

**MOBILE TELECOMMUNICATIONS COMPANY SAUDI
ARABIA**
(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM FINANCIAL STATEMENTS
AND AUDITORS' REVIEW REPORT
FOR THE THREE MONTH AND YEAR ENDED
DECEMBER 31, 2012**

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

**UNAUDITED INTERIM FINANCIAL STATEMENTS AND AUDITORS' REVIEW REPORT
FOR THE THREE MONTH AND YEAR ENDED DECEMBER 31, 2012**

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AUDITORS' REVIEW REPORT

To the shareholders
Mobile Telecommunications Company Saudi Arabia
(A Saudi joint stock company)
Riyadh, Saudi Arabia

Scope of Review

We have reviewed the accompanying interim balance sheet of **Mobile Telecommunications Company Saudi Arabia** (a Saudi joint stock company) ("the Company") as at December 31, 2012, and the related interim statement of operations for the three-month and the year ended December 31, 2012, and the interim statements of cash flows and changes in shareholders' equity for the year then ended including the related notes 1 to 12 which form an integral part of these interim financial statements. These interim financial statements are the responsibility of the Company's management and have been prepared by them and presented to us with all the necessary information and explanation which we required.

We conducted our limited review in accordance with the interim financial reporting standard 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. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Kingdom of 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.

Review Results

Based on our limited 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 generally accepted accounting standards in the Kingdom of Saudi Arabia.

Emphasis of matter

We draw attention to Note 1 to the interim financial statements wherein, the restructuring of the Company's share capital was undertaken and the accumulated deficit, through to September 30, 2011 has been extinguished through the capital reduction process and also the share capital was increased through partial capitalization of advances from shareholders and injection of cash. The Company has incurred a net loss for the year ended December 31, 2012. Furthermore, its current liabilities exceeded its current assets and it has an accumulated deficit as of that date. During the year, the Company has obtained approval from the Murabaha Investors to extend the Murabaha Facility for additional period up to January 30, 2013. Based on its business plan, the Company believes that it will be successful in meeting its obligations in the normal course of operations and in its efforts to secure the necessary funding and refinancing of its current financial obligations to the banks. Accordingly, the accompanying interim financial statements have been prepared on a going concern basis.

Deloitte & Touche
Bakr Abulkhair & Co.

Ehsan A. Makhdoum
License No. 358

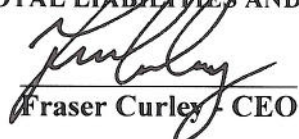
Rabi Al-Awal 8, 1434
January 20, 2013



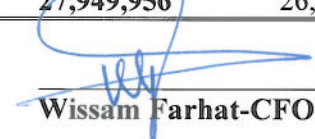
MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2012

	Notes	December 31, 2012 SR'000 (Unaudited)	December 31, 2011 SR'000 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		2,384,898	780,273
Accounts receivable, net		1,329,673	1,006,574
Inventories, net		50,300	43,617
Prepaid expenses and other assets		625,738	601,706
Total current assets		4,390,609	2,432,170
Non-current assets			
Property and equipment, net		4,284,994	4,058,813
Intangible assets, net		19,274,353	20,252,778
Total non-current assets		23,559,347	24,311,591
TOTAL ASSETS		27,949,956	26,743,761
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowing facility	3	170,039	-
Long-term borrowing facility - current	3	2,243,382	-
Notes payable		199,897	915,876
Syndicated Murabaha Financing – current	4	9,000,000	9,747,638
Accounts payable		732,702	1,609,284
Due to related parties		46,743	26,673
Deferred revenue		395,923	434,392
Accrued expenses and other liabilities		2,748,173	2,731,184
Derivative financial instruments	5	-	45,781
Total current liabilities		15,536,859	15,510,828
Non-current liabilities			
Notes payable		34,872	153,937
Long-term borrowing facility	3	644,083	2,223,529
Advances from founding shareholders	6	2,562,810	4,018,550
Due to related parties		693,570	520,651
Provision for employees' end-of-service benefits		25,898	23,201
Total non-current liabilities		3,961,233	6,939,868
TOTAL LIABILITIES		19,498,092	22,450,696
SHAREHOLDERS' EQUITY			
Share capital	8	10,801,000	14,000,000
Hedging reserve	5	-	(45,781)
Accumulated deficit	1	(2,349,136)	(9,661,154)
Total shareholders' equity		8,451,864	4,293,065
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		27,949,956	26,743,761


