Annual Report '09

Continuous Connectivity

موبايلي
mobily

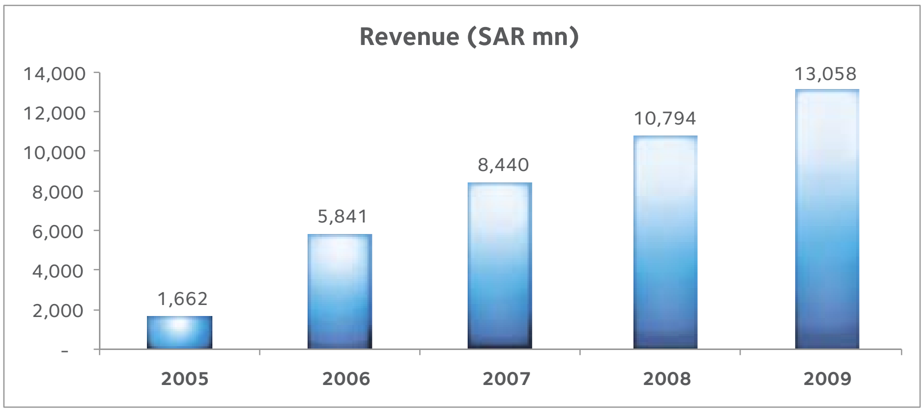
Custodian of Two Holy Mosques
King Abdullah Bin Abdulaziz Al-Saud

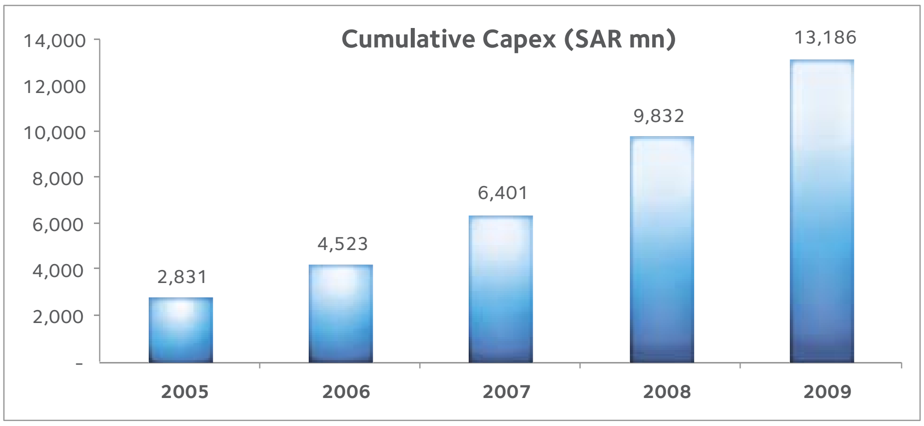
His Royal Highness
Prince Sultan Bin Abdulaziz Al-Saud

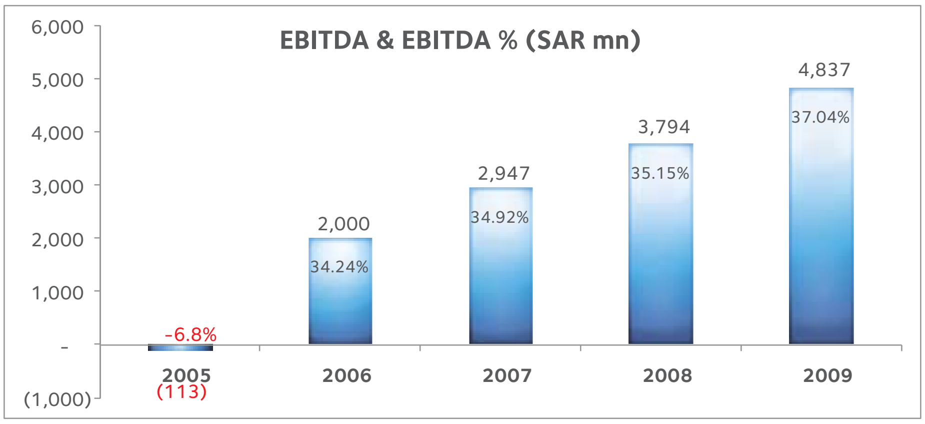
TABLE OF CONTENTS

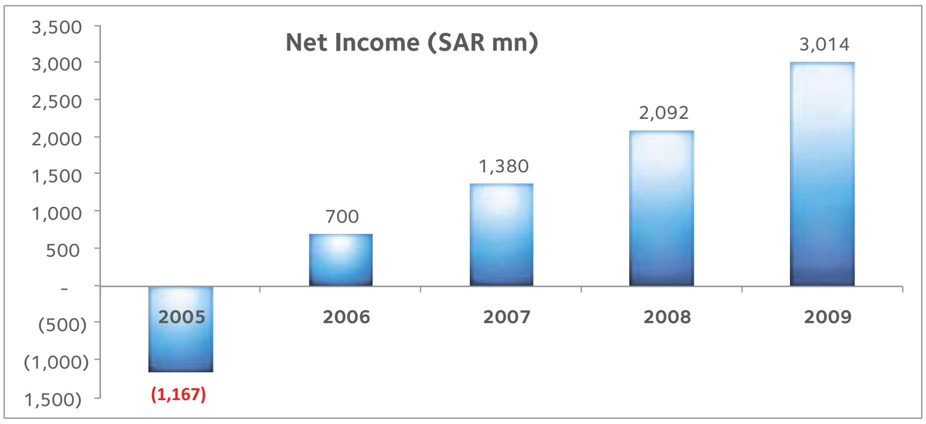
Financial Highlights	04
Annual Milestones	07
Board of Directors	08
Chairman's Statement	10
CEO's Statement	12
Operational Review	15
Corporate Governance	25
Financial Statements	28
Corporate Information	50

Financial Highlights


Revenue (SAR mn)
14,000
12,000
10,000
8,000
6,000
4,000
2,000
-
1,662
5,841
8,440
10,794
13,058
2005
2006
2007
2008
2009


Cumulative Capex (SAR mn)
14,000
12,000
10,000
8,000
6,000
4,000
2,000
-
2,831
4,523
6,401
9,832
13,186
2005
2006
2007
2008
2009


EBITDA & EBITDA % (SAR mn)
6,000
5,000
4,000
3,000
2,000
1,000
-
(1,000)
-6.8%
(113)
2,000
34.24%
2,947
34.92%
3,794
35.15%
4,837
37.04%
2005
2006
2007
2008
2009


Net Income (SAR mn)
3,500
3,000
2,500
2,000
1,500
1,000
500
-
(500)
(1,000)
1,500)
(1,167)
700
1,380
2,092
3,014
2005
2006
2007
2008
2009

Annual Milestones

2004

- Etihad Etisalat awarded Saudi Arabia's first 3G and second GSM licenses.
- Completion of Islamic financing for US$2.35 billion.
- Build-out of GSM network begins.
- Initial Public Offering of 20 million shares oversubscribed 51 times.

2005

- Launch of the commercial name - mobily.
- Signing of the interconnect agreement with Saudi Telecommunications.
- mobily launches commercial GSM services in 32 cities (license requirement only seven), coverage of 79.2per cent of the population achieved.
- Number of subscribers hits one million.
- Positive EBITDA achieved.

2006

- 3.5G service launched - first in the Kingdom.
- Strategic partnership signed with ITC and Bayanat Al-Oula to build 12,600 km advanced fiber optic network.
- mobily turns cash-flow positive.
- mobily subscribers total more than 6 million at year end, representing more than 30 per cent market share.
- Population coverage exceeds 90 per cent.
- mobily available at more than 3,600 points of sale.

2007

- Net income, before Zakat, doubles to SAR 1,404 million (US$ 374 million).
- Earnings per share grows 97.14% from SAR 1.40 (US$ 0.37) to SAR 2.76 (US$ 0.74).
- Islamic financing of SAR 10.78 billion (US$2.875 billion) to pay off short-term debt and to finance operations and the Company's infrastructure expansion secured setting a new benchmark in terms of value and the manner in which it was structured.
- mobily announces an additional SAR 1 billion (US$ 267 million) investment to enhance its 3.5G network.
- Memorandum of Understanding signed to acquire 99.9% of Bayanat Al-Oula that holds a license to build, manage and operate a data communications network in the Kingdom.
- 4,843 base stations, 993 of them 3.5G capable.
- More than eleven million subscribers achieved.

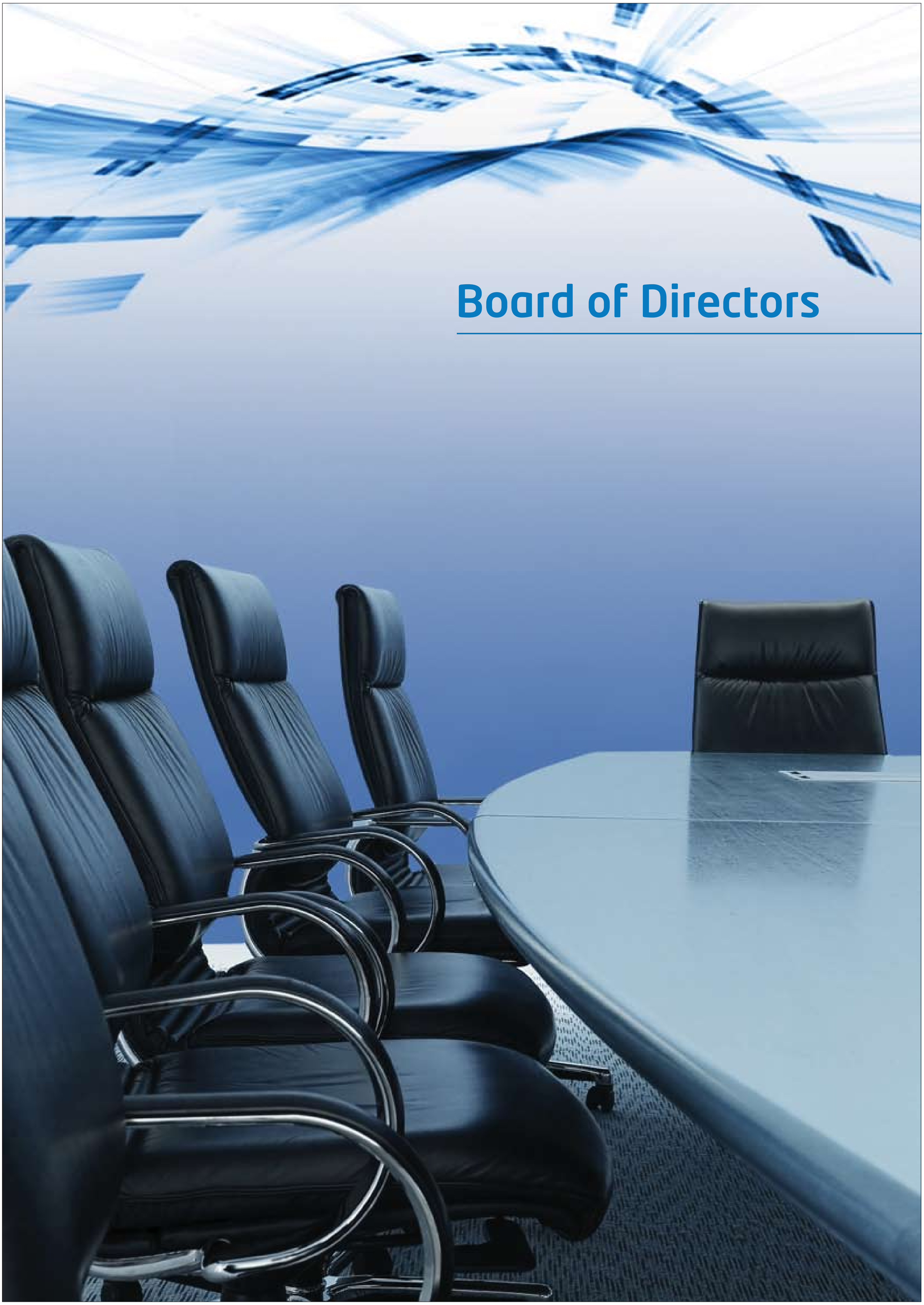
2008

- Net profit increases by 52% over 2007.
- First dividend paid out to shareholders for the 2007 financial year.
- mobily joins a consortium to expand internationally the national fiber-optic network (SNFN).
- Bayanat Al Oula, which has a license to offer data services, is acquired along with Saudi ISP, Zajil.
- mobily signs an exclusive national roaming agreement with a new entrant into the Saudi telecom market - (Zain) Saudi Arabia.
- mobily's mobile data network described as the busiest in the world.
- 300,000 HSPA subscribers signed up in 18 months with 3.5G coverage reaching 70% of the population.
- mobily added 3.8 million new subscribers despite the entry of a third service provider.
- The capital of the company was increased by SAR 2 billion (US$ 533 million) in a 200 million shares' rights issue that was 2.3 times subscribed in terms of value.
- More than 7,800 customer touch points, including Dealers and Preferred Dealers, achieved.

