ANNUAL REPORT 2008

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Today we dare to win

Tomorrow are countless moments of success

ANNUAL REPORT 2008

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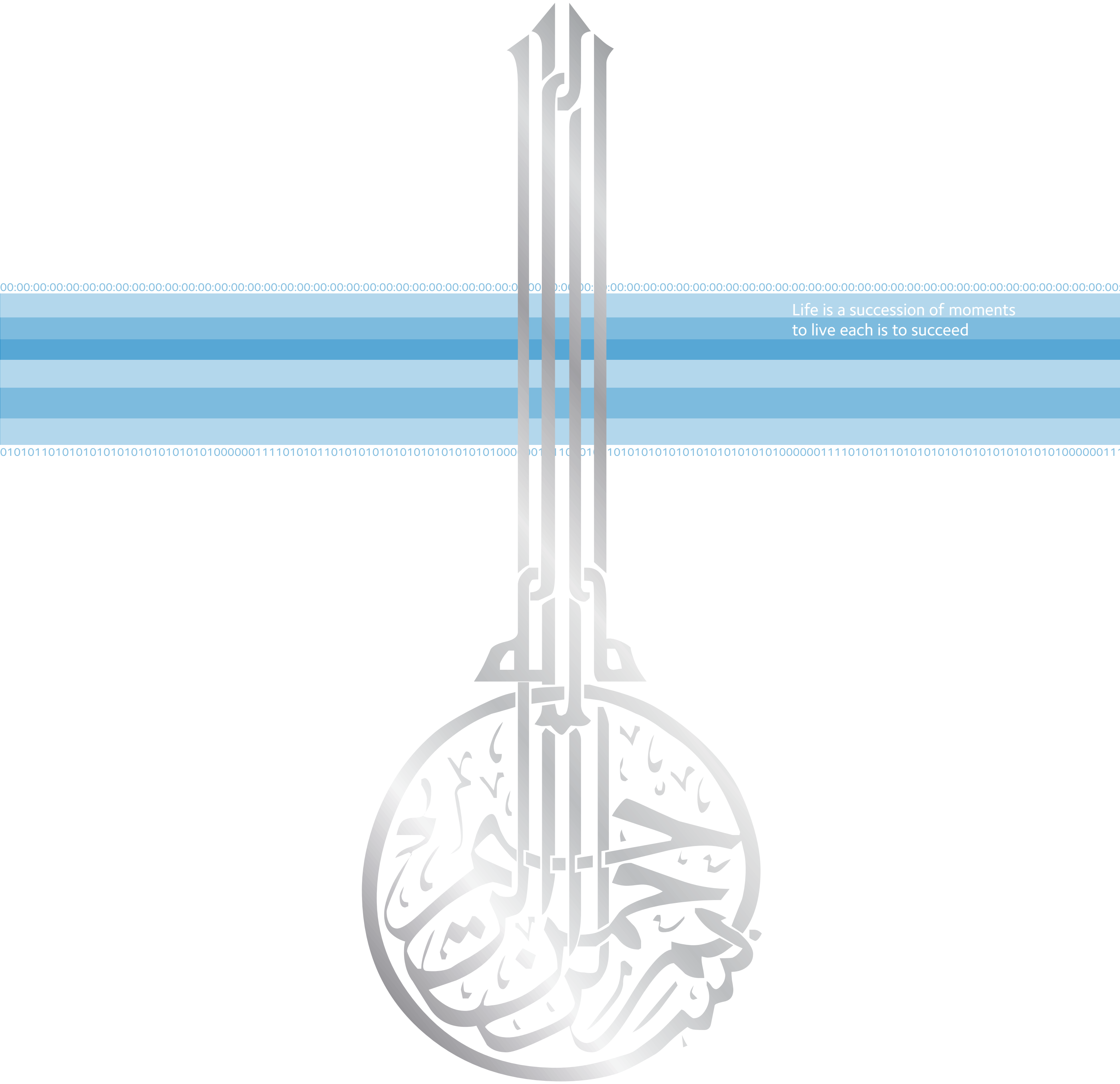
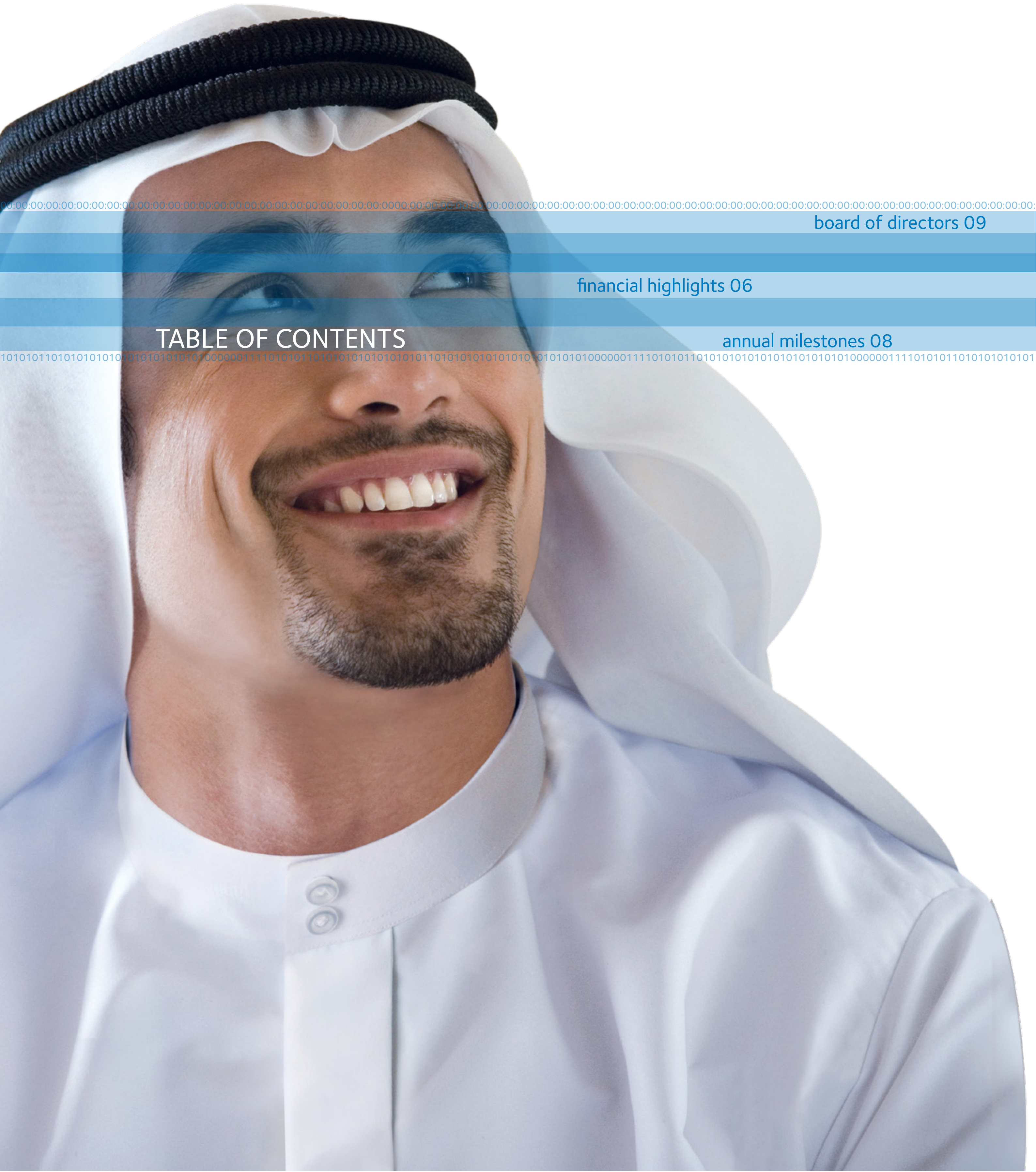