Fraser Curley - CEO


Fahad Al Deghather-Board Member

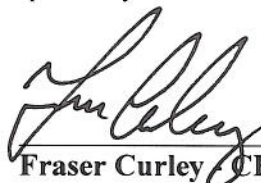

Wissam Farhat-CFO

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

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF OPERATIONS

	For the three-month period ended		For the year ended	
	December 31, 2012 SR'000 (Unaudited)	December 31, 2011 SR'000 (Audited)	December 31, 2012 SR'000 (Unaudited)	December 31, 2011 SR'000 (Audited)
Revenue	1,723,679	1,715,386	6,404,188	6,699,060
Cost of revenue	(984,698)	(1,024,570)	(3,544,267)	(3,498,893)
Gross profit	738,981	690,816	2,859,921	3,200,167
Operating expenses				
Distribution and marketing expenses	(473,374)	(354,604)	(1,686,727)	(1,972,132)
General and administrative expenses	(62,225)	(76,409)	(294,415)	(329,185)
Depreciation and amortisation	(465,002)	(472,771)	(1,810,387)	(1,710,328)
Total operating expenses	(1,000,601)	(903,784)	(3,791,529)	(4,011,645)
Operating loss	(261,620)	(212,968)	(931,608)	(811,478)
Other income / (expenses)				
Finance charges	(184,058)	(248,598)	(823,390)	(1,113,856)
Commission income	2,893	106	5,586	138
NET LOSS FOR THE PERIOD / YEAR	(442,785)	(461,460)	(1,749,412)	(1,925,196)
Loss per share (in Saudi Riyals):				
	9			
From operating loss for the period / year	(0.20)	(0.13)	(0.71)	(0.51)
From non-operating loss for the period / year	(0.14)	(0.16)	(0.63)	(0.70)
From net loss for the period / year	(0.34)	(0.29)	(1.34)	(1.22)


Fraser Curley CEO


Fahad Al Deghaither-Board Member


Wissam Farhat -CFO

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MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

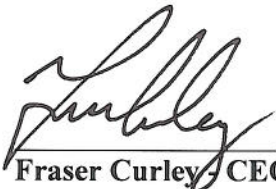
	2012 SR'000 (Unaudited)	2011 SR'000 (Audited)
OPERATING ACTIVITIES		
Net loss for the year	(1,749,412)	(1,925,196)
Adjustments to reconcile loss for the year to net cash from operating activities:		
Provision for doubtful and other receivables	34,981	76,461
Depreciation and amortisation	1,810,387	1,710,328
(Write-off) / Provision for slow moving inventory items	(3,000)	750
Other provisions	55,510	-
Finance charges	823,390	1,113,856
Provision for employees' end-of-service benefits, net	2,697	6,105
Operating income before changes in working capital	974,553	982,304
Changes in working capital:		
Accounts receivable	(355,877)	380,131
Inventories	(3,683)	(15,568)
Prepaid expenses and other assets	(26,235)	(193,179)
Accounts payable	(1,254,461)	(344,622)
Due to related parties	192,989	90,254
Deferred revenue	(38,469)	(16,950)
Accrued expenses and other liabilities	(109,704)	(786,365)
Cash flows (used in) from operating activities	(620,887)	96,005
Financial charges paid	(528,777)	(183,530)
Net cash used in operating activities	(1,149,664)	(87,525)
INVESTING ACTIVITIES		
Purchase of property and equipment	(558,779)	(302,009)
Purchase of intangible assets	(3,010)	(8,815)
Proceeds from sale of property and equipment	-	1,728
Net cash used in investing activities	(561,789)	(309,096)
FINANCING ACTIVITIES		
Notes payable	(125,623)	-
Short-term borrowing facility	170,039	(2,193,750)
Long-term borrowing facility	663,936	2,223,529
Syndicated Murabaha financing	(747,638)	91,945
Advances from founding shareholders	39,125	353,053
Rights issue costs	(137,570)	-
Increase in share capital through rights issue	3,453,809	-
Net cash from financing activities	3,316,078	474,777
Net change in cash and cash equivalents	1,604,625	78,156
Cash and cash equivalents, beginning of the period	780,273	702,117
CASH AND CASH EQUIVALENTS, END OF THE YEAR	2,384,898	780,273