2009

- Stock performance at 40% for the year outperforms Tadawul Telecom and All Share (TASI) indices.
- Mobile broadband subscribers top 1 million mark and usage at 50 Terabyte (TB) per day compared to 19TB as at the end of 2008.
- HSPA revenue increases by 159% compared to the previous year, and coverage reaches 80% of the population.
- mobily participates in the Tata Global Network (TGN) Gulf Cable System.
- iPhone 3G and 3GS introduced.
- Net profit up 44% - revenue up 21%.
- Total number of subscribers reaches 18.2 million.
- mobily wins the Dale Carnegie Leadership award.
- SAR 1.5 billion refinancing and SAR 900 million infrastructure financing packages arranged.
- Board declares a dividend of SAR 1.25 per share compared to SAR 0.75 per share for the previous year.

Board of Directors



Abdulaziz Saleh Al Saghyir (Chairman)
BSc in civil engineering, University of Kansas, USA; chairman, Abdulaziz Alsaghyir Commercial Investment Company; member of the Board of Electricity and Co-Generation Regulatory Authority; executive committee member, Rana Investment Company.

Khaled Omar Al Kaf (Chief Executive Officer and Managing Director)
Honors degree in computer engineering, George Washington University, USA; 18 years in progressively senior positions in the telecom industry, working in France, Japan, and the UAE.

Mohammed Hassan Omran Alshamsi
Engineering degree in electronics and communications, Cairo University, Egypt; chairman of Etisalat UAE and its fully owned subsidiaries and chairman of Thuraya.

Salem Ali Al Sharhan
BSc in accounting, United Arab Emirates University UAE; chief financial officer of Etisalat; chairman, Zantel; board member, Atlantique Telecom.

Ahmed Abdulkarim Julfar
BSc in civil engineering, Gonzaga University, Washington, USA; chief operating officer, Etisalat, responsible for core business in the UAE retail market; board member, E-Vision, the UAE cable TV operator; board member, Etisalat Academy.

Ibrahim Bin Mohammed Al Saif
Master's degree in economics, Southern California University USA; general manager, investment division, GOSI; board member, SAFCO.

Dr Fahad Abdullah Mubarak
PhD in business administration, University of Houston, USA; chairman and managing director, Morgan Stanley, Saudi Arabia.

Abdulaziz Hamad Abdulaziz Aljomaih
BSc in architectural engineering, King Saud University, Saudi Arabia; master's degree in general administration, University of California, USA; assistant vice-president, Aljomaih Holding Company; chairman, Bahrain Steel Iron Company; vice-chairman, Arcapita Bank, Bahrain.

Saleh Bin Nasser Aljasser
MSc in civil engineering, King Saud University, Riyadh; BSc in industrial engineering, King Abdul Aziz, Jeddah; board member, Saudi Research and Marketing Group.

Mohammed Ibrahim Almansour
MSc in computer science, West Michigan University USA; chairman and CEO, Knowledge Net Computer Company.

Executive Management
Chief Executive Officer and MD:
Khaled Al Kaf

Chief Operating Officer:
Abdulaziz Altamami

Chief Financial Officer:
Thamer Alhosani

Chief Contracts and Administrative Officer:
Abdel Rahman Ghaleb

Chief HR Officer:
Hamed Al Kharji

Chief Marketing Officer:
David Murphy

Chief Sales & CR Officer:
Mohammed Beseiso

Chief Internal Audit:
Abdullah Al Rowais

Chief Information Officer:
Medhat Amer

Chief Technical Officer (Fixed and Broadband Network):
Mohammed Basafi

Chief Technical Officer (Mobile Radio Network):
Nasser Al Nasser

Chairman's Statement

The international financial world's turmoil, which began in 2008, continued into 2009 and, despite the resiliency of the Saudi Arabian economy, the effects were felt in this country. It is worth noting that the global economy went through its worst recession in the past 50 years, yet the non-oil private sector in the Kingdom's did not decline - it grew by 2.54% against 4.3% for the previous year.

In the face of this minimal growth, mobily was able to substantially increase its revenues and its profitability, far outperforming the averages. In fact, the Company grew its revenues by 21% compared to the previous year and net earnings by an outstanding 44%.
For the year 2009, the Company's Board of Directors has recommended a total dividend of SAR 875 million (SAR 1.25 per share) compared to 525 million (SAR 0.75 per share) for the previous year - an increase of 66.66%. Payment will be made to shareholders registered at the close of the day of the annual general meeting, the date of which will be announced in the near future.

Our share price performed better than both the All Share Index and the Telecom Index on the Tadawul - 40% versus 27% and 9% respectively.

In many respects 2009 was a benchmark year for the Company. Mobile broadband use grew exponentially in line with our expectations and mobily, because of its foresight and planning, was able to capitalize on this demand. Total number of subscribers accelerated and, in particular, the growth of mobile broadband subscribers using our services outstripped the competition.

During the year we refinanced our SAR 1.5 billion (US$ 400 million) Islamic finance loan that had been used for the acquisition of Bayanat Al Oula. In addition we raised SAR 900 million (US$ 240 million) to extend our infrastructure. In both cases the finance was obtained during a period of constrained liquidity and financial institutions being risk-adverse, yet we were able to negotiate the arrangements on favorable terms - an indication of our solid financial situation and the confidence financial institutions have in mobily.

Details of the Saudi Arabian budget indicate that the country is committed to a SAR 400 billion (US$ 107 billion) stimulus program over the next three years - an indication of the strength of this economy. It is also an indication of the optimism with which we can face the years ahead and the determination that the state has to drive sustainable development in the Kingdom. The authorities have to be commended on this powerful message being sent out, not only local commerce and industry, but to the world as well.

Of a total budget of SAR 540 billion, the authorities elected to allocate 25% during 2010 to education and manpower development - 13% more than in 2009 when two schools a day were being built in the Kingdom. This SAR 122 billion (US$ 32.5 billion) budget will include the building of the Princess Nora Bint Abdulrahman University, the largest women-only university in the world. This education expenditure promise well for mobily as higher levels of education result in greater numbers of the population moving into higher levels of skills and production as well as higher levels of sophisticated mobile broadband use.

In addition the World Bank placed Saudi Arabia as the 13th most competitive country in the world to do business and the best place to do business in the Middle East and the Arab world. It is possible that the Kingdom could move into the top 10 of this list by 2010. This is an indication of the determination by the authorities to establish the Kingdom as one of the most attractive investment destinations in the world.

With this economic background, I believe that mobily can continue with excellent expectations of growth - particularly as the structure of the company, its people and the foresight of its management provide a solid foundation and the building blocks to take advantage of the opportunities in the telecom market as they present themselves.

I must congratulate everyone in the Company for their contribution to yet another year of outstanding performance.

I would like to welcome Mr. Mohammed Ibrahim Almansour and Mr. Saleh Nasser Aljasser to the Mobily Board of Directors. In addition, the Board reappointed myself as Chairman and Mr. Khaled Omar Al Kaf, the company's CEO, as Managing Director from December 1, 2009, both of us for a second three-year term.

Abdulaziz Alsaghyir
Chairman

CEO and Managing Director's Statement

The growth of the Company continued unabated despite the global financial crises, which persisted during the year and intensive competition in the telecom sector. Gross revenue, at SAR 13.06 billion (US$ 3.48 billion), was up 21% on the previous year's SAR 10.79 billion (US$ 2.87 billion) with an EBITDA margin of 37.04% as a result of the growing contribution of higher margin data revenue and improved efficiencies. Wholesale revenue represented by sales to third parties increased by 470%. We ended the year with a net profit of SAR 3.01 billion (US$ 804 million) compared to SAR 2.09 billion (US$ 558 million) during 2008 - up 44%.

The Hajj season was better for us than expected despite the drop in the number of pilgrims. We had a 52% share of this market, the highest of the three operators in the Kingdom.

We also attracted greater numbers of higher spending postpaid subscribers and the decline in voice revenue per minute has been mitigated by the increase in minutes of use.

Several significant benchmarks were achieved during the year - one of which was that we reached sales to more than one million mobile broadband users. This solidly underscored our belief in the future of HSPA and that customers strongly prefer this method of connectivity. We are convinced that the time is soon coming when mobile broadband connections will exceed those of fixed lines such as narrow band services like dial-up and ADSL.

For the past two years we have been vigorously developing our HSPA technology to cater for this runaway demand and sales figures have confirmed that our decision to substantially invest in this area was correct. The introduction of HSPA has led to a completely different way people choose to access the internet. In order to continue with the exponential growth we have enjoyed so far we need to take heed of these changing user demands and adjust our way of doing business to meet the new business model.

HSPA will show much more penetration, because this does not go to the household, it goes to the individual.

We undertook HSPA+ and LTE trials during the year, the introduction of which will again accelerate the uptake of mobile broadband users. These new platforms offer extremely exciting possibilities for us to develop, for example, a hybrid device and services in conjunction with others to provide a wide range of blended services that will appeal to our users. In the light of these possibilities we initiated co-operating with Qualcomm in the development of sophisticated new technology, device planning and training services.

Being in a position to offer these blended services is central to our future success as is the need to adapt our technology to ensure that we can handle the volume of new services and applications. Some of these customer-friendly services will come from third parties, and we see that hosting them, while maintaining control in the value chain, will generate growing revenue streams for us in the future.

The rapid development of convergence in telecom services means that customers expect various services to move from one terminal to another without any problems. These facilities demand broadband technology and our focus in this area will provide us with the ability to meet this requirement ahead of our competitors.

Development of our WiMAX network continued during the year with 1,300 base stations installed compared to 394 in the previous year to extend coverage to more than 20 cities compared to 4 cities before.

The demographics of Saudi Arabia offer good prospects for growth. The country has a young population - more than half are less than 25 and about one third are less than 15 - and we have five million students.

This coupled with low broadband penetration of less than 10% makes for exciting marketing possibilities and we intend to actively seek out and satisfy this demand.

We believe that mobily will maintain its position as a leader in the mobile broadband segment in the Kingdom through the introduction of new and innovative services and products.

Our portfolio of voice and value added data services, particularly for local and global enterprise customers, will be enhanced by our participation in the Tata Global Network Gulf Cable System (TGN) which will connect the region to the world's major hubs and city centers. The system will provide new dimensions and resilience to our infrastructure and service capabilities and will give us access to new high-speed routes to the world.

We are a results oriented company that has successfully met the challenges of the past and we have a clear vision of the future. Our success during the year was, to a large extent, due to our dedicated and motivated 3,696 people - a headcount slightly higher than last year. Again, we placed heavy emphasis on training and our people were trained in various development courses representing more than 48,000 training days. I thank each and every member of our staff for their dedication and hard work during the year. It is this, plus the spirit of teamwork and co-operation shown in all departments, that enables mobily to continue with energy and drive into the future.

Lastly, I would like to pay my respects to the board on which I serve and I thank my co-directors and chairman for their support and wisdom during the past year.