Life is a succession of moments
to live each is to succeed

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

His Royal Highness
Prince Sultan Bin Abdulaziz Al-Saud



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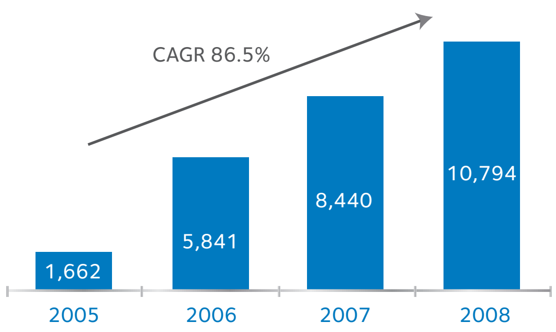
ANNUAL REPORT

2008

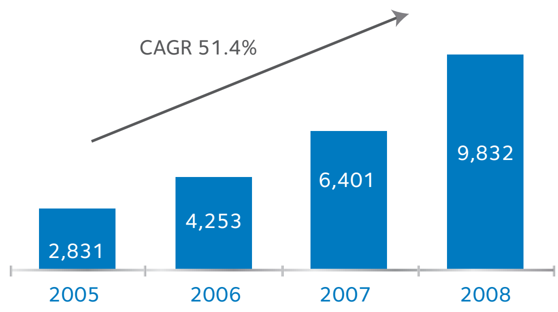
Endless moments of success

Financial Highlights

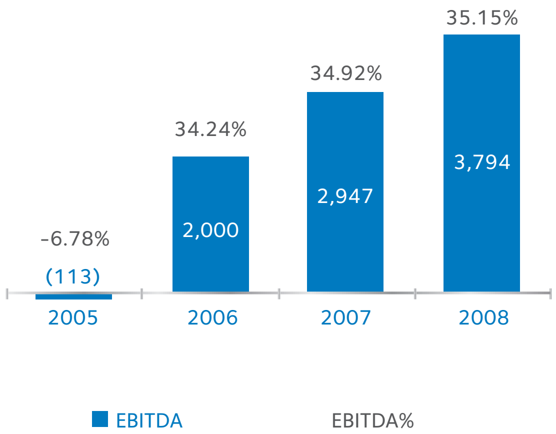
Revenue (SAR mn)



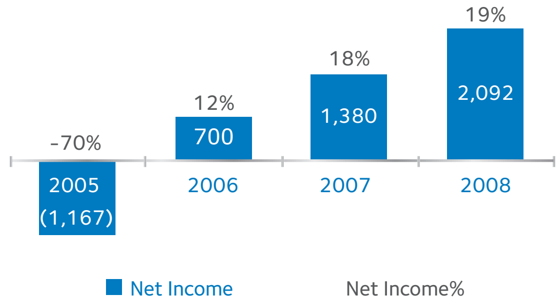
Cumulative Capex (SAR mn)



EBITDA & EBITDA% (SAR mn)



Net Income (SAR mn)



Income Statement "SAR mn"	2008 Consolidated	2007 Unconsolidated	Change%
Service Revenue	10,794	8,440	28%
Cost of Service	(4,773)	(3,779)	26%
Gross Profit	**6,021**	**4,661**	**29%**
Selling & Marketing Expenses	(816)	(641)	27%
General & Admin. Expenses	(1,411)	(1,073)	31%
EBITDA	**3,794**	**2,947**	**29%**
EBITDA Margin (%)	**35.15%**	**34.92%**	
Depreciation & Amortization	(1,298)	(1,031)	26%
Operating Income (EBIT)	2,496	1,916	30%
EBIT %	23.12%	22.70%	
Financing Cost	(438)	(556)	-21%
Interest Coverage (Times)	5.7x	3.4x	
Other Income	41	43	-5%
Net Income Before Zakat	2,099	1,403	50%
Zakat	(7)	(24)	-70%
Net Income	**2,092**	**1,380**	**52%**
Net Income %	19.38%	16.35%	3%
Dividend	525	250	110%

Cash Flow "SAR mn"	2008	2007
Chash flow from operating activites	3,546	2,320
Cash flow from investing activities	(5,583)	(2,045)
Cash flow from financing activities	2,586	(119)

Key Ratios	2008	2007
Gearing ratio	50%	60%
Net debt	8,526	8,219
Net debt/EBITDA	2.2	2.8
Net debt/Equity	87%	139%
EV/EBITDA	8.0	10.2
Dividend payout ratio	25%	18%
DPS	0.75	0.5

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 79.2 per 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.
- 4843 base stations, 993 of them 3.5G capable.
- More than eleven million subscribers achieved.

2008

- Net profits 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.

Board of Directors

Board of Directors

The Board of Directors seeks to consistently meet the highest standards of responsible conduct in order to achieve a good balance between direction, control, accountability, responsibility, fairness and transparency in the Company.

Abdulaziz Alsaghyir (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.

Khalid 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.

Mohammad Hassan Omran

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

Salim Al-Sharhan

BSc in accounting, United Arab Emirates university UAE; chief financial officer of Etisalat; chairman, Zantel; board member, Atlantique Telecom.