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


MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
	SR'000	SR'000
	(Unaudited)	(Audited)
Non-cash transactions:		
Changes in fair value of derivative financial instruments and corresponding debit to founding shareholders' equity	-	88,849
Adjustment to property and equipment with corresponding effect to notes payable	118,475	410,592
Adjustment to property and equipment with corresponding effect to accounts payable	377,879	150,598
Adjustment to advances from shareholders with corresponding effect to financial charges	183,472	-
Adjustment to advances from founding shareholders with corresponding effect to share capital	2,546,191	-
Adjustment to accumulated deficit with corresponding effect to share capital	9,199,000	-
Adjustment to notes payable with corresponding effect to financial charges	39,958	-
Adjustment to notes payable with corresponding effect to advances from founding shareholders'	867,854	-


Fraser Curley - CEO

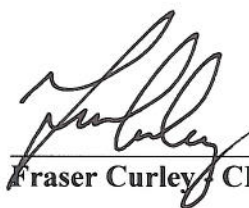

Fahad Al Deghather-Board Member


Wissam Farhat-CFO

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
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INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012

	Note	Share capital SR'000	Hedging reserve SR'000	Accumulated deficit SR'000	Total equity SR'000
(Audited)					
Balance as at 1 January 2011		14,000,000	(134,630)	(7,735,958)	6,129,412
Net loss for the year		-	-	(1,925,196)	(1,925,196)
Derivative financial instruments	5	-	88,849	-	88,849
Balance as at 31 December 2011		14,000,000	(45,781)	(9,661,154)	4,293,065
(Unaudited)					
Decrease of share capital (Capital reduction)	1	(9,199,000)	-	9,199,000	-
Increase of share capital (Subsequent Capital Increase)	1	6,000,000	-	-	6,000,000
Rights issue costs	1	-	-	(137,570)	(137,570)
Net loss for the year		-	-	(1,749,412)	(1,749,412)
Derivative financial instruments	5	-	45,781	-	45,781
Balance as at 31 December 2012		10,801,000	-	(2,349,136)	8,451,864


Fraser Curley - CEO


Fahad Al Deghaither - Board Member


Wissam Farhat - CFO

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

MOBILE TELECOMMUNICATIONS COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2012

1. ORGANISATION AND ACTIVITIES

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

The Company incurred losses for the year from 1 January 2012 to 31 December 2012 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 and in its efforts to secure the necessary funding.

After obtaining the required approvals from the regulatory bodies (Communication and Information Technology Commission "CITC" and Capital Market Authority "CMA"), an Extraordinary General Assembly was held on 4 July 2012 and the following resolutions were approved:

- Approval on the Board of Directors' resolution to decrease the Company's capital from SR14 billion to SR4.8 billion and accordingly to decrease the number of shares from 1.4 billion to 480.1 million to offset the Company's accumulated deficit till 30 September 2011.
- Approval on the Board of Directors' resolution to increase the Company's capital through executing partial capitalisation of the "Advances from Founding Shareholders" and rights issue transactions for a total amount of SR6 billion that represents the following:
 - An amount of approximately SR2.5 billion which will be used to partially capitalise the "Advances from Founding Shareholders"; and
 - Cash injection amounting to approximately SR3.5 billion will be subscribed by the Company's shareholders that are registered in the Company's register as at the date of the Extraordinary General Assembly mentioned above.
- Approval on the modifications of clauses 7 and 8 of the by-laws of the Company to reflect the effect of the capital reduction and subsequent capital increase. The modifications sought were as follows:
 - Clause 7 after modification: The Company's capital is SR10.8 billion post rights issue. The number of shares is 1.08 billion at a par value of SR10 per share.
 - Clause 8 after modification: The shareholders subscribed in 1.08 billion shares at a par value of SR10 per share for an amount of SAR10.8 billion.