Khaled Omar Al Kaf
Chief Executive Officer and Managing Director

Operational Review

Financing

During the year the short-term, Islamic finance loan of SAR1.5 billion (US$ 400 million), which was raised during 2008, was refinanced. This loan had been used for the acquisition of Bayanat Al Oula.

According to the terms of the deal reached with SAMBA, the National Commercial Bank (NCB), Riyad Bank and The Saudi British Bank (SABB), the Islamic finance facility was transformed into a loan scheduled over a four-year period.

In addition, and to support capital expenditure by Bayanat Al-Oula, SAR 900 million (US$ 240 million) was raised from SABB. The 66-month financing scheme was arranged on a clean and unsecured basis on Bayanat's balance sheet.

New Corporate Structure

A new corporate structure for the various functions and departments was designed and completed during the year. This is in line with mobily's strategic design and operating model and incorporates the complex integration of Bayanat Al Oula and Zajil into our overall operations.

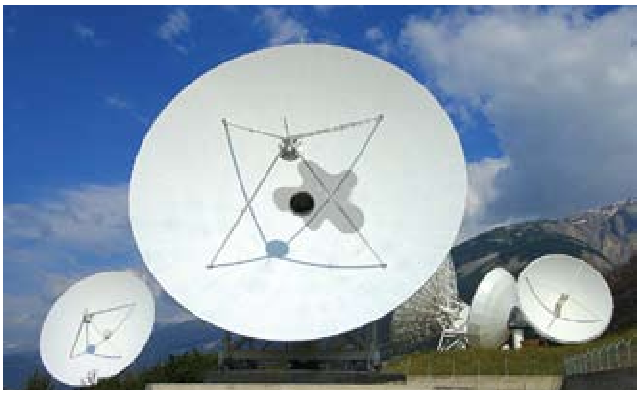
WiMAX Expansion

Following the completion of the acquisition of Bayanat Al-Oula last year, the deployment of WiMAX across the Kingdom accelerated during the year.

A contract, worth about SAR 375 million (US$ 100 million) with Samsung, was signed to provide WiMAX (Wave 2) to enhance existing coverage in the four major cities of Riyadh, Jeddah, Dammam and Al Khobar and to expand to more than 20 cities.

The contract will provide WiMAX Wave2 products, including base stations, access service network gateways and all the related equipment as well as services. This will include U-RAS Flexible base stations, which are the most suitable for flexible WiMAX network configurations due to their separated design of radio and digital units.

The decision to rapidly deploy WiMAX was based on runaway demand by users for a fast and reasonably priced, convenient broadband service.



WiMAX technology provides wireless transmission of data using a variety of transmission modes, from point to multi-point links to portable and fully mobile internet access.

Besides HSPA, the deployment of WiMAX is the normal course of development for mobily in Saudi Arabia given the size of the country and widespread remote concentrations of population lacking fixed broadband networks - and because of the comparative cost of other technologies and the speed of deployment. It renders subterranean networks obsolete because of associated costs and effort - and the confinement of the service to certain locations. It is expected that most future deployments will be WiMAX and HSPA with a significant slowdown in fixed broadband networks.

WiMAX technology provides a substitute for ADSL as it eliminates the need for a technician to visit each user location to set up the service. mobily users can simply plug a compact modem into an electric power outlet and immediately get connected. Depending on coverage and signal strength, speeds can reach up to 2Mb per second.

During the year WiMAX coverage was enhanced in the four major cities and expanded into the northern and eastern cities of the Kingdom to include Jubaul, Hafr Al-Batin, Sakaka, Ar'ar and Khafji. The WiMAX service was also extended to Hafuf and Al-Mobarraz.

We plan to continue our WiMAX deployment in 2010 and will expand nationwide in the next several years.

HSPA Connectivity

As a result of our aggressive HSPA development program we reached a figure of more than **one million "Connect" mobile broadband users** subscribed to any one of our high-volume internet bundles of 1GB, 5GB or unlimited packages. This represents almost a 400% increase on our previous year's broadband subscriber base.

Daily data traffic, uploaded and downloaded by customers, has grown to exceed 50 Terabyte (TB) compared to 19TB in 2008. Data contribution to revenue was 14% compared to 9% in the previous year. This contribution remains below the average for North American and Western European operators. Mobile broadband revenue based on HSPA increased by 159% compared to the previous year.

To meet this rapid increase in user demands we awarded a SAR 600 million (US$ 160 million) network upgrade contract to Ericsson.

The boom in mobile broadband demand has been triggered by infrastructure limitations with new ADSL installations, favorable demographics, low broadband penetration and limited entertainment venues in Saudi Arabia. In addition, appealing devices such as USB modems and the iPhone (which was first introduced to the Kingdom by mobily) as well as PC affordability and competitive flat rate tariffs provided us with one of the most significant strategic and commercial opportunities in the converging mobile and broadband markets.

Leading the next wave of innovations, we upgraded our mobile data network to support high-speed uplink packet access (HSUPA) technology, thus increasing uplink speeds and internet speeds in general for customers. Mobily became one of the top 30 operators around the world to offer customers a full high speed packet access (HSPA) mobile broadband experience.

Our HSPA network covers 80% of all populated areas, and we have successfully covered more than 337 cities, towns, villages and roads in Saudi Arabia.

Our broadband development is driving sustained increases in data ARPU (average revenue per user) that increases overall revenues which partially offsets the declines in voice ARPU.

We believe that mobile broadband will prevail over fixed connections to become the primary method to connect to the internet in the future. As HSPA grows into HSPA+ and then evolves into LTE, that future may come much sooner than later.

Because our HSPA network continued to grow quickly and the backhaul network needed to handle rapidly increasing data traffic, a contract was awarded to Cambridge Broadband Networks for the provision of its VectaStar, **point-to-multipoint, microwave backhaul platform.**

This platform provides the capacity and scalability needed to get new services to our customers before the competition. It is unique in its ability to optimize and statistically multiplex mobile broadband data traffic from our HSPA base stations. Also, its support for a wide variety of traffic protocols provides the ability to support current and future ventures.

Businesses Solutions

DIA (Direct Internet Access) service provides fast, uninterrupted internet connectivity to business customers using various technologies, such as fiber optics and microwave, with speeds ranging from one megabit per second (Mbps) to 10 gigabits per second (Gbps). Connectivity options can either be **dedicated or shared,** with the possibility of a backup link when needed.

Ethernet VPN (Virtual Private Network) is another premium service aimed at businesses. This service facilitates connectivity among several branches and sites of a company through a virtual, safe and secure Layer 2 local area network (VPN LAN), making it easy to exchange data and applications. Ethernet VPN can work through fiber optics and microwave, with the same range of speeds and connectivity as DIA. It can also be configured to run point-to-point, point-to-multi-point or multi- point-to-multi-point. Also, a variety of protocols can be used, with the possibility of building local sub-networks (VPLS).

There is also the **IP VPN (Virtual Private Networking through Internet Protocol)** service, which helps businesses and institutions network and exchange data and applications through a VPN using an Internet protocol with ease and security. IP VPN is a standard, reliable and flexible Layer 3 connection that can work through fiber optics, microwave, WiMax and HSPA, with the same range of speeds connectivity as DIA.

Business customers have several options for Quality of Service (QoS) to organize data transfer priorities and all of our business services offer around-the-clock technical support, as well as several billing options.

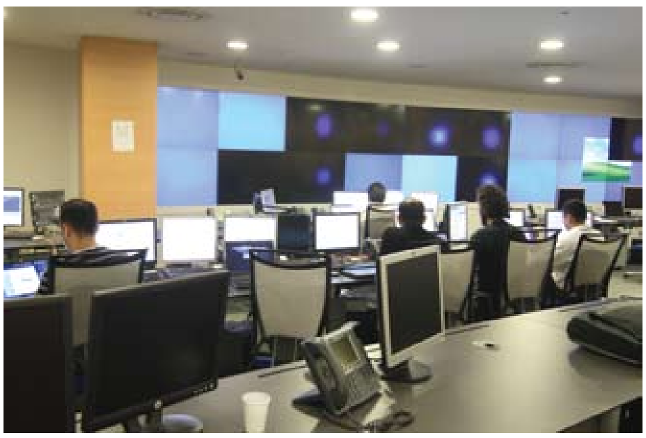
IPv6

We built a version-6 Internet Protocol network and connected it internationally, thus becoming the first data operator in the Kingdom to offer this service. As a result we were able to connect research centers and universities to the IPv6 network.

Compared to its predecessor, IPv4, the new protocol is a quantum leap. While IPv4 is capable of only 4.29 billion (232) IP addresses, IPv6 is capable of supporting many more, with each IP address comprising 39 digits instead of the customary 12, or 2128 numbers and provides for enhanced services such as IP video calling.

Co-location Data Center

A new, secure Data Center, which features state of the art, fully scalable technology built to the latest international regulations and standards, was established in Riyadh. This Center will provide medium and large enterprises with round the clock connectivity and co-location services for mission critical servers.



IP Transit Service

This service provides Internet Service Providers (ISPs) with dedicated internet connections to major global internet exchange points via a high-speed backbone network that has been engineered and designed to provide superior availability and extreme redundancy. We joined with Global Tier One IP carriers to offer premium data services that can only be matched by global providers.

ISPs can now lease international bandwidth speeds that range between 100 Mbps all the way up to 10 GBps from us.

Business Prepaid Line provides employees with the effective use of business lines and the flexibility of a prepaid service. Users can take advantage of recharge promotions targeting the prepaid consumer segment.

My Group offers one tariff with the lowest rate within a company's site and amongst its staff.
Control Line offers the freedom of a prepaid line and the economical tariff of a postpaid line. Administrative effort is reduced with mobily depositing monthly phone allowances into each employee's account.

Broadband@Work provides cutting edgewireless broadband connectivity with fast reliable and hassle free internet with WiFi coverage for offices and multi-user support.

Bulk Data SIM Cards offers the ability to have a post-paid data SIM (non voice) to be used for various data purposes such as fleet management and telemetric.

Bulk Minutes can be distributed amongst company employees according to work requirements and allow for improved cost efficiencies and the optimization of talk-time.

Undersea Cable System

Connectivity for our users will be greatly enhanced as a result of our participation in the state-of-the-art Tata Communications' TGN Gulf Cable System that will connect the Gulf region directly to the world's major business hubs and city centers.

Initially Qatar, Bahrain, Oman, Saudi Arabia and UAE will be connected to the system with other countries in the Gulf added during the second phase.

When fully functional our users will have access to new, high-speed global routing that will encourage expansion in broadband penetration, internet usage and enterprise applications and they can look forward to faster and more reliable bandwidth.

Hajj

Despite unprecedented challenges, our HSPA network in and around Makkah saw a 73% increase in traffic compared to last year's Hajj season. The bulk of the increase came via national and international data transfers through broadband technology. Usage was mostly for internet as well as national and international video calling.

The result was that we maintained our leadership, as we have with every previous Hajj season that we have offered our services, thanks to a brilliant, flawless performance of the network that performed without a hitch with no outages and no congestion. Our brand also had the strongest presence and appeal to the pilgrims.