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.

Ibrahim bin Mohammed Al-Seif

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

Saeid Binzagr

BSc, University of Leinfield, USA; vice-president, Binzagr Company.

Dr Mazen Ibrahim Hassounah

MSc and PhD in planning, University of Toronto; BSc in civil engineering, University of Petroleum & Minerals, Saudi Arabia; distinguished academic career in Canada and the UK; managing partner, Mawakher Development co.

Dr Fahad Abdullah Mubarak

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

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.

Executive Management

Chief Executive Officer and MD: **Khaled Al Kaf**

Chief Operating Officer: **Abdulaziz Altamami**

Chief Financial Officer: **Thamer Al Hosani**

Chief Information Officer: **Ahmed Al Oraini**

Chief Marketing Officer: **David Murphy**

Chief Contracts and Administrative Officer: **Abdel Rahman Ghaleb**

Chief HR Officer: **Hamed Al Kharji**

Chief Technical Officer (Mobile Network Development): **Majed Al Mesmar**

Chief Technical Officer (Network): **Mohamed Basafi**

Chief Sales & CR Officer: **Mohamed Beseiso**

Chairman's statement

I have great pleasure in presenting to you our company's annual report and financial statements for the 2008 financial year that ended on December 31, 2008.

The beginning of the year was characterized by most economies around the globe performing well – including the Kingdom of Saudi Arabia. However, the last quarter of the year saw huge and widespread international reversals, particularly in financial sectors and major industries. The mortgage and derivative sectors sparked large scale defaults by previously highly regarded organizations including some of the world's leading banks and financial institutions.

The Kingdom of Saudi Arabia has, to a large extent, been immune to what has been described as a "global financial meltdown." There are inherent strengths in our economy including substantial foreign exchange reserves that have been built up over the years and a commitment to position the Kingdom amongst the top most competitive nations. I commend the relevant authorities for their diligence and forethought.

Mobily has fared remarkably well over this period. A record net profit of SAR 2.09 billion (US$ 557 million) was achieved which represents a 52% increase over the 2007 figure of SR 1.38 billion (US$ 368 million). Gross revenue during the year grew to SAR 10.7 billion (US$ 2.8 billion), an increase of 28% compared to 2007.

The year saw some major capital restructuring of the company. Pursuant to a Royal Degree, Mobily's seven founding shareholders collectively completed the sale of 100 million shares, representing 20% of the company's share capital. In addition we increased our capital by 40% from SAR 5 billion (US$ 1.3 billion) to SAR 7 billion (US$ 1.8 billion) by way of a 200 million shares' rights issue that was issued at a par value of SAR 10 per share.

In less than three years of operation we declared our first dividend for the 2007 financial year which amounted to SAR 250 million (US$ 66.6 million) or SAR 0.5 (US$ 13.3c) per share.

The board has now recommended a 2008 dividend payment of SAR 525 million (US$ 140 million) or SAR 0.75 (US$ 20c) per share, more than double that declared during the previous year - a remarkable achievement considering the capital increase. The effect of this, coupled with the higher dividend, has provided shareholders who took up their rights to show substantial increases in value of their Mobily holdings. Not only have they seen the number of their shares increase by 40%, but the dividend on their higher number of shares has grown by 50%.

We also successfully arranged a SAR 1.5 billion (US$ 400 million) Islamic financing package to finalize the acquisition of data communication infrastructure company Bayanat Al-Oula. With this acquisition our stake in a 12,000 kilometer national fiber optic network (SNFN) increased from 33.3 percent to 66.6 percent. We have also invested in a Saudi ISP, Zajil.

These achievements will allow us to provide qualitative broadband services and will help us rise to new heights in this increasingly mature, sophisticated and competitive market.

As a result of the solid foundations in all aspects of our business, Mobily, since inception, has shown exponential growth and profitability. This is expected to continue as we achieve our objectives and targets - and we look forward to further outstanding results in the years ahead.

Together with the Board of Directors I would like to express our appreciation for the support extended by the Custodian of the Two Holy Mosques and the Crown Prince, as well the guidance and co-operation of the Communications and Information Technology Commission (CITC) and the Capital Market Authority.

I would also like to thank our customers for their trust and support and I thank and congratulate the management and staff for the outstanding performance achieved by the company during 2008.