The subscription period relating to the rights issue commenced on 10 July 2012 and it closed on 17 July 2012 at end of day.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2012

1. ORGANISATION AND ACTIVITIES (Continued)

As at 24 July 2012 Zain KSA had successfully executed the capital restructuring that involved the following phases:

- Capital reduction;
- Partial capitalisation of the "Advances from Founding Shareholders"; and
- Rights issue.

The cost of above-mentioned transactions amounting to SR 137.6 million has been recorded directly in the statement of changes in shareholders' equity.

Capital Reduction

The Company reduced its share capital from SR14 billion to SR4.8 billion and accordingly the total number of shares was reduced from 1.4 billion shares to 480.1 million shares by cancellation of 919.9 million shares (65.7% reduction of share capital). The purpose of this reduction was to absorb the accumulated deficit of the Company as at 30 September 2011. The capital reduction was completed on 4 July 2012.

Partial Capitalisation of the "Advances from Founding Shareholders"

The founding shareholders who provided the Company previously with interest bearing advances along with Abu Dhabi Investment House (ADIH) capitalised partially the "Advances from Shareholders" which amounted to approximately SR2.5 billion. The accumulated accrued interest due to this particular interest bearing debt was not subject to this partial capitalisation transaction.

After this capitalisation transaction the share capital increased from SR4.8 billion to SR7.3 billion and accordingly the number of shares increased from 480.1 million shares to 734.7 million shares.

Rights Issue

After the partial capitalisation mentioned above, a cash injection transaction was executed through the rights issue transaction which amounted to SR3.5 billion. This amount was subscribed by the Company's shareholders that were registered in Zain KSA register as at the date of the Extraordinary General Assembly that was held on 4 July 2012. After this transaction the share capital increased from SR7.3 billion to SR10.8 billion and accordingly the number of shares increased from 734.7 million shares to 1.08 billion shares. Mobile Telecommunications Company K.S.C. injected SR1.3 billion whereas the remaining amount of SR2.2 billion was injected by the public shareholding.

Accordingly; the ownership percentage of Mobile Telecommunications Company K.S.C. increased from 25% to 37.05%.

The cash injection of SR3.5 billion was partially utilised by the Company as set out below:

- Settlement of the related rights issue costs;
- Partial settlement of principal amounted to SR750 million related to the Syndicated Murabaha Facility; and
- Financing capital expenditure projects required to increase the coverage and capacity of the Company which amounted to SR 244 million as of December 31, 2012.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2012

1 ORGANISATION AND ACTIVITIES (Continued)

Refinancing Arrangements

On 11 October 2011 the Board of Directors also approved the commencement of negotiations with the current existing investors and to seek new potential investors to refinance the existing Murabaha Facility.

On 27 July 2012, the Company's existing SR 9.75 billion Murabaha Facility was due to mature. Prior to that date the Company secured the unanimous consent of the Murabaha Facility investors to extend the maturity for two (2) months until 27 September 2012. Then the Company obtained several approvals to extend the existing Facility until 30 January 2013. At the same time and as mentioned before, Zain KSA utilised SR750 million of the proceeds from the rights issue transaction to reduce the outstanding principal under the existing Murabaha Facility to approximately SR9 billion.

The extension of the maturity was required in order to allow for the planned implementation of a new refinancing facility. The Company is in very advanced negotiations with a syndicate of banks, comprising current existing, as well as potential new investors to refinance the existing Murabaha Facility. Discussions are well advanced and the directors believe a formal refinancing agreement will be most likely signed during 2013.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, these interim financial statements have been prepared on a going concern basis.

Strategic Cooperation

The Company has entered into a commercial agreement on 2 September 2012 with Vodafone Sales & Services Limited (Vodafone). This commercial cooperation agreement is providing Zain KSA with access to in-depth knowledge transfer on a range of operational issues, together with branding and procurement support from Vodafone. Covering products and services, international roaming and handsets, the Agreement is allowing customers of Zain KSA to benefit from the industry leading expertise and global presence of Vodafone.

