Additions during the period:			
Customers	39,915	8,118	-
Other operators (interconnect)	31,294	6,439	-
Distributors	5,169	-	-
Ending balance	90,935	14,557	-

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS - NET

Prepaid expenses and other current assets - net, are comprised of the following:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Advances for transmission lines and fiber links	195,143	75,732	93,551
Advances to suppliers and refundable deposits	88,684	62,074	108,269
Prepaid rent	39,011	56,589	40,578
Prepaid sponsorship	27,333	-	1,558
Prepaid software license fee	2,049	1,739	-
Prepaid insurance	987	1,560	-
Prepaid - other	27,870	30,938	26,720
	381,077	228,632	270,676
Less: Provision for doubtful advance	(8,000)	(8,000)	-
Net	373,077	220,632	270,676

The movement in the provision for doubtful advance is comprised of the following:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Beginning balance	8,000	-	-
Additions during the period:			
Advances to supplier	-	8,000	-
Ending balance	8,000	8,000	-

6. INVENTORIES

Inventories are comprised of the following:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Sim cards	20,901	42,203	31,626
Handsets and accessories	7,801	7,240	3,696
Prepaid recharge cards	4,288	10,029	5,078
Inventory-in-transit	-	360	-
Total	32,990	59,832	40,400

7. PROPERTY AND EQUIPMENT - NET

Property and equipment - net are comprised of the following:

For the Nine-Month Period Ended September 30, 2009 (Unaudited)

	Balances at beginning of period	Additions	Disposals	Balances at end of period
Cost:				
Leasehold improvements	69,269	73,184	-	142,453
Furniture, fixtures and office equipment	56,130	5,628	-	61,758
Vehicles and other transportation equipment	4,756	3,302	(1,618)	6,440
Telecommunications equipment	2,102,176	520,261	-	2,622,437
IT systems and servers	169,697	63,666	(21)	233,342
Capital work in progress	95,122	457,074	-	552,196
Total	2,497,150	1,123,115	(1,639)	3,618,626
Accumulated depreciation:				
Leasehold improvements	3,805	25,375	-	29,180
Furniture, fixtures and office equipment	3,426	5,541	-	8,967
Vehicles and other transportation equipment	422	1,028	(151)	1,299
Telecommunications equipment	65,115	212,134	-	277,249
IT systems and servers	15,395	42,656	(19)	58,032
Total	88,163	286,734	(170)	374,727
Property and equipment - net	2,408,987			3,243,899

For the Period from March 12, 2008 to September 30, 2008 (Unaudited)

	Balances at beginning of period	Additions	Disposals	Balances at end of period
Cost:				
Leasehold improvements	-	50,783	-	50,783
Furniture, fixtures and office equipment	-	1,631,029	-	1,631,029
IT systems and servers	-	147,590	-	147,590
Capital work in progress	-	208,984	-	208,984
Total	-	2,038,386	-	2,038,386
Accumulated depreciation:				
Leasehold improvements	-	1,749	-	1,749
Furniture, fixtures and office equipment	-	19,556	-	19,556
IT systems and servers	-	5,473	-	5,473
Total	-	26,778	-	26,778
Property and equipment - net	-			2,011,608

8. INTANGIBLE ASSETS - NET

Intangible assets – net are comprised of the following:

	For the Nine-Month Period Ended September 30, 2009 (Unaudited)		
	Balances at beginning of period	Additions	Balance at end of period
Cost:			
License fee*	23,359,180	-	23,359,180
Computer software licenses	62,190	41,798	103,988
Total	23,421,370	41,798	23,463,168
Accumulated amortization:			
License fee	343,005	731,566	1,074,571
Computer software licenses	3,505	9,546	13,051
Total	346,510	741,112	1,087,622
Intangible assets - net	23,074,860		22,375,546

	For the Period from March 12, 2008 to September 30, 2008 (Unaudited)		
	Balances at beginning of period	Additions	Balance at end of period
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 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 SR 22.91 billion. The license fee also comprises an amount equal to SR 449.18 million (September 30, 2008: SR 449.18 million) related to financing costs which was capitalized as part of license cost.

9. TRADE AND OTHER CURRENT PAYABLES

Trade and other current payables are comprised of the following:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Trade payables	1,161,475	391,749	248,499
Withholding tax payables	5,136	4,188	16,304
Staff payables	523	1,449	737
Other liabilities	26,649	16,413	-
Total	1,193,783	413,799	265,540

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities are comprised of the following:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Interconnect	844,284	198,624	30,487
Vendor	432,836	167,456	138,162
Roaming	318,137	51,712	1,742
Employees	33,629	33,134	28,807
Financing charges	20,082	108,680	107,162
Financing charges on shareholders' advances	8,208	-	-
Obligations under finance lease (Note 22)	3,833	3,793	2,310
Other	56,601	651	17,066
Total	1,717,610	564,050	325,736

11. RELATED PARTY MATTERS

The related parties of the Company include the Zain group and its related entities (including subsidiaries and associates), shareholders who own material numbers of shares and voting interests in the Company, members of the board of directors, and senior management.