Abdulaziz Alsaghyir
Chairman

CEO's statement

"Going forward, we face the future with confidence"

Despite a downturn in economies around the world during the last few months of 2008, Mobily generated a Q4 net profit of SAR 778 million (US$ 207.5 million), representing an increase of 51% Y-o-Y and 44% Q-o-Q. Gross revenue, at SAR 10.7 billion (US$ 2.8 billion), was up 28% and we ended the year with a net profit of SAR 2.09 billion (US$ 557 million), up 52% on the 2007 figure.

We are especially proud of this performance as it was achieved in an intensified competitive environment – Q4 was the first full quarter of the third service provider being operative in the market and it was a period characterized by highly aggressive marketing promotions. Despite these conditions our operating margins remained resilient with our EBIT margin improving to 28.3% in Q4 from 27.3% a year ago. We are also proud of this achievement as our EBITDA margin was the highest among all telecoms in the Kingdom in the last quarter of the year.

Mobily's success is directly related to its committed staff and team of experts who added more customers during the year and improved operating efficiencies. The company also experienced a rising demand for mobile broadband services, the launching of a number of innovative products and services and the expansion of the network coverage and capabilities. We had a closing subscriber base of 14.8 million, up 3.8 million (34%) on last year, representing about 40% market share.

There are several factors that contribute to Mobily be continuing its leading position in the telecom market. These include the strength of the Mobily brand image and its widespread acceptance, particularly among young and technology-minded users, as well research-based segmented value propositions with proven differentiation and the innovation of our products and services. In addition, we have rapidly developed a widespread and unmatched infrastructure. We have built extensive distribution capabilities across the Kingdom, we have a large customer base, we have excellent human resources and we have an experienced and aggressive but prudent, farsighted management style which all allow us to compete effectively in the market.

Mobily has built on its competitive advantage, being the first to offer 3G services with its 3.5G network that was introduced in June 2006.

With the integration of Bayanat Al-Oula and Zajil into our overall operations, we have also redesigned the organizational structure of the various functions and departments that is in line with our strategic direction and operating model.

Going forward, we face the future with confidence; particularly as a result of the substantial investment we have made in acquisitions and in our SAR 9.8 billion (US$ 2.6 billion) capital expenditure with an infrastructure that covers more than 96% of the population with approximately 70% having access to broadband services.

We are now capable of consolidating our leadership position in the broadband market by providing Internet services through different networks into the currently low penetrated broadband market – our own HSPA mobile network and Bayanat operated WiMAX and we now can offer complete telecom solutions to end users, especially businesses. The wholesale business also offers opportunities particularly with the arrival of three landline operators into the market within the next two years. We will meet the challenge of increased competition with the same philosophy and goals that have seen Mobily reach its leading position in only three years of operation – technologically aware, innovative, customer focused and financial stability.

Our total staff complement at the year-end was 3,500 and we engaged in a total of 2,300 training and development courses representing more than 32,000 training days and close to 200,000 training hours through our in-house resources and our global connections of 234 professional training centers.

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.

I also wish to acknowledge the outstanding contribution made by management and staff for their excellent dedication and the substantial effort they have put into making Mobily what it is today. This contribution by our people is one of the major ingredients of our company's success.

Khalid Omar Al Kaf
Chief Executive Officer
and Managing Director

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4years 48 months 1460 days 35040 hour 2102400 minutes 126144000 seconds

Time, is a stream of moments separated by actions and achievements

Memories of success stand like snapshots on a time line

2005 2006 2007 **2008**

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Managment Review

Life is a succession of moments
to live each is to succeed

Managment Review

Capital Increase and Restructuring

Pursuant to the Royal Decree no. M/40 issued on the 2nd of Rajab 1425 (corresponding to 18 August 2004), Mobily's seven founding shareholders, including Etisalat UAE, collectively completed the sale of 100 million shares, representing 20% of the share capital of the company.

In addition, the capital of the company was increased by 40 percent, or SAR 2 billion (US$ 533 million), to SAR 7 billion (US$ 1.8 billion) by way of a rights issue of 200 million new shares at a par value of SAR 10 (US$ 2.6) each to existing shareholders. The issue was 2.3 times subscribed in terms of value at a time (in November) when markets around the world had recorded sharp downward trends.
This capital restructuring has placed the company in a strong financial position with no near term funding requirements necessary.