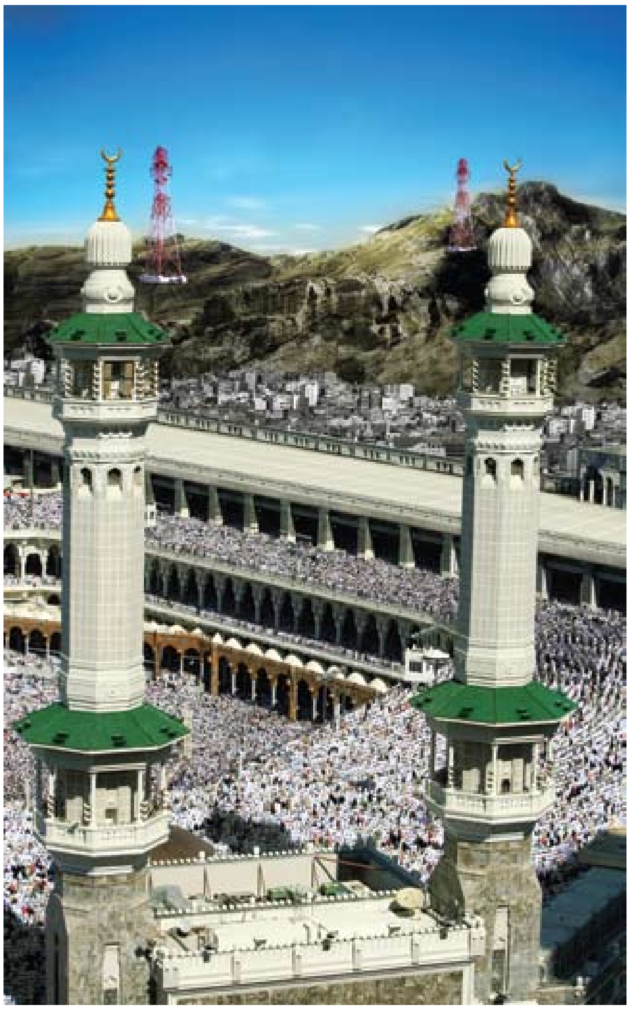
The increase in traffic was achieved in the face of a decline in the number of pilgrims compared to last year, the specter of swine flu, the sudden and overwhelming weather conditions and the third operator offering its services. Our people and our network performed brilliantly over this period.

We served 1.3 million of the 2.5 million pilgrims who flocked to the holy sites resulting in a 52% share of this market - more than last year.

mobily offered pilgrims a **Rihal** SIM bundled with a free mobile phone. Compared to last year's Hajj, sales of Rihal SIMs, recharge cards and other services were higher.

Pilgrims were able to make use of a the **Local Roaming Number Service** offered by mobily, which allowed them to use their own SIM cards with the addition of a mobily number on the same card thus avoiding the use of two SIMs or two different phones when visiting the Kingdom.

Pilgrims could also take advantage of the traditional annual International **Roaming Prizes Contest,** which we offer to all Kingdom visitors - for business, tourism, Hajj or Umrah. Ten prizes of SAR 100,000 were offered, effectively doubling the value of prizes on offer last year. To win, visitors merely had to select mobily as their roaming network of choice. The winners' names were published in local newspapers.



We also offered the **Nusuk** service, which is a virtual textbook service aimed to help pilgrims along while they carry out their Hajj rites. There is also a facility to find prayer times, look up currency exchange rates and a tracking system to keep a record of how many times they have marched around the Holy Ka'aba. The program also provided live news feeds.

Also Mena, Arafat and Muzdalifah were covered with a free WiFi network that can be used by everyone in the areas.

We had sales points around the Holy Mosque, at King Abdul Aziz and Prince Mohammed Bin Abdul Aziz airports in Jeddah and Madina, and at all seaports and border crossings to introduce pilgrims to mobily services and network capabilities.

Use Of Environmentally Friendly Towers

We became the first operator in the Middle East to get state-of-the-art, environmentally and aesthetically friendly relay towers.

The new Tower Tube has an innovative design that includes base stations and antennas completely housed into the tower. It is made of self-supporting, flexible porcelain.

The construction and innovative format of the Tower Tube helps rationalize the use of energy and protect the environment while contributing to a reduction of operational costs.

Digital Video

During the year testing commenced on our upcoming Digital Video Broadcast to Handheld (DVB-H) service. In a joint trial with the Ministry of Culture and Information, eight popular satellite TV channels are being broadcast in Jeddah where live feeds of Saudi TV's Channel 1 and Sport, MBC's 1, 2 and 3, Alarabiya news channel, CNBC Arabic and the children's favorite Spacetoon in high definition can be received.

The trial service is unique to mobily and will not be available to subscribers of other operators.
DVB-H is slowly but surely permeating the international telecom sector and the development of the project typifies the pursuit of excellence, which we follow, and is an indication of how we intend providing users with quality entertainment.

DVB-H, enabled handsets can receive digital video broadcasts just like a normal TV set, but in high definition with no need for an internet or GPRS connection.

Products And Initiatives

iPhone

During the year we introduced, for the first time in Saudi Arabia, the iPhone 3G followed by the 3GS which helped attract high ARPU customers. We believe that the launching of iPhone in the Saudi market was one of our most important marketing initiatives during the year. The iPhone was made available to both pre- and post-paid users.

WiMAX Router

We launched a new WiFi-enabled WiMAX router for our **broadband@home** service, which was the first prepaid broadband service in the Kingdom. This device, which can handle speeds of up to 2 Mbps, can easily be installed and configured by anyone with basic technical ability and can be easily set-up when users move home due to its plug-and-play feature which does away with wiring and the need to install and run configuration software.

Groups of users can connect through the router at the same time using WiFi on their laptops and PCs making it ideal for family use in the home.

Deeraty

We launched a new postpaid package called Deeraty in three regions across the Kingdom. Users in either of the Central and North, Western and South and Eastern regions get fixed, competitive rates at all times and are able to set an entire region as a 'Deeraty.' Calls can be made to any mobily or landline number for 15 Halala per minute when calls are made from within the user's Deeraty. Special content including local news, prayer times and weather information was made available for these users.

New 7ala Plus Package

The new 7ala plus package is a new prepaid package which doubles up for lifetime recharge amounts of SAR 10 and above (with no top limit). The amount of the value of the bonus is directly related to the recharge amount and cannot be used until the main account balance has been consumed. Subscribers can use their extra free credit to make national and international calls, send SMS messages locally and internationally, and connect to the internet. Users who migrate from other operators get SAR75 worth of free credit on initiation.

New Fallah Package for Students

An example of our focused marketing strategy was the introduction of a special Fallah Package for Students. This package, which caters for students in the Kingdom, features zero subscription fees for the duration of the their education period and offers 600 free minutes over three months to all national networks. Blackberry users were offered reduced rates and one month's free subscription. Also included are many value added services such as education content, news and entertainment channels, social channels and ringtones as well as chat features.

Prepaid Blackberry
Following the high demand shown by users for the Blackberry phone and allied services we increased the data quota for the Blackberry Internet Service from 300MB to 2GB at the same monthly cost of SAR 99.

Special needs
A special prepaid bundle for the hearing impaired was launched during the year. It allows users to easily communicate through video and SMS and excludes voice calling. It has been priced highly competitively with normal rates to allow communication between hearing impaired users.

Roaming Directory Services
This free directory service was made available for users traveling overseas. The directory contains useful information such as hotels, restaurants, car rental offices and phone numbers of Saudi embassies abroad. Here it should be noted that we have roaming agreements with more than 468 mobile operators in 168 countries around the world. These include 250 GPRS agreements in 94 countries, 126 MMS agreements in 61 countries, video calling agreements with 30 operators in 20 countries and mobile TV agreements with 69 operators in 38 countries. Our pre-paid customers have access to international roaming with 181 operators in 83 countries.

Mabuhay
To cater for the 1.1 million Filipino community in the Kingdom, we introduced a special package offering a range of unique facilities including competitive rates for voice calls, messages and video calls made to their home country. The service is supported using the Tagalog language of the Philippines (and English) and has distinct Filipino ringtones. It also offers updated currency exchange rates.

Connect Back to School Offer
From the beginning of the school year we launched a one-month, one-gigabyte **Connect** bundle. This package was aimed at students and offers a Connect USB modem, a data SIM, one month's subscription and five gigabytes of data download. On renewal the subscription reverts to the normal one gigabyte of download data.

Jarir Bookstore Offer
We partnered with Jarir Bookstore to offer a free data SIM with a one- month's free subscription to our 1GB internet package on buying any 3G enabled device such as a modem, phone or laptop at Jarir Bookstore.

Roaming abroad - Summer
The **Roam and Win** promotion offered users the chance to win one of nine luxury cars when traveling abroad. All that was necessary to enter was for the user to connect to one of the 468 mobile operators with which we have a roaming agreement.

An agreement was signed between mobily and **Rafal Real Estate** Development in which Bayanat Al-Oula, mobily's data subsidiary, would develop and provide ICT services for Rafal's residential community projects. Bayanat will design and build a fiber optics network in Riyadh's Valencia suburb, through which IPTV, broadband and other value-added smart services will be facilitated. As such, Bayanat became the primary service provider in that residential community.

mobily and Orange Business Services signed an agreement, which will leverage Orange's expertise in the field of smart cities to provide guidance and recommendations on large and small-scale smart real estate projects in Saudi Arabia.

We will work together to assess market opportunities and to define the best delivery and operational model for the market.

OBS is a pioneer of smart city solutions in the Middle East and brings substantial experience related to systems' integration and the development of value-added broad-band services such as IPTV.

We are well positioned to provide innovative telecom, data and smart ICT e-services to real estate developers to provide value added services to enterprise and residen-tial communities.

We were the first mobile operator to connect the King Abdullah University for Science and Technology to the internet through our fiber optic network. The task was completed in less than 30 days.

mobily and Etihad Atheeb signed an interconnect agreement authorizing data and voice transmissions which allow customers of both companies to benefit from the services exchanged.

mobily and Zain signed an interconnect agreement to allow subscribers of both operators to exchange video calls using 3G technology.

A Memorandum of Understanding was signed with Qualcomm Incorporated, which is a leading developer and innovator of advanced wireless technologies, products and services. The MOU establishes a framework, which will enable us to obtain assistance from Qualcomm in certain aspects of wireless network operation including Wideband Code Division Multiple Access (WCDMA) digital wireless telecommunication technology and High Speed Packet Access (HSPA) network planning, device specification and other training services that will be provided to our personnel.

We signed an MOU with Huawei, the world's leading telecom solution provider, and the Industrial and Commercial Bank of China (ICBC) to explore viable financing for ongoing projects with Huawei.

The deal highlights Huawei's confidence in mobily as a prime customer of the global infrastructure vendors.

We aim to stay abreast with the latest developments in technology, in order to maximize its users' experience.

At the **GITEX** show, on a 1,600 square meter stand, we demonstrated some advanced technologies for the first time in Saudi Arabia. **4G LTE,** due to be launched in the future, was previewed as well as Internet Protocol Television (IPTV) which provides interactive, on-demand TV content through broadband internet. Live demonstrations were given on the new Apple 3G iPhone in a special section of the stand. Also showcased was Connect Plus, a single device that combines a modem, a phone and an MP3 player as well as our high-end package aimed at VIPs, Raqi, which includes some special features such as an instantly recognizable number, a free Connect USB modem, free minutes, a free **Rahati** service and the possibility of upgrading to an even higher status depending on minutes used.

A section of the stand was devoted to demonstrating our product for those with special needs and the hearing impaired. Ringtones and software could also be downloaded from a self-service jukebox directly onto users' phones.

Other marketing initiatives, which ran at different times and for different durations during the year, were aimed to attract new customers, stimulate usage and improve their experience. These included:

- **An Evening With Your Loved Ones:** International calls at a flat rate of 55 halalas per minute available at nighttime for all prepaid and postpaid users with the exception of the Rihal visitor's package.

- **50% Midweek discounts for new postpaid customers:** 50% discount for three consecutive months on on-net national and international voice calls made on all midweek days by new customers of **Blue Wave, Najma, Khatty and Kahtty plus** postpaid packages.

- **MMS for SMS Rates:** MMS rates were dropped to equal those of the SMS rates.

- **Khaliha Alai:** Users who are low or out of credit can call friends or family and the recipient will be charged for the call.

- **Reactivate and get Free Credit:** On returning and reactivating a mobily account, prepaid users were credited with SAR 60 and were given a new SIM card in the event that the old one was damaged or lost.

- **Vanity Number offer:** An attractive offer was made to new postpaid signups on our three ranges of vanity numbers (Gold, Silver and Bronze) regardless of the package.

- **Road show:** Our biggest ever two-month road show took place last year. Covering 20 of the Kingdom's cities, the road show promoted a wide range of our products and services. Stands were installed in 17 shopping centers in nine major cities and two vans equipped with PCs toured a number of cities. A previous campaign had been initiated to introduce college students to HSPA services.

