

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND THE YEAR
ENDED DECEMBER 31, 2010 AND
INDEPENDENT ACCOUNTANTS' LIMITED
REVIEW REPORT

**MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A Saudi Joint Stock Company)
INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH
AND YEAR ENDED DECEMBER 31, 2010**

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INDEPENDENT ACCOUNTANTS' LIMITED REVIEW REPORT

January 11, 2011

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 December 31, 2010 and the related interim statement of operations for the three-month period and year ended December 31, 2010, and the interim statements of cash flows and changes in shareholders' equity for the year ended December 31, 2010 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 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.

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.

Without modifying our report, we draw attention to Note 1 to the interim financial statements. The Company incurred net loss for the year ended December 31, 2010 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)

	Notes	December 31, 2010 (Unaudited)	December 31, 2009 (Audited)
Assets			
Current assets			
Cash and cash equivalents		702,117	505,792
Accounts receivable - net		1,463,166	1,007,247
Inventories - net		28,799	39,422
Prepayments and other receivables - net		408,527	297,475
		<u>2,602,609</u>	<u>1,849,936</u>
Non-current assets			
Property and equipment - net		4,298,200	3,846,700
Intangible assets - net		21,154,628	22,133,477
		<u>25,452,828</u>	<u>25,980,177</u>
Total assets		<u>28,055,437</u>	<u>27,830,113</u>
Liabilities			
Current liabilities			
Accounts payable		2,104,503	1,814,792
Accrued and other liabilities		2,847,522	2,028,378
Deferred revenue		451,342	251,259
Due to related parties		457,070	542,563
Short-term borrowing facility	3	2,193,750	-
Notes payable		-	2,152,219
		<u>8,054,187</u>	<u>6,789,211</u>
Non-current liabilities			
Notes payable		659,221	-
Advances from shareholders	4	3,405,198	2,914,000
Syndicated Murabaha financing from banks	5	9,655,693	9,494,023
Derivative financial instruments	6	134,630	-
Employee termination benefits		17,096	10,400
		<u>13,871,838</u>	<u>12,418,423</u>
Total liabilities		<u>21,926,025</u>	<u>19,207,634</u>
Shareholders' equity			
Share capital	1,7	14,000,000	14,000,000
Accumulated losses	1	(7,735,958)	(5,377,521)
Hedging reserve	6	(134,630)	-
Total shareholders' equity		<u>6,129,412</u>	<u>8,622,479</u>
Total liabilities and shareholders' equity		<u>28,055,437</u>	<u>27,830,113</u>
Contingencies and commitments	10		

The accompanying notes on pages 7 to 13 form an integral part of these interim financial statements.

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

		Three-month period ended December 31, 2010	Three-month period ended December 31, 2009	Year ended December 31, 2010	Year ended December 31, 2009
	Note	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenue		1,727,778	895,380	5,934,370	3,004,052
Cost of revenue		(901,836)	(539,854)	(3,403,922)	(2,127,026)
Gross profit		825,942	355,526	2,530,448	877,026
Operating expenses					
Distribution and marketing		(518,950)	(339,617)	(1,848,666)	(1,573,741)
General and administrative		(97,886)	(84,912)	(351,143)	(375,898)
Depreciation and amortization		(387,776)	(366,464)	(1,494,220)	(1,394,310)
Loss from operations		(178,670)	(435,467)	(1,163,581)	(2,466,923)
Other income (expenses)					
Commission income		368	243	655	1,316
Financial charges		(342,309)	(221,337)	(1,195,511)	(633,742)
Net loss for the period		(520,611)	(656,561)	(2,358,437)	(3,099,349)
Loss per share (Saudi Riyals):					
• Loss from operations	8	(0.13)	(0.31)	(0.83)	(1.76)
• Non-operating loss	8	(0.24)	(0.16)	(0.85)	(0.45)
• Net loss	8	(0.37)	(0.47)	(1.68)	(2.21)

The accompanying notes on pages 7 to 13 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)

	Year ended December 31, 2010	Year ended December 31, 2009
	(Unaudited)	(Audited)
Cash flow from operating activities		
Net loss for the year	(2,358,437)	(3,099,349)
<u>Adjustments for non-cash items</u>		
Provision for doubtful debts	159,888	82,461
Depreciation and amortization	1,494,220	1,394,310
Provision for slow moving items	2,250	-
<u>Other adjustments</u>		
Commission income	(655)	(1,316)
Financial charges	1,195,511	633,742
<u>Changes in working capital</u>		
Accounts receivable - net	(615,807)	(772,039)
Inventories	8,373	20,410
Prepayments and other receivables - net	(111,052)	(76,843)
Accounts payable	289,711	1,400,993
Accrued and other liabilities	356,489	1,405,820
Deferred revenue	200,083	(364)
Employee termination benefits	6,696	6,004
Net cash generated from operating activities	<u>627,270</u>	<u>993,829</u>
Cash flow from investing activities		
Purchase of property and equipment	(943,855)	(1,840,393)
Additions to intangible assets	(24,232)	(51,932)
Proceeds from sale of property and equipment	1,216	1,685
Commission income received	655	1,316
Net cash utilized in investing activities	<u>(966,216)</u>	<u>(1,889,324)</u>
Cash flow from financing activities		
Short-term borrowing facility	2,193,750	-
Notes payable	(1,492,998)	304,675
Advances from shareholders	491,198	750,000
Due to related parties	(85,493)	8,374
Syndicated Murabaha financing from banks - net	-	330,022
Financial charges paid	(571,186)	(575,234)
Net cash generated from financing activities	<u>535,271</u>	<u>817,837</u>
Net change in cash and cash equivalents	<u>196,325</u>	<u>(77,658)</u>
Cash and cash equivalents at beginning of year	<u>505,792</u>	<u>583,450</u>
Cash and cash equivalents at end of year	<u>702,117</u>	<u>505,792</u>
Supplement non-cash information		
Fair value of derivative financial instruments and corresponding debit to shareholders' equity	<u>134,630</u>	<u>-</u>