Acquisition of Bayanat Al-Oula

Mobily successfully arranged a SAR 1.5 billion (US4 400 million) Islamic financing deal to acquire Bayanat Al-Oula, a company licensed to provide data services in the Kingdom and who initiated the largest WiMAX deployment in the Middle East region. Financing for the deal was based on a Murabaha acquisition financing facility arranged by three major Saudi banks. The structure of the facility is a subordinated acquisition debt for one year that can be extended, on maturity, for another six months on the same terms and conditions.

This acquisition is a strategic step forward in the company transforming itself from a mobile operator into a fully integrated telecom service provider and is in line with Mobily's strategic thrust into the broadband market as well as the lucrative wholesale business.

It will help Mobily expand its growing data network much faster and expand the variety of broadband Internet technologies by offering its customer-base connectivity based on WiMAX.

As a result of the deal Mobily's stake in the 12,000-kilometer national fiber optic network (SNFN) has increased from 33.3% to 66.6%.

Acquisition of Zajil

On the heels of the Bayanat Al-Oula acquisition, Mobily made a strategic investment of SAR 80 million (US$ 21.3 million) in Zajil International Telecom, a licensed and leading Saudi Internet Service Provider (ISP) that has a foothold in the corporate marketplace. It provides a wide array of customers with a variety of applications and solutions that will complement Mobily's service offerings.

Mobily InfoTech (India)

Mobily also invested SAR 9.2 million (US$ 2.45 million) in Mobily InfoTech (MIT), a company in Bangalore, India which commenced commercial activities during the year. It will support Mobily's Information Technology division and will enable it to handle much tighter IT project deadlines. At present, MIT provides solutions and consulting services only to Mobily but, by 2010, it is expected to provide services to other telecom operators as well.

Worldwide Interoperability for Microwave Access (WiMAX) deployment

WiMAX is a telecommunications technology that provides for the wireless transmission of data in a variety of ways, ranging from point-to-point links to full mobile cellular-type access. The technology provides broadband speed without the need for cables.

The first product offered after the Bayanat Al-Oula acquisition was a WiMAX service marketed as "**broadband@home**." It was the first and only prepaid service for domestic subscribers in the Kingdom and was initially offered in the major cities of Riyadh, Jeddah, Mecca, Dammam and Alkhobar. This product eliminates the need for problematic and annoying underground wiring with the user simply plugging a compact modem into an electric power outlet. Depending on coverage and signal strength, speeds can reach up to 2 megabits per second. In practice this means that a 700Mb file can be downloaded in less than an hour.

A special Ramadan promotion of the product offered zero activation fees and a free wireless modem. The service is available from SAR 200 (US$ 53.3) a month.

Further WiMAX products and expanded services will be offered in the near future. It is expected that WiMAX coverage will eventually cover the entire Kingdom.

International connection

A consortium, which includes Mobily, Etisalat of the UAE and Etisalat Misr of Egypt, is investing in a SAR 562.5 million (US$ 150 million) international cable, which will expand the reach of Mobily's fiber optic network (SNFN). Known as the "E-Cable" (the "E" being short for Etisalat), the cable is part terrestrial and part submarine. It will run from Fujairah in the UAE across the Kingdom, passing through Jeddah, through the Suez Canal and Alexandria in Egypt and will enter Europe through France. The cable will allow more gigabytes and Internet and voice traffic to originate and terminate in the region. This will translate into faster web browsing speeds and more cost effective international calling rates for our customers.

Infrastructure Expansion

The Kingdom's broadband market has barely been penetrated and the youth market, which predominates in Saudi Arabia, is looking for a convergence of phone, digital picture sharing, videos, movies, games and music. The sector is experiencing a broadcast media boom that underlines the move toward convergence between conventional media and telcos. This convergence is ushering in a new epoch of multimedia, in which voice, data and images combine to render exciting products and services to users.

In addition, the large corporates, Small/Medium Enterprises (SMEs) and the Small Office/Home Office (SoHo) increasingly demand high-speed connections. Mobily has recognized the growth potential of this sector and, to cater for the fast growing demand, has invested in an extensive broadband network (3G and 3.5G) which has the distinction being described by the GSM Association as being the busiest mobile data network in the world. In this regard, Mobily was matched up to telcos from Europe, the United States, Canada, India, Korea and China. An indication of the demand for broadband products is that data traffic on our high speed network grew from four terabytes a day in 2007 to 20 terabytes a day by the end of 2008 – a 500% growth.