- **Najma:** The popular Najma package for women was made more easily available by extending availability through all Axiom branches covering all major cities and popular shopping malls.

Social Responsibility - Sponsorships

mobily and Al Hilal Football Club launched **Min Wajebena,** a corporate responsibility program aimed at assisting orphans and other people in need. The program pledged to support the Charity Committee for Orphan's Care **(Ensan)** and the Al Riyadh's Social Charity Organization **(Alber)** though a messaging service dedicated to collecting donations. In addition to the hundreds of school bags we handed over for the orphans, we visited patients in hospitals and we contributed SAR 1 million to Ensan.

We sent out almost **50 million SMS messages** over two months to spread awareness about swine flu and the H1N1 virus that causes it and an awareness campaign for donations to renal failure patients helped save five lives. The Saudi Organ Center received a flood of phone calls from the parents of donors following our appeal.

In conjunction with Government Departments we issued SMS educational messages covering the abuse of drugs.

We were the ultimate technical sponsor of the **Third Global Competitiveness Forum,** which was held in Riyadh, and we provided a fully equipped media center with PCs and broadband internet with WiFi connectivity.

We opened a special donation hotline for victims of the **Jeddah flood** and matched all donations made by the public. This initiative came out of our sense of responsibility towards society and a way in which we could spread our culture of charity through trustworthy channels.

We also led a SMS donation campaign for disabled children, and donated SAR 1 million to the **Charitable Society for Disabled Children.**

Successes, Awards And Honors

We received the Dale Carnegie Leadership Award for our ongoing commitment to the development of a corporate culture based on our six values: Energetic, Respectful, Open, Progressive, Contemporary and Successful.

The award recognizes companies that use human resources management parallel to their technology, thus becoming major contributors to the development of their countries' society and economy.

We were the first Arab company to receive this prestigious award, which was presented to the CEO and Managing Director, Khalid Al Kaf.

Among the companies and people who have been granted the award are Daimler-Chrysler Corporation and its president, Lee Iacocca, SAS Scandinavian Airlines and its CEO Jan Carlson.

We received further global recognition by beating a number of longer established European telecommunications' giants, to take **The 2009 International Award for Commercial Prestige.** The award was presented by the Trade Leaders Club in Spain in honor of our "meticulous implementation of international quality standards with all its products and services." More than 7,000 experts from 120 countries took part in the selection process.

We took the **2009 Arab Technology Award** in the field of telecommunications projects at the ITP annual award ceremony held in Dubai. The award was given in recognition of our state of the art national fiber optics project (SNFN), which had been voted the best ahead of projects from 14 other mobile operators in the Middle East.

Our use of technology and multimedia earned a first place in the **Retail Design Institute's 2009 International Store Design Awards.** This award was based on votes from 200 of the world's top retail designers, editors and vendors. Our project stood out from others submitted by more than 135 architects, designers and retailers worldwide that were considered for the award.

Our benchmark store design uses digital signage networks, self-service kiosks and storewide audio to attract new customers and engage existing ones.

We developed areas within each store called Knowledge Zones (or "K-Zones") which include a welcome desk with a Q-Matic customer management system, a self service area powered by interactive kiosks, a gaming zone, an internet zone and a technical support area to help customers. The K-Zone setup reduces perceived waiting times and increases customer engagement and education while shoppers are in the store. This illustrates how broadcast and interactive digital media can add real value to a retail brand and customers in a store environment.

We have successfully been able to convert our customers' traditional inactive waiting time within our 37 flagship stores in 19 cities into an active experience to create a buying desire as a result of visitors learning more about our products and exploring the latest technology.

Forbes Arabia magazine ranked our mobily brand as the top telecom brand in the Kingdom and 17th in the Middle East out of 40 high value brands. In its report, Forbes described Mobily as having the fastest growing telecom network and subscriber-base in the MENA region.

In a clean sweep at the **Okaz Creative Advertising Awards** ceremony, we took all three trophies for TV advertisements created by our advertising agency, IMPACT BBDO. The **7ala** bundle ad won gold with the **Tijwali** ad taking silver and the Battery/60% discount ad taking bronze. These awards were made for the concept, creativity, content and production of the ads.

At the MENA Crystal Award ceremony, our Ghattainaha campaign was named as the **Best Media Campaign** in the Middle East and North Africa. This was based on the campaign's use of billboards and giant displays on streets and ads in newspapers, which were colored in black to add intrigue to the campaign.

Corporate Governance

During the year, the Board of Directors adopted a Corporate Governance Framework that will provide the authority and practices for the correct governance of the Company.

The Board is determined to review the Framework and all related policies from time to time and make changes when necessary to ensure that the Framework remains in line with applicable rules and regulations and leading practices in the Kingdom.
In terms of the Framework, various areas of governance have been identified and regulations have been drawn up covering these and other aspects of the Company's operation:

- The Board of Directors
- Shareholders
- Communication and Transparency
- Business Code of Conduct and Ethics

Board of Directors

The Board of Directors is elected by the shareholders to protect and enhance the value of the company in the interests of its shareholders. It has the ultimate responsibility for all decision-making within the Company. In all actions taken by the Board, its members are expected to exercise their business judgment in what they reasonably believe to be in the best interests of the Company. The Board may rely on the honesty and integrity of the Company's management including senior executives and outside advisors and auditors but such reliance does not absolve the Board of its obligations to the shareholders and the Board will participate and intervene in certain key activities which support the Company's effective functioning.

Shareholders

The Board will continually strive to promote the success of the Company and it remains committed to acting fairly between all mobily shareholders. It will also seek to engage with shareholders and to promote active shareholder participation. A manual has been issued which details the role and the rights of the Company's shareholders.

In addition, a dedicated Investor Relations Department has been made responsible for all shareholder contact and liaison. This department is committed to the promotion of consistent and credible communications practices to comply with all applicable rules and regulations.

Shareholders are encouraged to play an active role and the Company will provide them with the means of exercising their rights in full by maintaining an adequate level of transparency in reporting and communication with shareholders.

Communication and Transparency

mobily is committed to the promotion of investor and shareholder confidence by ensuring that trade in its securities takes place in an efficient, competitive and informed market.

The Company is also committed to the promotion of consistent and credible communications practices within the Company so as to comply with all applicable Saudi Arabian regulatory rules and requirements including those of the Capital Market Authority, Tadawul as well as Saudi Arabian Company Law. mobily will strive to disclose pertinent information in a timely and appropriate manner and to make the information easy to understand.

Business Code of Conduct and Ethics

The Company's Business Code of Conduct and Ethics provides the ethical framework on which mobily personnel base their business decisions. It defines employee, officer and director behavior in dealings with our stakeholders and the conduct of day-to-day activities. It also applies to temporary employees as well as subcontractors, seconded employees and consultants.

The code has been developed to help make the right business decisions consistent with mobily's corporate values while remaining sensitive to the social norms of the Kingdom. Each employee is expected to apply sound judgment in deciding on the most ethical means of dealing with any given situation involving customers, competitors, suppliers, the public, fellow employees and Company matters in general.

Internal Controls and the Audit Committee

The Audit Committee was established and was made responsible for the Company's internal control structure, function and audit program. The Company's Internal Auditor reports directly to the Audit Committee which reports to Board of Directors.

An internal audit department was then established whose role is to assess the current performance of internal controls and to preemptively help in identifying areas where the Company is at greatest risk as well as support efforts to develop sound business practices to mitigate against those risks. It has unrestricted access to all the Company records, information and personnel.

Based on the results of the risk assessment, the department's activities evaluate the adequacy and effectiveness of controls encompassing the organization's operations and information systems including:

- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations
- Safeguarding of assets

Enterprise Risk Management

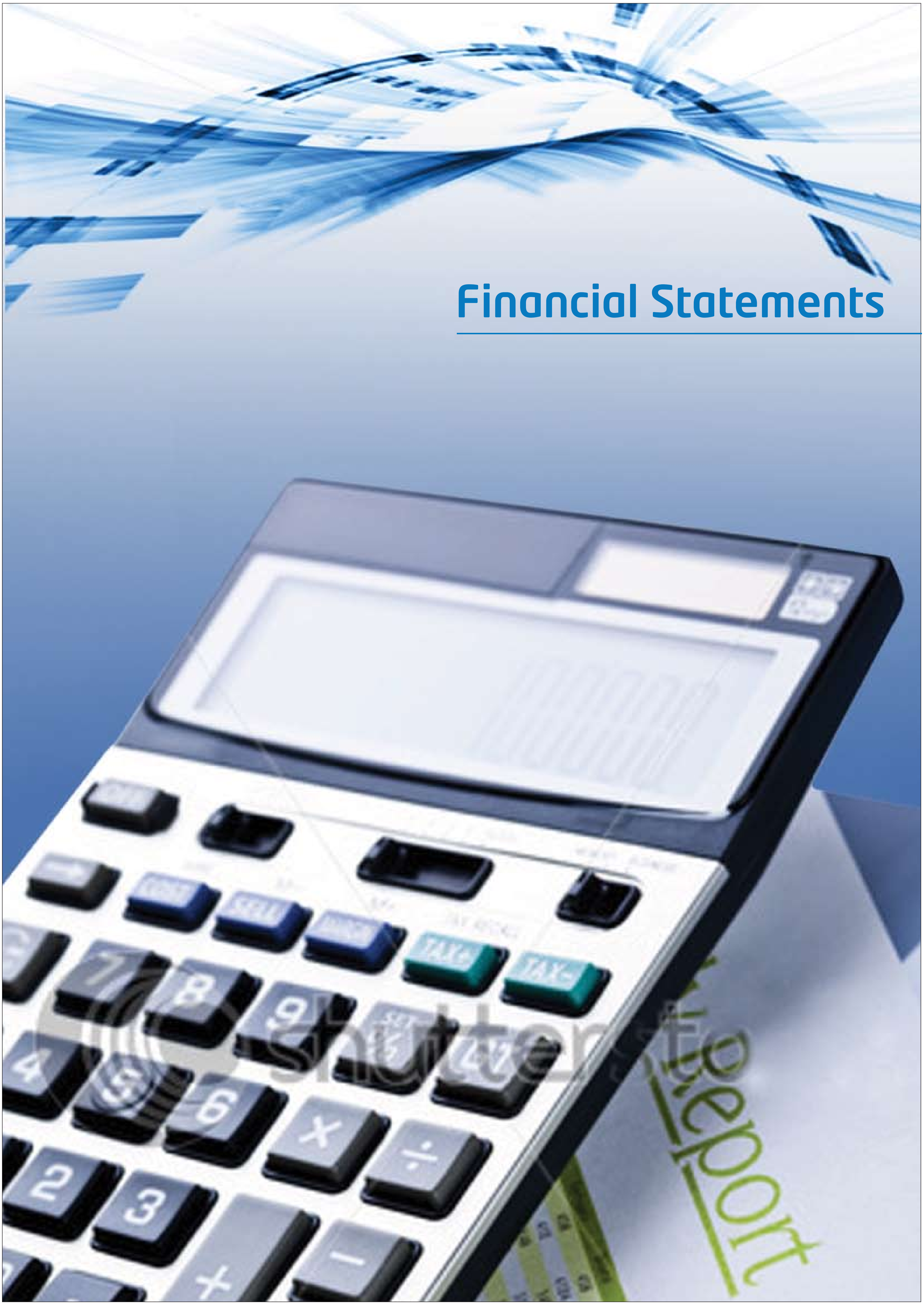
The environment in which we operate has changed dramatically over the years with increased competition, new regulations and increased regulatory requirements coupled with the recent global economic crisis. As a result of these changes the Board established an Enterprise Risk Management (ERM) function that has the responsibility to grow and sustain the Company's operations into the future and to enhance mobily's Corporate Governance functions.

A sub-committee to the Board was established (the Board Risk Management Committee) and tasked with overseeing the development and implementation of ERM across the Company. Consultants, in conjunction with the ERM team, have been tasked with the development of an ERM framework including risk identification and measurement methodologies for quantifying, comparing, benchmarking, prioritizing, monitoring, reviewing and communicating risk at an enterprise-wide level to improve our ability to achieve our strategic and business objectives.