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 board on -----

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2012

2 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.

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 the Saudi Organisation for Certified Public Accountants ("SOCPA"). These interim financial statements should be read in conjunction with the annual audited financial statements for the year ended 31 December 2011.

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 31 December 2011.

Period of the financial statements

The Company's financial year begins on 1 January and ends on 31 December of each Gregorian year. The interim financial statements have been prepared in accordance with SOCPA's Standard of Review of Interim Financial Reporting, on the basis of integrated periods, which views each interim period as an integral part of the financial year. Accordingly, revenues, gains, expenses and losses of the period are recognised during the period. The 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.

Critical accounting estimates and judgments

The preparation of interim financial statements in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2012

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting

(a) Business segment

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

- (i) engaged in revenue producing activities;
- (ii) results of its operations are continuously analysed 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 a 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.

Foreign currency translations

(a) Reporting currency

These interim 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 are recognised in the interim statement of operations.

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.

Accounts receivable

Accounts receivable are shown at their net realisable values, which represent billed and unbilled usage revenues net of allowances for doubtful accounts. A provision against doubtful receivables 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 interim statement of operations and reported under "distribution and marketing expenses". When an account receivable is uncollectible, it is written-off against the provision for doubtful receivables. Any subsequent recoveries of amounts previously written-off are credited against "distribution and marketing expenses" in the interim statement of operations.

Inventories

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

MOBILE TELECOMMUNICATIONS COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2012

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are carried at cost less accumulated depreciation except for capital work in progress which is carried at cost. Depreciation is charged to the interim 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:

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

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

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

Intangible assets

License fee is stated at cost less accumulated amortisation. The amortisation period is 25 years and is primarily determined by reference to the unexpired license period, the conditions for license renewal and whether the license is dependent on specific technologies. Amortisation is charged to the interim 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 capitalised on the basis of the costs incurred to acquire and bring the specific software into use. These costs are amortised 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 recognised as intangible assets.

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2012

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 recognised 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 recognised for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately in the interim statement of operations. Impairment losses recognised on intangible assets are not reversible.

Borrowings

Borrowings are recognised 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 capitalised as part of those assets. Other borrowing costs are charged to the interim statement of operations.

Capital leases

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

Accounts payable and accruals

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

Provisions

Provisions are recognised 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)
FOR THE YEAR ENDED DECEMBER 31, 2012

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 finalisation 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.

Employee end-of-service benefits

Employee end-of-service benefits required by Saudi Labor and Workman Law are accrued by the Company and charged to the interim 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 interim 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.

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 recognised 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 recognised when the Company has performed the related service and, depending on the nature of the service, is recognised either at the gross amount billed to the customer or the amount receivable by the Company as commission for facilitating the service.

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2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues (Continued)

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 recognised 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.

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 standards. Allocations between distribution, marketing and general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

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 interim statement of operations on a straight-line basis over the period of the lease.

Derivative financial instruments

Derivative financial instruments are measured at fair value. The method of recognising 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 recognised in hedging reserve under shareholders' equity. The gain or loss relating to the ineffective portion is recognised immediately in the interim statement of operations. Gains or losses recognised 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 AND LONG-TERM BORROWINGS FACILITIES

On 5 April 2011, local commercial banks arranged a long-term facility to refinance the Company's obligations under a previously existing short-term borrowing facility. This facility is due for repayment on 3 April 2013. This facility consists of a SR portion totalling SR1,875 million and a USD portion totalling USD100 million (equivalent SR375 million) and is secured by a guarantee provided by a founding shareholder. This facility attracts financing charges as specified in the agreement, and is subordinated to the existing Murabaha Facility.

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)
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3 SHORT AND LONG-TERM BORROWINGS FACILITIES (Continued)

On 20 June 2012 an Export Credit Agency Facility Agreement was signed on between the Company and international banks (as "Mandated Lead Arrangers"). This facility is fully guaranteed by Mobile Telecommunications Company K.S.C. and subordinated to the Murabaha Facility. The purpose of this facility is to:

- Repay amounts due to one of the Company's technical vendors; and
- To finance further new expansion plans provided by the same technical vendor.