This is a direct result of Mobily's being successful in shifting users' mindset away from kilobytes to gigabytes.

The company continued expanding the 3.5G network to reach new areas where more than SAR 1 billion (US$ 266 million) has been invested. The broadband market is now served by almost 1,700 3G sites with more than 83 cities, towns and areas covered by 3.5G. The company can now offer broadband connection to nearly 70% of the population.

The data network, including a SAR 500 million (US$ 133.3 million) metropolitan fiber optic network expansion, will help support any pressure on voice revenues and provide a partial hedge against the impact of tougher retail competition, especially with three new landline operators coming on stream over the next two years. It is expected that there will be six or seven telcos eventually operating in the Kingdom's telecommunications sector. The speed with which Mobily has been able to introduce broadband products has benefited from competition and has enabled us to now overtake fixed line technologies.

An example of this was when, in 2007, Mobily launched the region's only unlimited broadband bundle that was offered at affordable prices. The monthly charge was SAR 350 (US$ 93.3) with two other high usage bundles also available, the 5GB and the 1GB.

Another example was the E170 HSUPA modem which was introduced in 2008 allowing subscribers to upload data to the Internet at speeds of 2 megabits a second and download at speeds of 7.2 megabits a second. This supercedes the earlier Mobily connect modem. The E170 is the smallest modem in the market to support HSUPA.

By the end of the year we had grown our HSPA subscriber base to 300 000 users. This has been achieved in 18 months and it represents more than 80% of the mobile broadband market in the Kingdom.

It is believed that HSPA will extend its leadership among broadband technologies in the coming years and our increased investment has augmented sector spending which, in turn, creates employment and drives economic growth in the Kingdom.

As far as our GSM network is concerned, it now covers more than 96% of populated areas with 374 new areas coming on stream during the year and 942 sites being added by the end of 2008 bringing the total to nearly 4,800 2G sites. This means that the company's network now touches on areas in the Kingdom that has never seen any form of telecommunication service or only had limited mobile coverage at best.

Total capital expenditure now totals close to SAR 10 billion (US$ 2.66 billion) and we are now increasing the network capacities to handle at least 18 million users in the future. These investments will help Mobily consolidate its leadership position in the market.

The company now has the capacity and the confidence to develop its facilities further for the benefit of the Kingdom and to enhance its reputation as a globally successful and innovative telecom operator.

Network Outsourcing

Mobily has now outsourced the management, operation and maintenance of the network to France's Alcatel-Lucent, Sweden's Ericsson and China's Huawei Technologies. Three-year agreements are in place for them to provide for network operations, field operations, network optimization, back office support and spare parts management. This will allow Mobily to become more market-focused and customer-oriented and to provide fully updated technology at competitive prices. The arrangements will also boost the overall efficiency of the network as well as reduce costs and improve its overall reliability.

Roaming agreements

Mobily continued with its program of entering into more roaming agreements with other mobile operators and, in order to better serve customers, we now have agreements in 146 countries, including those with 201 GPRS in 82 countries and with 105 MMS in 53 countries. Agreements for video calling, high-speed data connectivity and mobile television have been concluded with 61 operators in 36 countries. Mobily's prepaid customers also have access to international roaming with 145 operators in 67 countries - considered to be the best in the Kingdom.

The company has entered into more SMS roaming agreements in North America than any other local mobile operator as a result of agreements in place with more than 55 American operators including Sprint, Nextel, AT&T Mobility, T-Mobile, Verizon Wireless and Rogers Wireless in Canada.

Zain national roaming agreement

We have signed an exclusive national roaming agreement with Zain, the third mobile telco operator in Saudi Arabia and who entered the Kingdom's market during the year. This agreement is for national roaming in areas not covered by their network. In addition, Mobily has other areas of cooperation in the sphere of transmission links, international links and site sharing.

Roaming in 56 countries (Tejwali)

Mobily now offers customers, while roaming in 56 countries around the world, the advantage of receiving all local and international voice calls and SMS messages free of charge through agreements with more than 100 operators. This applies in the UAE, Egypt, Bahrain, Jordon, Sudan, Libya, France, Switzerland, Japan, Finland, Denmark and Norway among others. Customers can receive calls in 51 countries through any operator while, in the other five, they have to select a specific operator.