High-level management appointments have been made to handle the responsibility of the ERM function. They will continue to create a risk-aware culture, train risk " champions", develop risk mitigation strategies such as business continuity plans, disaster recovery plans, crisis management plans and they will continue to monitor, review and communicate risks to executive management.

As such we are now able to provide reasonable assurance to stakeholders that all principal risks are being identified and managed properly to ensure our long-term business sustainability.

Financial Statements



FINANCIAL STATEMENTS INDEX

Auditors' Report	30
Consolidated Balance Sheet	31
Consolidated Statement of Income	32
Consolidated Statement of Cash Flows	33
Consolidated Statement of Changes in Shareholders' Equity	34
Notes to the Consolidated Financial Statements	35-49

Auditors' Report

To the shareholders
Etihad Etisalat Company
(A Saudi joint stock company)
Riyadh, Saudi Arabia

Scope of Audit

We have audited the accompanying consolidated balance sheet of Etihad Etisalat Company (a Saudi Joint Stock Company) as at December 31, 2009, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes 1 to 27 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall consolidated financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Etihad Etisalat Company as at December 31, 2009, and the consolidated results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the bylaws of the Company as these relate to the preparation and presentation of these consolidated financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

Ehsan A. Makhdoum
License No. 358
Safar 2, 1431
January 17, 2010

Consolidated Balance Sheet
for the Year Ended December 31, 2009

	Note	2009 SR'000	2008 SR'000
ASSETS			
Current assets			
Cash and cash equivalents	3	**933,407**	1,263,995
Short-term investments		**600,000**	1,049,999
Accounts receivable, net	4	**5,481,035**	3,098,248
Due from a related party	5	**69,357**	38,452
Inventories, net		**132,396**	107,563
Prepaid expenses and other assets	6	**1,361,171**	1,063,075
Total current assets		**8,577,366**	6,621,332
Non-current assets			
Property and equipment, net	7	**10,369,515**	8,117,399
Licenses acquisition fees, net	8	**10,449,714**	10,922,932
Goodwill	9	**1,529,886**	1,529,886
Total non-current assets		**22,349,115**	20,570,217
TOTAL ASSETS		**30,926,481**	27,191,549
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term loans	10	**370,518**	1,861,878
Current portion of long-term loans	10, 11	**1,776,602**	1,286,250
Accounts payable	12	**6,167,343**	4,367,232
Due to related parties	5	**210,868**	78,171
Accrued expenses and other liabilities	13	**3,663,382**	3,155,335
Total current liabilities		**12,188,713**	10,748,866
Non-current liabilities			
Long-term loans	10, 11	**6,448,069**	6,642,086
Provision for end-of-service benefits		**46,517**	46,287
Total non-current liabilities		**6,494,586**	6,688,373
TOTAL LIABILITIES		**18,683,299**	17,437,239
SHAREHOLDERS' EQUITY			
Authorized, issued and outstanding share capital	1	**7,000,000**	7,000,000
Statutory reserve	15	**648,520**	347,133
Retained earnings		**4,594,662**	2,407,177
Total shareholders' equity		**12,243,182**	9,754,310
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**30,926,481**	27,191,549

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Income
for the Year Ended December 31, 2009

	Note	2009 SR'000	2008 SR'000
Services revenues	16	**13,058,256**	10,794,566
Cost of services	17	**(5,511,706)**	(4,768,243)
Gross profit		**7,546,550**	6,026,323
Operating expenses:			
Selling and marketing expenses	18	**(1,092,626)**	(815,361)
General and administrative expenses	19	**(1,617,173)**	(1,416,896)
Depreciation and amortization	7, 8	**(1,628,867)**	(1,298,859)
Total operating expenses		**(4,338,666)**	(3,531,116)
Operating income		**3,207,884**	2,495,207
Finance expenses	10	**(204,305)**	(437,448)
Other income		**41,049**	41,211
Income before zakat		**3,044,628**	2,098,970
Zakat	14	**(30,756)**	(7,187)
NET INCOME		**3,013,872**	2,091,783
Basic earnings per share (in Saudi Riyals):			
From operating income	21	**4.58**	4.77
From net income	21	**4.31**	4.00

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Cash Flows
for the Year Ended December 31, 2009

	2009 SR'000	2008 SR'000
OPERATING ACTIVITIES		
Income before zakat	3,044,628	2,098,970
Adjustments to reconcile income before zakat to net cash from operating activities:		
Depreciation	1,104,604	779,744
Amortization of licenses acquisition fees	524,263	519,115
Provision for slow moving inventory	354	-
Provision for doubtful debts	120,009	121,727
Finance expenses	188,960	417,420
Operating income before changes in working capital	4,982,818	3,936,976
Changes in working capital:		
Accounts receivable	(2,502,796)	(1,734,219)
Due from a related party	(30,905)	32,609
Inventories	(25,187)	(25,443)
Prepaid expenses and other assets	(298,096)	(225,943)
Accounts payable	1,731,299	610,478
Due to related parties	132,697	(41,314)
Accrued expenses and other liabilities	485,101	1,369,511
Provision for end-of-service benefits, net	230	17,534
Zakat paid	(7,810)	(7,517)
Finance expenses paid	(221,754)	(386,061)
Net cash provided from operating activities	4,245,597	3,546,611
INVESTING ACTIVITIES		
Short-term investments	449,999	(1,049,999)
Purchase of property and equipment	(3,292,113)	(2,953,619)
Acquired licenses	(51,045)	(240)
Acquisition/establishment of subsidiaries	-	(52,050)
Disposal of property and equipment, net	4,205	536
Investment in an unconsolidated subsidiary	-	1,836
Goodwill obtained from acquisition of subsidiaries	-	(1,529,886)
Net cash used in investing activities	(2,888,954)	(5,583,422)
FINANCING ACTIVITIES		
Proceed from short-term loans	26,019	1,846,499
Payment of short-term loans	(1,502,000)	-
Proceed from long-term loans	1,600,000	-
Payment of long-term loans	(1,286,250)	(1,010,625)
Cash dividends	(525,000)	(250,000)
Increase in share capital	-	2,000,000
Net cash (used in) provided from financing activities	(1,687,231)	2,585,874
Net change in cash and cash equivalents	(330,588)	549,063
Cash acquired from acquisition/ establishment of subsidiaries (Note 1)	-	11,734
Cash and cash equivalents, beginning of the year	1,263,995	703,198
CASH AND CASH EQUIVALENTS, END OF THE YEAR	933,407	1,263,995

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Changes in Shareholders' Equity
for the Year Ended December 31, 2009

	Note	Share capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
Balance at January 1, 2008		5,000,000	137,955	774,572	5,912,527
Cash dividends	20	-	-	(250,000)	(250,000)
Increase in share capital	1	2,000,000	-	-	2,000,000
Net income for the year		-	-	2,091,783	2,091,783
Transferred to statutory reserve	15	-	209,178	(209,178)	-
Balance at December 31, 2008		7,000,000	347,133	2,407,177	9,754,310
Cash dividends	20	-	-	**(525,000)**	**(525,000)**
Net income for the year		-	-	**3,013,872**	**3,013,872**
Transferred to statutory reserve	15	-	**301,387**	**(301,387)**	-
Balance at December 31, 2009		**7,000,000**	**648,520**	**4,594,662**	**12,243,182**

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

1.Organization and Activity

Etihad Etisalat Company (the "Company/mobily"), a Saudi joint stock company, is incorporated pursuant to the Council of Ministers' resolution number 189 dated Jumad Al Thani 23, 1425 H (corresponding to August 10, 2004 G) and Royal Decree number M/40 dated Rajab 2, 1425 H (corresponding to August 18, 2004 G) and was registered in Riyadh under commercial registration number 1010203896 dated December 14, 2004 G. The Company is the second authorized provider of mobile telecommunication services in the Kingdom of Saudi Arabia.

The Company's share capital amounting to SR 7 billion consists of 700 million shares of SR 10 each, paid in full as at December 31, 2009.

The general assembly approved in its extra-ordinary meeting held on October 19, 2008, a capital increase from SR 5 billion to SR 7 billion, by issuing new rights issue shares of 200 million and the subscription rights are for shareholders registered in the shareholders' record according to each shareholder's share in equity, with the allocation of 60% of share capital increase to the founding shareholders and 40% of the share capital increase to all the other non-founding shareholders. The shares were issued at par value of SR 10 without premium.

During 2007, the Company invested in 99.99% of the share capital of a subsidiary company, mobily InfoTech Limited incorporated in Bangalore, India which commenced its commercial activities during the year 2008. During 2009, the remaining 0.01% of the subsidiary's share capital was acquired by Etihad Etisalat for Commercial Investment Company (a subsidiary company).

During the second quarter of year 2008, the Company acquired 99% of the partners' shares in Bayanat Al-Oula for Network Services Company, a Saudi limited liability company. The acquisition includes the company's rights, assets, liabilities, obligations, commercial name as well as its current and future trademarks for a total price of SR 1.5 billion, resulting in a goodwill of SR 1.47 billion on the acquisition date.

During the second quarter of year 2008, the Company invested in 95% of the share capital of a subsidiary company, Etihad Etisalat for Commercial Investment Company, a Saudi limited liability company.

During the fourth quarter of year 2008, the Company acquired 96% of the partners' shares in Zajil International Network for Telecommunication, a Saudi limited liability company. The acquisition includes the Company's rights, assets, liabilities, obligations, commercial name as well as its current and future trademarks for a total price of SR 80 million, resulting in a goodwill of SR 63 million on the acquisition date.

The Company and its subsidiaries currently provide variety of telecommunication services in the Kingdom of Saudi Arabia, which include wireless mobile telecommunication, data and internet services.

The Company's main activity is to establish and operate mobile wireless telecommunications network in the Kingdom of Saudi Arabia. The Company commenced its commercial operations on May 25, 2005.

The main activities of the subsidiaries are as following:

- Development of technology software programs for the Company use, and to provide information technology support.

- Execution of contracts for maintenance of wire and wireless telecommunications networks and installation and maintenance of related computer systems.

- Wholesale and retail trade in equipment and machinery, electronic and electrical devices, wire and wireless telecommunications equipments and import and export to third parties.

- Wholesale and retail trade in computers and electronic equipment, maintenance and operation of such equipment, and provision of related services.

For the purposes of the preparation of the consolidated statement of cash flows for the year ended December 31, 2008, the combined net book value of the assets and liabilities of the above mentioned subsidiaries at the acquisition/formation date were as follows:

	Total SR'000
Assets	
Cash and cash equivalents	11,734
Accounts receivable, net	26,100
Inventories, net	12,930
Prepaid expenses and other assets	26,760
Property and equipment, net	356,766
Licenses acquisition fees, net	155,113
Investments	15,000
Total assets	604,403
Liabilities	
Accounts payable	(505,995)
Accrued expenses and other liabilities	(20,954)
Provision for end-of-service benefits	(2,404)
Due to related parties	(23,000)
Total liabilities	(552,353)
NET ASSETS	52,050

2. Significant Accounting Policies

The consolidated financial statements are prepared in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA). The significant accounting policies adopted are as follows:

Basis of consolidation

The accompanying consolidated financial statements include the financial statements of the Company and its subsidiaries listed below, after elimination of significant inter-company balances and transactions, as well as gains (losses) arising from transactions with the subsidiaries. An investee company is classified as a subsidiary based on the degree of effective control exercised by the Company over these companies compared to other shareholders from the effective date on which control is transferred to the Company.

The Company's equity share in the net income (losses) of the subsidiaries is computed at 100% based on direct investment in the share capital of the subsidiaries and indirect investment by certain subsidiaries as follows as at December 31, 2009:

Name	Country of incorporation	Ownership percentage	
		Direct	Indirect
mobily InfoTech Limited Company	India	99.99%	0.01%
Bayanat Al-Oula for Network Services Company	Saudi Arabia	99.00%	1.00%
Zajil International Network for Telecommunication	Saudi Arabia	96.00%	4.00%
Etihat Etisalat for Commercial Investment Company	Saudi Arabia	95.00%	5.00%

Accounting convention

The consolidated financial statements, expressed in Saudi Riyals, are prepared under the historical cost convention using the accrual basis of accounting and the going concern assumption.

Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Although these estimates are based on management's best available information and knowledge of current events at the consolidated financial statements date; however, actual final results may differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, banks' current accounts and Murabaha deals with original maturities of three months or less from its acquisition date.

Short-term investments

Short-term investments include Murabaha deals with original maturities of more than three months from its acquisition date.

Accounts receivable

Accounts receivable are stated at estimated net realizable value after establishing appropriate allowance for doubtful debts. Allowance for doubtful debts is calculated based on the aging of accounts receivable and based on the Company's previous experience in their collection.

Inventories

Inventories comprise of mobile phones' sim cards, prepaid cards, scratch cards, mobile phones and other telecom equipment. Inventories are stated at the lower of cost or net realizable value. Net realizable value represents the difference between the estimated selling price in the ordinary course of business and selling expenses. Cost is determined by using the weighted average method.

Provisions

Provisions are recognized in the consolidated financial statements when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

Property and equipment

Property and equipment, except land, are stated at cost less accumulated depreciation. Land and capital work in progress are stated at cost. Routine repair and maintenance costs are expensed as incurred. Depreciation of property and equipment is charged to the consolidated statement of income using the straight line method over their estimated useful lives at the following depreciation rates:

	Percentage
Buildings	5%
Leasehold improvements	10%
Telecommunication equipment	5% – 20%
Computer equipment and software	20%
Office equipment and furniture	20% - 25%
Vehicles	20% - 25%

Major renovations and improvements are capitalized if they increase the productivity or the operating useful life of the assets as well as direct costs. Minor repairs and improvements are expensed when incurred. Gain or loss on disposal of property and equipment which represents the difference between the sale proceeds and the carrying amount of these assets is recognized in the consolidated statement of income.

Impairment of assets

The carrying amounts of the Company's assets are reviewed at each consolidated balance sheet date to check whether there is an indication of permanent impairment. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is incurred and charged to the consolidated statement of income whenever the carrying amount of the assets exceeds its recoverable amount.

Licenses acquisition fees

Licenses acquisition fees are amortized according to their regulatory useful life and the amortization is charged to the consolidated statement of income. The capitalized licenses fees are reviewed at each year-end to determine if any permanent decline in their values exists. In case a permanent impairment is identified in the capitalized licenses fees, such permanent impairment is recorded in the consolidated statement of income.

Goodwill

Goodwill represents the excess of consideration paid for the acquisition of a subsidiary over the fair value of the net assets acquired at the acquisition date, and is measured at the end of each financial year and reported in the consolidated financial statements at carrying value after adjustments for impairment in value, if any.

Accounts payable

Liabilities related to trade and capital expenditures are recognized for amounts to be paid in the future for equipment and goods/services received/rendered.

Provision for end-of-service benefits

The provision for employees' end-of-service indemnities is calculated in accordance with the Saudi Arabia labor law, as well as the Company's policies for employees and the regulations applicable in the countries invested in.

Zakat and income tax

Zakat is provided for in accordance with the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided on an accrual basis and is computed on the zakat base at year-end. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

The tax relating to the subsidiary outside the Kingdom of Saudi Arabia is calculated in accordance with tax laws applicable in its country. The subsidiary, mobily InfoTech Limited Co. (India), enjoys a three-year period partial tax exemption commencing from the date of operations and ending in year 2011.

Foreign currency transactions

Transactions denominated in foreign currencies are translated to Saudi Riyals at the rates of exchange prevailing at the dates of the respective transactions. At consolidated balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyals at exchange rates prevailing on that date. Gains and losses resulting from changes in exchange rates are recognized in the consolidated statement of income.

For the purpose of consolidating the financial statements, the financial statements denominated in foreign currencies are translated into Saudi Riyals at rates of exchange prevailing at the balance sheet date for assets and liabilities, and the average of exchange rates for the year for revenues and expenses. Components of equity, other than retained earnings, are translated using the rates prevailing of the date of their occurrence. Translation adjustments, if significant, are recorded in a separate component of shareholders' equity.

Expenses

Selling and marketing expenses are those expenses which specifically relate to selling and marketing of the Company's services, and include costs relating to commissions, advertisements and employees' salaries and other benefits. All other expenses other than cost of services are classified as general and administrative expenses.

Expenses are recorded when incurred as period expenses unless it is possible to determine the relevant periods upon which expenses are allocated to the relevant periods.

Governmental charges

Governmental charges represent government contribution fees in trade earnings, license fees, frequency waves fees and costs charged to the Company against the rights to use telecommunications and data services in the Kingdom of Saudi Arabia as stipulated in the license agreements. These fees are recorded in the related periods during which they are used and are included under cost of services in the consolidated statement of income.

Financial instruments

Assets and liabilities related to financial instruments are recognized when the Company becomes a party to the contractual provisions of the instruments. The carrying value of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at the consolidated balance sheet date.

Interconnection costs

Interconnection costs represent connection charges to national and international telecommunication networks. Interconnection costs are recorded in the period when relevant calls are made and are included in the cost of services caption in the consolidated statement of income.

Revenue recognition

Revenues from telecommunications services are accounted for in the year when the telecommunication services are rendered to the subscribers, using the rates approved by the Communications and Information Technology Commission ("CITC") and are stated net of discounts and rebates related to revenue recognition for the year.

Revenues from sale of handsets equipment and accessories are recognized when the handsets equipment and accessories are delivered to the subscribers and customers.

Operating leases

Payments made under operating leases are recognized in the consolidated statement of income on a straight-line basis over the terms of the leases. Lease incentives received are recognized in the consolidated statement of income as a deduction from lease expense.

Derivatives financial instruments and hedge accounting

The Company uses derivatives financial instruments to hedge the exposure to certain portions of interest rate risks arising from financing activities. The Company designates these as cash flow hedges of interest rate risk. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provides written principles on the use of financial derivatives consistent with the Company's risk management strategy. The Company does not use derivatives financial instruments for speculative purposes. Derivatives financial instruments are initially measured at fair value on the contract date and are re-measured at fair value in the subsequent reporting dates. If the financial instruments do not qualify for hedge accounting in accordance with generally accepted accounting standards, the change in the fair value of the derivatives financial instruments is recorded under finance charges caption in the consolidated statements of income.

3. Cash and Cash Equivalents

	2009 SR'000	2008 SR'000
Cash on hand and at banks	**633,273**	213,870
Short-term Murabahas	**300,134**	1,050,125
	933,407	1,263,995

4. Accounts Receivable, Net

	2009 SR'000	2008 SR'000
Accounts receivable	**5,634,978**	3,471,861
Less: Provision for doubtful debts	**(153,943)**	(373,613)
	5,481,035	3,098,248

The movement of the provision for doubtful debts for the year ended December 31 is as follows:

	2009 SR'000	2008 SR'000
Balance at January 1	**373,613**	331,168
Provision for the year	**120,009**	121,727
Bad debts written off	**(339,679)**	(79,282)
Balance at December 31	**153,943**	373,613

5. Related Parties Transactions

During the year, the Company transacted with the following related parties

Party	Relation
Emirates Telecommunication Corporation - Etisalat	Founding shareholder
Emirates Data Clearing House	Affiliate to Emirates Telecommunication Corporation

The following are the details of major transactions with related parties during the year ended December 31:

	2009 SR'000	2008 SR'000
Net interconnection cost and roaming	**38,725**	62,390
Management fees	**37,500**	37,500
Other management expenses	**105,290**	113,419
Telecommunication services	**19,423**	4,864

Due from a related party comprises of the following as at December 31:

	2009 SR'000	2008 SR'000
Emirates Telecommunication Corporation	**69,357**	38,452

Due to related parties comprise of the following as at December 31:

	2009 SR'000	2008 SR'000
Emirates Telecommunication Corporation	**199,406**	75,907
Emirates Data Clearing House	**11,462**	2,264
	210,868	78,171

6. Prepaid Expenses and Other Assets

	2009 SR'000	2008 SR'000
Accrued revenues	**450,470**	290,881
Prepaid expenses	**280,287**	194,375
Advance payments to suppliers of network equipment	**141,480**	213,684
Advance payments to trade suppliers	**21,370**	16,145
Other	**467,564**	347,990
	1,361,171	1,063,075

7. Property and Equipment, Net

	Land SR'000	Buildings SR'000	Leasehold improvements SR'000	Tele-communication equipment SR'000	Computer equipment and software SR'000	Office equipment and furniture SR'000	Vehicles SR'000	Capital work in progress SR'000	Total SR'000
Cost:									
January 1, 2009	72,442	12,979	429,276	7,145,951	577,828	292,536	1,639	1,299,372	9,832,023
Additions	**66,514**	-	**521**	**410,489**	**46,728**	**9,010**	-	**2,827,663**	**3,360,925**
Transfers	-	**83,595**	**80,459**	**2,447,003**	**183,133**	**27,606**	-	**(2,821,796)**	-
Disposals	-	-	**(1,469)**	**(2,081)**	**(77)**	**(1,895)**	-	**(1,206)**	**(6,728)**
December 31, 2009	**138,956**	**96,574**	**508,787**	**10,001,362**	**807,612**	**327,257**	**1,639**	**1,304,033**	**13,186,220**
Accumulated depreciation:									
January 1, 2009	-	879	99,578	1,227,707	253,958	131,529	973	-	**1,714,624**
Depreciation for the year	-	**5,561**	**47,551**	**831,823**	**173,206**	**46,156**	**307**	-	**1,104,604**
Disposals	-	-	**(611)**	**(598)**	**(25)**	**(1,289)**	-	-	**(2,523)**
December 31, 2009	-	**6,440**	**146,518**	**2,058,932**	**427,139**	**176,396**	**1,280**	-	**2,816,705**
Net book value									
December 31, 2009	**138,956**	**90,134**	**362,269**	**7,942,430**	**380,473**	**150,861**	**359**	**1,304,033**	**10,369,515**
December 31, 2008	72,442	12,100	329,698	5,918,244	323,870	161,007	666	1,299,372	8,117,399

8. Licenses Acquisition Fees, Net

	Mobile Telecommunication services license SR'000	3G services license SR'000	Other licenses SR'000	Total licenses acquisition fees SR'000
Cost at January 1, 2009	12,210,000	753,750	187,464	13,151,214
Additions	-	**-**	**51,045**	**51,045**
	12,210,000	**753,750**	**238,509**	**13,202,259**
Less:				
Accumulated amortization				
at January 1, 2009	2,075,276	127,378	25,628	2,228,282
Amortization for the year	**482,606**	**29,827**	**11,830**	**524,263**
Accumulated amortization				
at December 31, 2009	**2,557,882**	**157,205**	**37,458**	**2,752,545**
Balance at December 31, 2009	**9,652,118**	**596,545**	**201,051**	**10,449,714**
Balance at December 31, 2008	10,134,724	626,372	161,836	10,922,932

9. Goodwill

Following are the details of goodwill resulting from the acquisition of the following subsidiaries as shown in Note 1:

	2009 SR'000	2008 SR'000
Bayanat Al-Oula for Network Services Company	**1,466,865**	1,466,865
Zajil International Network for Telecommunication	**63,021**	63,021
	1,529,886	1,529,886

10. Short and Long-term Loans

On April 14, 2008, the Company signed a short-term financing agreement with a group of local banks to finance the Company with a Sharia–compliant short-term loan for SR 1.5 billion in its acquisition of a subsidiary. On October 11, 2009, the Company signed a long-term financing agreement with a group of local banks to finance the Company with sharia-compliant long-term loan for SR 1.5 billion which was used to settle the short-term loan referred above.

The above term loan period is 4 years and it is repayable through semi-annual scheduled installments, with the repayment of Murabaha is made on a quarterly basis. The last installment is due on October 14, 2013.