At 31 December 2012, the Company has utilized tranche A (USD 155 million) in full and also utilized USD 98 million out of USD 170 million of tranche B.

Financing charges as specified under this facility agreement are payable in semi-annual instalments over the life of the loan. Repayment will take place over five (5) years on a semi-annual basis starting July 2012 for tranche A (totalling USD 155 million) and July 2013 for tranche B (totalling USD170 million). The Company has repaid first instalment due on July 2012.

4 SYNDICATED MURABAHA FINANCING

Syndicated Murabaha Facility of approximately SR 9.75 billion was arranged by Banque Saudi Fransi in July 2009. This Murabaha Facility consists of a SR portion totalling SR7.09 billion and a USD portion totalling USD710 million (equivalent to SR2.66 billion).

As mentioned before under Note 1 above; the Company partially settled an amount of SR750 million out of the cash proceeds from the rights issue transaction. Accordingly; the balance of this Facility amounted to approximately SR9 billion as at 31 December 2012.

Financing charges as specified under the Murabaha Facility are payable in quarterly instalments over the life of the loan. As per the terms of the Murabaha Financing Agreement the Company exercised its two (2) options to extend the initial maturity date (12 August 2011) for six (6) months each, totalling the renewal of the facility for one (1) full year with the final maturity date is 27 July 2012. The Company has successfully exercised both renewal options and the Murabaha Facility was extended till 27 July 2012.

As mentioned in Note 1, the Company obtained several approvals of the Murabaha Facility Investors to extend existing Facility until 30 January 2013. These extensions will permit the finalisation of the refinancing with a new planned USD2.4 billion Murabaha Facility. The terms and conditions of the new facility (which will have a maturity of five (5) years and be at a lower financing cost to the existing Murabaha Facility) are being finalised. As of 31 December 2012, the Company has signed a mandate letter with the mandated lead arrangers to secure the refinancing.

Accordingly, the outstanding balance as at 31 December 2012 has been classified as current liability, (refer to Note 1).

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4 SYNDICATED MURABAHA FINANCING (continued)

Financial covenants imposed by the financing banks are:

- Pledge on all revenues and assets insurance and operating accounts;
- 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 till 31 December 2011.

5 DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivative financial instruments	Contract notional amount SR'000	Negative fair value	
		December 31,2012 (Unaudited) SR'000	December 31,2011 (Audited) SR'000
	8,287,500	-	45,781

6 ADVANCES FROM FOUNDING SHAREHOLDERS

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

The following is a breakdown of the advances from shareholders:

	December 31,2012 (Unaudited) SR'000	December 31, 2011 (Audited) SR'000
Mobile Telecommunications Company K.S.C.	1,946,890	2,505,074
Faden Trading & Contracting Est.	-	314,890
Saudi Plastic Factory	-	301,365
Rakisa Holding Company (Rakisa)	-	136,984
Almarai Company	-	109,587
Ashbal Al-Arab Contracting Est.	-	109,587
Al Jeraisy Development Company Limited	-	54,793
Al Sale Al Sharkiyah Company Limited	-	27,397
Abu Dhabi Investment House (ADIH)	8,413	-
	1,955,303	3,559,677
Accrued financial charges	607,507	458,873
	2,562,810	4,018,550

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6 ADVANCES FROM FOUNDING SHAREHOLDERS (continued)

As discussed in Note 1, the advances from founding shareholders are capitalised "Advances from founding Shareholders" amounted to approximately SR2.5 billion. The accumulated accrued interest due to advances from founding shareholders was not subject to this capitalisation activity. After this capitalisation transaction, the share capital increased from SR4.8 billion to SR7.3 billion and accordingly the number of shares increased from 480.1 million shares to 734.7 million shares.

The advances from shareholders as at 31 December 2012 and the related accrued financial charges are currently not scheduled for repayment until the settlement of the Syndicated Murabaha Facility of SR9 billion (Note 4).