The accompanying notes on pages 7 to 13 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)

	<u>Share capital</u>	<u>Accumulated losses</u>	<u>Hedging reserve</u>	<u>Total</u>
(Unaudited)				
January 1, 2010	14,000,000	(5,377,521)	-	8,622,479
Net loss for the year	-	(2,358,437)	-	(2,358,437)
Derivative financial instruments (Note 6)	-	-	(134,630)	(134,630)
December 31, 2010	14,000,000	(7,735,958)	(134,630)	6,129,412
(Audited)				
January 1, 2009	14,000,000	(2,278,172)	-	11,721,828
Net loss for the year	-	(3,099,349)	-	(3,099,349)
December 31, 2009	14,000,000	(5,377,521)	-	8,622,479

The accompanying notes on pages 7 to 13 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 year ended December 31, 2010 (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 Hijra years. The head office of the Company is located in Riyadh, Kingdom of Saudi Arabia.

The Company incurred net loss for the year ended December 31, 2010 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 August 16, 2010 recommended to restructure the share capital of the Company by reducing from Saudi Riyals 14,000,000,000 to Saudi Riyals 7,328,438,850 and the total number of shares from 1.4 billion shares to 732,843,885 shares by cancellation of 667,156,115 shares with average reduction of approximately one share for every 2.098 shares. The purpose of such capital reduction is to absorb the accumulated losses of the Company by Saudi Riyals 6,671,561,150 as of June 30, 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.

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 January 11, 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, 2009.

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, 2009.

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 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.

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA

(A Saudi Joint Stock Company)

Notes to the interim financial statements for the year ended December 31, 2010 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

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 year ended December 31, 2010 and 2009, 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 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.

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Notes to the interim financial statements for the year ended December 31, 2010 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

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:

Leasehold improvements	Shorter of lease term or useful life
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 Hijra 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.

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

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA

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Notes to the interim financial statements for the year ended December 31, 2010 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

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.

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.

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
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Notes to the interim financial statements for the year ended December 31, 2010 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

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.

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 and is repayable in June 2011. This facility consists of a SR portion totaling SR 438.8 million and a US\$ portion totaling US\$ 468 million (SR 1,755 million) and is secured by a guarantee provided by a founding shareholder.

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 as at December 31:

	2010 (Unaudited)	2009 (Audited)
Mobile Telecommunications Company K.S.C.	2,350,595	1,859,397
Faden Trading & Contracting Est.	314,890	314,890
Saudi Plastic Factory	301,365	301,365
Rakisa Holding Company	136,984	136,984
Almarai Company	109,587	109,587
Ashbal Al-Arab Contracting Est.	109,587	109,587
Al Jeraisy Development Company Limited	54,793	54,793
Al Sale Al Sharkiyah Company Limited	27,397	27,397
Total	<u>3,405,198</u>	<u>2,914,000</u>

The advances from shareholders at December 31, 2010 and the related accrued financial charges, included in accrued and other liabilities, are currently not scheduled for repayment until the settlement of Syndicated Murabaha facility.

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 August 12, 2011. As per the terms of the Murabaha facility agreement and in the event that no default has occurred, the Company has the option to extend the initial maturity date (August 12, 2011) by six months by giving notice to the lenders. The Company intends to exercise such option. Accordingly, the outstanding balance at December 31, 2010 has been classified as long term.

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Notes to the interim financial statements for the year ended December 31, 2010 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

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.

6 Derivative financial instruments

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

	Contract notional amount (Unaudited)	Negative fair value (Unaudited)
December 31, 2010	<u>8,287,500</u>	<u>(134,630)</u>

7 Share capital

The share capital of the Company as of December 31, 2010 and 2009 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	<u>700,000,000</u>	<u>7,000,000</u>
Public Pension Agency	70,000,000	700,000
Saudi nationals IPO subscribed	630,000,000	6,300,000
Total	<u>1,400,000,000</u>	<u>14,000,000</u>

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 each of the period which was 1.4 billion shares.

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA**(A Saudi Joint Stock Company)****Notes to the interim financial statements for the year ended December 31, 2010 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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:

	December 31, 2010 (Unaudited)	December 31, 2009 (Audited)
Within 12 months	164,520	475,746
Within 2 to 5 years	614,753	874,964
Over 5 years	294,747	487,148
	<u>1,074,020</u>	<u>1,837,858</u>

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:

	December 31, 2010 (Unaudited)	December 31, 2009 (Audited)
Within 12 months	480,367	814,040
Within 2 to 5 years	912,494	1,174,633
	<u>1,392,861</u>	<u>1,988,673</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 material 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.