On March 14, 2007, the Company signed a long-term financing agreement arranged by a local bank and contribution of other banks to finance the Company with a Sharia-compliant long-term loan for US$ 2.88 billion (equivalent to SR 10.78 billion). The loan agreement referred to above is based on the sale of airtime minutes to participating banks and re-distribution of these minutes to the Company's subscribers on behalf of the participating banks.

The granting of the loan is scheduled as follows:

(a) Proceeds from the sale and re-distribution of minutes amounting to US$ 2.45 billion (equivalent to SR 9.19 billion).

(b) Murabaha loan to finance the working capital amounting to US$ 225 million (equivalent to SR 843.75 million).

(c) Murabaha financing amounting to US$ 200 million (equivalent to SR 750 million).

On March 29, 2007, the Company received the loan related to the sale and re-distribution of minutes amounting to SR 9.19 billion, and utilized it to settle the previous loan amounting to SR 7.1 billion, and to settle the loans of the founding shareholders. Neither the Murabaha loan to finance the working capital nor the Murabaha financing were utilized as at December 31, 2009.

The above term loan period is six years and it is repayable through semi-annual scheduled installments, with the repayment of Murabaha is made on a quarterly basis. The last installment is due on December 31, 2012.

The subsidiary, Bayanat Al-Oula for Network Services Company, has bank facilities in the form of bank overdraft, short-term loans and notes payable to finance its working capital amounting to SR 371 million as at December 31, 2009 (2008: SR 344 million). These bank facilities are subject to finance charges at prevailing market rates. Currently, the subsidiary's management transferred the above mentioned facilities to sharia-compliant facilities.

On October 19, 2009, the subsidiary, Bayanat Al-Oula for Network Services Company, signed a sharia-compliant financing agreement with a local bank to finance the subsidiary's capital expenditure requirements for a total amount of SR 900 million. The total balance utilized from the mentioned facility amounted to SR 100 million as at December 31, 2009.

The subsidiary, Zajil International Network for Telecommunication, has sharia-compliant bank facilities in the form of short-term loans to finance its working capital, amounted to SR 2 million, which was settled during the year.

11. Financial Derivatives

During the fourth quarter of year 2008, the Company entered into interest rate hedging agreements with several local and international banks to hedge the cash flow risks from the fluctuation of loans' Murabaha rates resulting from the financing activities for a notional amount of US $ 333 million (equivalent to SR 1.25 billion). The hedging agreements are based on the swap of fixed rates against floating rates between the Company and the banks.

12. Accounts Payable

	2009 SR'000	2008 SR'000
Trade payables	**3,739,877**	1,995,572
Capital expenditures payables	**2,427,466**	2,371,660
	6,167,343	4,367,232

13. Accrued Expenses and other Liabilities

	2009 SR'000	2008 SR'000
Accrued expenses for telecommunication companies	**996,874**	1,128,779
Deferred revenues	**724,005**	590,330
Government's share in trade earnings	**392,579**	362,489
Accrued selling and marketing expenses	**262,296**	204,048
License fees	**25,928**	24,125
Zakat (Note 14)	**46,846**	23,900
Other	**1,214,854**	821,664
	3,663,382	3,155,335

14. ZAKAT

The Company and its subsidiaries in the Kingdom of Saudi Arabia filed their financial statements and zakat returns and paid the zakat dues to the Department of Zakat and Income Tax (DZIT) on an individual basis until year 2008.

The principal elements of the Company's zakat base related to the Company's consolidated accounts for the year ended December 31, 2009 are as follows:

	2009 SR'000	2008 SR'000
	(Consolidated)	(Unconsolidated)
Share capital	**7,000,000**	5,000,000
Adjusted net income	**2,583,559**	1,386,454
Due to related parties	**78,171**	78,171
Provisions – beginning of the year	**248,668**	397,570
Liabilities against financing of property and equipment	**2,422,870**	2,148,293
Short and long-term loans	**8,224,671**	9,443,715
Less:		
Property and equipment	**(15,813,395)**	(14,690,545)
Advance payments to suppliers of property and equipment	**(141,480)**	(212,552)
Goodwill	**(1,529,886)**	(1,512,696)
Capital work in progress	**(1,304,033)**	(914,438)
Investments	**-**	(20,401)
Accumulated income (losses) – beginning of the year	**4,127**	(792,703)
Spare parts for network equipment	**-**	(1,875)

Some of these amounts have been adjusted in arriving at the zakat base.

The movement of zakat provision for the Company and its subsidiaries for the year ended December 31, is as follows:

	2009 SR'000	2008 SR'000
Balance at January 1	**23,900**	24,230
Provision for the year	**30,756**	7,187
Payments during the year	**(7,810)**	(7,517)
Balance at December 31	**46,846**	23,900

The Company received the final assessment for year 2005. The Company filed its financial statements and zakat returns for all the years until year 2008 and paid the zakat due accordingly. The Company received the final zakat assessments for the years 2006 and 2007 which showed additional charges that were objected for by the Company's management. The management believes that adequate provisions were provided to meet any liability that might arise against any probable settlement to the DZIT.

The subsidiary, Bayanat Al-Oula for Network Services, filed its financial statements and zakat returns up to year 2008 and paid the zakat dues accordingly. The Company did not receive any final

The subsidiary, Zajil International Network for Telecommunication, filed its financial statements and zakat returns up to year 2008 and paid the zakat dues accordingly. The Company received the final zakat assessment for year 2006.

15. Statutory Reserve

In accordance with Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of the annual net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

16. Services Revenues

	2009 SR'000	2008 SR'000
Usage	**11,180,829**	9,859,854
Activation and subscription fees	**465,748**	434,311
Other services	**1,411,679**	500,401
	13,058,256	10,794,566

17. Cost of Services

	2009 SR'000	2008 SR'000
Interconnection, roaming, and international gateway costs	**3,080,135**	2,342,335
Government contribution fees in trade earnings	**1,072,332**	1,208,690
Rental and maintenance of network equipment expenses	**559,232**	602,090
Cost of used inventories	**368,419**	205,486
National transmission and interconnection links	**176,712**	233,859
Frequency waves fees	**111,860**	76,482
License fees	**71,022**	79,780
Other	**71,994**	19,521
	5,511,706	4,768,243

18. Selling and Marketing Expenses

	2009 SR'000	2008 SR'000
Advertisement, promotion and sales commissions	**626,937**	491,307
Other	**465,689**	324,054
	1,092,626	815,361

19. General and Administrative Expenses

	2009 SR'000	2008 SR'000
Salaries, wages and employees' benefits	**573,083**	558,665
Provision for doubtful debts (Note 4)	**120,009**	121,727
Consulting and professional services	**96,498**	148,886
Rents	**65,125**	56,312
Management fees to Emirates Telecommunication	**37,500**	37,500
Establishment	**13,993**	21,425
Travel and transportation	**5,632**	5,429
Board of Directors' remunerations and allowances	**705,333**	466,952
Other		
	1,617,173	1,416,896

20. Dividends

The Company's General Assembly in its meeting held on Rabi Al Awal 24, 1430 H (corresponding to March 21, 2009) approved the Company's Board of Directors' recommendation to distribute cash dividends for the year ended December 31, 2008 of SR 0.75 for each outstanding share (2007: SR 0.5 for each outstanding share).

21. Earnings per Share

Basic earnings per share from operating income and from net income for the year are calculated by dividing operating income and net income for the year by the outstanding number of ordinary shares amounting to 700 million as at December 31, 2009. Earnings per share from operating income and from net income for year 2008 were calculated by dividing by the weighted average of shares amounting to 523 million shares.

22. Risk Management

Financial instruments

Financial assets of the Company comprised of cash and cash equivalents, short-term investments, accounts receivable, due from a related party and other assets, while financial liabilities of the Company comprised of short and long-term loans, accounts payable, due to related parties, provision for end-of-service benefits and other liabilities. Accounting policies for financial assets and liabilities are set out in Note 2.

Credit risk

Financial assets that are mainly subject to concentration of credit risk consist primarily of cash and cash equivalents, short-term investments, accounts receivable and other assets. The cash and cash equivalents are deposited with high credit rated banks, therefore the credit risk is limited. The Company does not consider itself exposed to concentration of credit risk with respect to accounts receivable due to its diverse and large subscribers' base.

Foreign exchange risk

The management closely and continuously monitors the exchange rate fluctuations. Based on its experience, the management does not believe it is necessary to use derivative financial instruments to minimize the effect of foreign exchange risks. Hedging arrangements are made to minimize foreign exchanges risks when management believes it is deemed necessary.

Murabaha rate risk

The Company does not have any significant murabaha rate risk. Cost of murabaha with banks and short-term/long-term loans are determined based on prevailing market rates. Hedging arrangements are made to minimize the risk, when management believes it is deemed necessary (Note 11).

Liquidity risk

The management closely and continuously monitors liquidity risk by performing regular review of available funds as well as present and future commitments. Moreover, the Company monitors the actual cash flows and matches the maturity dates of its financial assets and its financial liabilities. The Company believes that it is not exposed to significant risk with respect to liquidity.

23. Fair Value

The fair value of the Company's consolidated financial assets and liabilities approximate their carrying amounts. The Company's management believes that it is not exposed to any significant risk in relation to the aforementioned.

24. Capital Commitments And Contingencies

The Company had capital commitments resulting from contracts for supply of property and equipment, which were entered into and not yet executed at the consolidated balance sheet date in the amount of SR 1.65 billion as at December 31, 2009 (2008: SR 2.22 billion).

The Company and its subsidiary, Bayanat Al-Oula for Network Services Company, entered into a strategic partnership project ("Saudi National Fiber Optics Network Project") with a local company at a total cost of SR 1 billion to build, deploy, and operate fiber optics network with a range of 12,600 kilometers by using 7 network rings around the Kingdom of Saudi Arabia. The Company and its subsidiary own 67% of the total project value.

The Company and its subsidiary referred to above entered into this project to support and complete its mobile network services by providing highly sophisticated technology services. Network rings 1, 2 and 7 were completed in June, July and December 2007, respectively. Network rings 4, 5 and 6 were completed during 2008, while network ring 3 with a cost of SR 234 million has not completed to date.

The Company and its subsidiaries had contingent liabilities in the form of letters of guarantee and letter of credits in the amount of SR 122 million and SR 165 million respectively as at December 31, 2009 (2008: only SR 87 million in the form of letter of guarantees).

25. Segment Information

The objective of the segment reporting standard promulgated by the Saudi Organization 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 concentration in the Company's operations, are not met as at December 31, 2009, the Company's management believes that operating segment information disclosure for the Company and its subsidiaries is not required.

26. Subsequent Events

The Company's Board of Directors in their annual meeting held on Safar 2, 1431 H (corresponding to January 17, 2010 G) proposed to distribute cash dividends of SR 875 million representing SR 1.25 on each outstanding share for the year ended December 31, 2009.

27. Comparative Figures

Certain figures for the comparative year have been reclassified to conform with the presentation in the current year.

Corporate Information

The company is incorporated in the Kingdom of Saudi Arabia under Registration number 1010203896

Registered Name: Etihad Etisalat Company
(**mobily** is the trading name of the company).

Business Address
26th Floor, The Kingdom Tower
P.O. Box 9979
Riyadh 11423
Kingdom of Saudi Arabia

Website
http://www.mobily.com.sa

Auditors
Deloitte & Touche
Bakr Abulkhair and Company

Investor Relations Postal
Investor Relations Director - Mr. Nader Nuwayhid
Etihad Etisalat Company - Mobily Finance
P.O. Box 9979
Riyadh 11423
Kingdom of Saudi Arabia

Shareholder enquiries regarding stock accounts should be directed to:

Telephone
+966 56 040 4040
Fax
+966 56 031 6605

Investor information and literature requests should be directed to:
e-mail investorcontact@mobily.com.sa

Tadawul code:
7020 (Etihad Etisalat)

Bloomberg code:
EEC AB

RIC (Reuters Instrument Code)
7020.SE

mobily... my world, my choice

customer service: 056-010-1100 | www.mobily.com.sa