In addition, Rakisa and ADIH entered into a settlement agreement dated 18 July 2008 and a supplement to this agreement dated 28 October 2008 (together, the "Settlement Agreements") in relation to a claim that ADIH had filed against Rakisa. The terms of the Settlement Agreements required Rakisa to transfer certain number of its assets to ADIH, including 30 million of its shares in the Company and its full amount of the advances provided to the Company, being approximately SR137 million. In order to enforce Rakisa's compliance with the Settlement Agreements, ADIH filed a claim dated 9 September 2009 against Rakisa at the Second Commercial Circuit at the Grievances Board in Riyadh. On 20 October 2010, the Grievances Board issued a judgment requiring Rakisa to comply with the terms of the Settlement Agreements. The ADIH transfer took place on 15 May 2012.

7 ZAKAT

No zakat provision for the year has been made in these interim financial statements as the Company's zakat base is negative and the Company has incurred losses. The Company has received its final zakat assessment from DZIT for the year 2008 raising additional liability. This liability is being contested by the Company. The Company has also filed its zakat returns for the years 2009, 2010 and 2011 with the DZIT but no final zakat assessments of the above-mentioned years have been received.

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8 SHARE CAPITAL

The share capital of the Company as of 31 December 2012 (post capital restructuring) comprised of 1.08 billion shares stated at SR10 per share owned as follows:

Shareholders	Post-Capital Restructuring		Pre-Capital Restructuring	
	Number of shares	Share Capital SR'000	Number of shares	Share Capital SR'000
Mobile Telecommunications Company K.S.C.	400,125,067	4,001,251	350,000,000	3,500,000
Saudi Plastic Factory	63,143,367	631,434	96,250,000	962,500
Faden Trading & Contracting Est.	64,495,867	644,958	96,250,000	962,500
Rakisa Holding Company (refer to Note 6)	4,715,270	47,153	13,750,000	137,500
Abu Dhabi Investment House (refer to Note 6)	23,145,004	231,450	30,000,000	300,000
Almarai Company	22,961,224	229,612	35,000,000	350,000
Ashbal Al-Arab Contracting Est.	22,961,224	229,612	35,000,000	350,000
Al Jeraisy Development Company Limited	11,480,612	114,806	17,500,000	175,000
Architectural Elite Est. for Engineering and Contracting	6,001,253	60,013	17,500,000	175,000
Al Sale Al Sharkiyah Company Limited	5,740,305	57,403	8,750,000	87,500
Total founding shareholders	624,769,193	6,247,692	700,000,000	7,000,000
Public shareholding	455,330,807	4,553,308	700,000,000	7,000,000
	1,080,100,000	10,801,000	1,400,000,000	14,000,000

Rakisa Holding Company transferred 30 million shares amounting to SR300 million as of 15 May 2012 to Abu Dhabi Investment House. The consent of the transfer has been obtained from the Murabaha Facility investors; CITC and CMA (refer to Note 6).

9 LOSS PER SHARE

Losses per share are computed by dividing losses for the period by the weighted average number of shares outstanding i.e. 1.31 billion shares which takes into consideration the effect of the capital reduction and rights issue during the year ended December 31, 2012 (2011: 1.58 billion shares with a retrospective adjustment for the rights issue that took place in 2012).

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10 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 31,2012 (Unaudited) SR'000	December 31, 2011 (Audited) SR'000
Within 12 months	189,484	164,216
Within 2 to 5 years	757,935	632,292
Over 5 years	947,419	299,840
	1,894,838	1,096,348

11 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 31,2012 (Unaudited) SR'000	December 31,2011 (Audited) SR'000
Within 12 months	669,438	318,212
Within 2 to 5 years	62,899	97,554
	732,337	415,766

Refer to Note 10 for operating lease commitments.

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

12 SEGMENT INFORMATION

The objective of the segment reporting standard promulgated by the Saudi Organisation for Certified Public Accountants is to disclose detailed information on the results of each of the main operating segments. Given that the requirements of this standard, in terms of the prescribed threshold, taking into consideration the Company's operations which are substantially concentrated in mobile phone services since commencement of its activities, are not met as of the interim balance sheet date, accordingly, the Company's management believes that operating segment information disclosure for the Company is not applicable. The Company carries out its activities in the Kingdom of Saudi Arabia.