Significant transactions with related parties during the nine-month period ended September 30, 2009 includes the management fee paid by the Company to Zain group amounting to SR 88.6 million (September 30, 2008: SR 4.6 million). Also see Note 10 and 13.

The balances due to related parties are comprised of the following:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
MTC head office	457,498	514,738	487,058
MADA	35,517	14,873	14,198
MTC Bahrain	820	4,114	3,488
Other	4,641	464	246
Total	498,476	534,189	504,990

12. NOTES PAYABLE

Notes payable are comprised of the following:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Nokia Siemens Tietoliikenne Oy	1,574,461	1,574,461	1,464,417
Motorola Inc.	577,758	273,083	247,784
Total	2,152,219	1,847,544	1,712,201

13. ADVANCES FROM SHAREHOLDERS

The founding shareholders have provided advances to the Company. In accordance with the arrangement agreed with the shareholders during the three-month period ended September 30, 2009, the outstanding balance at September 30, 2009 carries finance cost calculated at 4.25% plus 3 months Saudi Inter Bank Offering Rate ("SIBOR") and 6.75% plus 6 months SIBOR for advances made in Saudi Riyals and United States dollar ("US$"), respectively.

The following is a summary of the advances from shareholders:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Mobile Telecommunications Company K.S.C.	1,859,397	1,109,397	1,082,000
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
Architectural Elite Est. for Engineering and Contracting	-	-	27,397
Al Sale Al Sharkiyah Company Limited	27,397	27,397	27,397
Total	2,914,000	2,164,000	2,164,000
Less current portion	-	(314,890)	(2,164,000)
Non current portion	2,914,000	1,849,110	-

The non-current portion of the advances at September 30, 2009, including accrued interest (see Note 10), is not scheduled for repayment until after August 2011.

14. SYNDICATED MURABAHA FINANCING FROM BANKS

A Syndicated Murabaha facility of approximately SR 9.37 billion (net of financing calculated at 4.25% plus 3 months SIBOR for the SR originated debt and London Interbank Offering Rate ("LIBOR") for the United States dollar ("US$") originated debt was arranged by the Banque Saudi Fransi ("BSF") ("Murabaha facility") to refinance the previous financing facility amount which was due for repayment in July 2009. This facility consists of a SR portion totaling SR 7 billion and a US$ portion totaling US$ 610 million (SR 2.3 billion).

Financing charges are payable in quarterly installments over two years. The principal amount is payable in one bullet repayment on Aug 12, 2011.

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.

15. PAID-UP SHARE CAPITAL

The Company's paid up share 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 and 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

16. REVENUE

Revenue is comprised of the following:

	2009		2008	
	For the three-month period ended September 30	For the nine-month period ended September 30	For the three-month period ended September 30	For the period from March 12 to September 30
Local calls	330,829	818,981	22,597	22,597
Interconnect	194,321	493,832	17,626	17,626
International calls	163,274	441,467	20,281	20,281
Messaging	57,516	129,565	3,576	3,576
Roaming	40,064	129,556	5,889	5,889
Subscription	34,887	88,845	10,826	10,826
Mobile Broadband	4,080	5,148	-	-
Leased lines	514	1,278	-	-
Totals	825,485	2,108,672	80,795	80,795

17. COST OF REVENUE

Cost of revenue is comprised of the following:

	2009		2008	
	For the three-month period ended September 30	For the nine-month period ended September 30	For the three-month period ended September 30	For the period from March 12 to September 30
Interconnect charges	224,759	598,238	16,463	16,463
International calls	93,738	271,047	8,932	8,932
Roaming	85,348	276,755	5,811	5,811
Leased lines	60,937	138,724	22,373	22,373
Government and regulatory cost	35,456	75,326	17,655	17,655
Discount of prepaid recharge card	28,774	71,849	17,306	17,306
Microwave frequency charges	18,983	57,070	-	-
Sim cards and prepaid recharge cards	16,876	48,820	6,790	6,790
Other	17,687	49,343	188	188
Total	582,558	1,587,172	95,518	95,518

18. DISTRIBUTION, MARKETING AND OPERATING EXPENSES

Distribution, marketing and operating expenses are comprised of the following:

	2009		2008	
	For the three-month period ended September 30	For the nine-month period ended September 30	For the three-month period ended September 30	For the period from March 12 to September 30
Advertising	95,493	262,196	150,080	171,052
Dealer's commission	87,773	242,595	17,479	17,479
Repairs and maintenance	67,053	160,724	169	184
Rentals	42,757	112,165	53,523	80,231
Bad debt expense (Notes 4 and 5)	36,803	76,378	-	-
Management fees (Note 11)	34,670	88,578	4,643	4,643
Employee's salaries and related benefits	30,837	92,063	43,216	79,478
Outsourcing	23,967	71,640	67,989	141,775
Systems support and licenses	14,161	50,358	475	702
Utilities	7,262	21,040	3,323	7,559
Office supplies and cleaning	2,923	8,061	6,509	8,357
Consulting	5,274	20,117	10,308	15,315
Travel	749	4,182	3,741	8,278
Training	131	566	483	5,720
Printing and stationery	113	480	1,188	1,468
Entertainment	73	197	471	1,025
Communication	34	861	5,624	11,685
Customer loyalty and retention	-	8,090	23,863	46,160
MOC/MOT	-	-	3,395	3,395
Other	3,753	12,807	1,670	2,960
Total	453,826	1,233,098	398,149	607,466

19. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are comprised of the following:

	2009		2008	
	For the three-month period ended September 30	For the nine-month period ended September 30	For the three-month period ended September 30	For the period from March 12 to September 30
Withholding tax expense	23,958	23,000	9,664	12,797
Employee's salaries and related benefits	18,791	74,232	17,168	45,574
Consulting	18,567	98,153	28,073	96,833
Rentals	-	57	188	516
System Support and license	11,119	47,322	-	-
Legal and professional	6,719	12,894	738	962
Repairs and maintenance	6,108	13,956	-	182
Outsourcing	1,351	5,315	1,101	1,578
Travel	671	3,162	1,568	3,822
Subscriptions	327	934	243	265
Training	80	604	124	194
Printing and stationery	62	439	115	300
Entertainment	50	562	982	1,139
Gifts	30	8,140	131	267
Bank charges	20	49	179	240
Office supplies and cleaning	19	226	185	457
Hospitality	9	208	3,113	3,114
Other	618	1,734	65	1,449
Total	88,499	290,987	63,637	169,689

20. PRE-OPERATING EXPENSES - NET

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

IPO costs	92,539
Employee's salaries and related benefits	83,094
Bank credit facilities commitment charges and financing charges	70,029
Consulting fees	36,092
Rent	20,833
Advertising	11,769
Depreciation	1,067
Legal fees	298
Withholding taxes	107
Other expenses	104,714
Pre-operating income	(4,617)
Pre-operating expenses, net	415,925

21. LOSS PER SHARE

Loss per share is calculated by dividing the operating loss, non-operating items - net and net loss for each period by the outstanding number of shares during each of the period which was 1.4 billion shares.

22. CAPITAL LEASES

The Company's obligations under capital leases are comprised of the following:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Due:			
Within 12 months	2,032	1,413	749
Within 12-24 months	1,688	1,570	944
Within 24-36 months	113	810	617
Total	3,833	3,793	2,310

The effective rate on the capital leases range from 7.92% 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. The obligations under capital leases are included in accrued expenses and other current liabilities (Note 10).

23. OPERATING LEASES

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

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Due:			
Within 12 months	789,833	99,625	6,755
Within 2-5 years	1,273,246	305,250	756,661
Over 5 years	732,790	455,310	67,838
Total	2,795,869	860,185	831,254

24. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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:

	September 30, 2009 (Unaudited)	December 31, 2008 (Audited)	September 30, 2008 (Unaudited)
Within 12 months	2,576,000	2,760,007	1,659,431
Within 2-5 years	2,110,000	1,056,084	4,997,153
Over 5 years	4,866,000	22,073	1,550,671
Total	9,552,000	3,838,164	8,207,255

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

25. SEGMENT INFORMATION

The Company commenced commercial activities on August 26, 2008. Since then, the Company's operations have substantially been from mobile phone services. As such, segmentation information is not applicable.

26. ZAKAT

In accordance with the Zakat regulations, no Zakat is due prior to the Company completing one Hijra year from the date of its Commercial Registration. The Company completed one Hijra year during the six-month period ended June 30, 2009. As of September 30, 2009, the Company's zakat base is negative and the Company has incurred losses. No zakat has therefore been provided for during the nine-month period ended September 30, 2009.

27. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the management on October 18, 2009.