Hajj commitment

For the fourth consecutive year, Mobily committed its technical, human and other resources to the Hajj pilgrimage. The company boosted its network capacities by 30% over the previous year in the relevant areas adding two main switches supported by hundreds of fixed and movable towers to accommodate more than 3.5 million users at the same time. At the peak of the season Mobily's network registered 1.6 million users representing a 22% increase on last year. Overall network usage rose 20% compared to the previous year. Mobily sales and services were offered at 63 locations.

Free broadband Internet connectivity through WiFi was offered to the pilgrims in Mina, Arafat and Muzdalifah and gave away more than two million gifts including umbrellas, water bottles, prayer rugs and bags. The company also dispatched millions of SMS messages in an awareness campaign. Teams were stationed at all major pilgrim entry points at national and international airports, seaports, miqat locations and at hotels in Mecca and Medina. The company's teams worked around the clock for 25 days to support the commitment to the pilgrims.

A **Local Roaming Number Service,** with a special international call rating on a Mobily number, was offered to pilgrims who could continue using their own roaming SIM cards. Five prizes of SAR 100,000 each were offered to those pilgrims who chose to use the Mobily network over the period. Also on offer was Mobily's specialty **Rihal** package with a SAR 50 free credit.

Mobily launched the **Nusuk** service that was made available in Arabic, English and French. This was a virtual textbook service that walked pilgrims through the Hajj or Umrah process and helped them get answers to any queries they might have had.

Hawyyati

During the year the Communications and Information Technology Commission (CITIC) issued a directive to all GSM operators to have customers update their personal data. Mobily chose to turn this straightforward task into a reward effort and, as a result, the "**Hawyyati**" campaign was introduced that encouraged prepaid subscribers to provide the necessary data to ensure the safety and the security of users phone accounts. The campaign encouraged customers to provide the required details by offering an opportunity to win one of 56 premium motorcars in return for the required data. It proved to be a resounding success.

Distribution and re-branding

In line with the developing nature of Mobily's business, a new branding was developed and introduced during the year. This branding was applied across all visible exposure to the company and embraced our revamped logo, color usage and typestyles.

A review of retail strengths and weaknesses was undertaken that resulted in a revamp of flagship stores and customer service points. Emphasis has been placed on areas in outlets where customers are invited to interact with and learn about our broadband gaming, video and music services. This will attract customers to freely explore and seek their own version of knowledge, foster an emotional connection with the Mobily brand and provide a sophisticated showcase of the company's capabilities.

A number of Mobily stores in the Kingdom were revamped with features including the introduction of Internet cafes where visitors can freely surf the Internet. They can also view giant screens displaying inspirational videos linked to the company's 3.5G services, use the self-service recharge and bill-paying kiosks, enjoy the gaming areas with seating and can try out video telephony, video mail and TV streaming services.

Mobily aggressively expanded its unique distribution model based on owned and operated Flagships (FS), Franchise, Fully Branded Outlets (FBO) and Co-Branded Outlets (CBO), plus a network of Dealers and Preferred Dealers covering the vast majority of the population. By the end of the year Mobily had 33 Flagships in 15 cities (up from 24 in 8 cities in 2007) and more than 7,800 customer touch points including FBOs, CBOs, Dealers and Preferred Dealers spread over more than 100 locations compared to 62 in 2007.

The company's dedication to its customers was acknowledged during the year by research done by a major research house indicating that Mobily ranked first in customer satisfaction across the Kingdom.

Products and services

A high-end package aimed at VIPs, **Raqi**, was introduced during the year. It included some special features such as an instantly recognizable number, a free Connect USB modem, 2,000 free minutes a month to Mobily and other networks in the Kingdom, a free Rahati service and the possibility of upgrading to an even higher status depending on minutes used. Users of the Raqi package gained membership of Quintessentially that offered services such as hotel and restaurant reservations, VIP box seats at international soccer games, access to restricted Formula One areas and exclusive invitation to special events. In addition, Raqi users enjoyed exclusive free reception of calls in the UK, Germany, Spain, Austria, Lebanon and Morocco as well as to the 56 countries available through Mobily's Tejwali service.

To further enhance users' Mobily experience, a wide range of Value Added Services (**VAS**) was completed during the year. These included **Voice SMS**; **Web Bulk Messaging**; **Group SMS**; incoming call screening (**Rahati**); **Local Roaming Number**; **Video Portal (Live TV) Service**; **Video Push** and an interactive map service (**Amaken**) as well as others.

Mobily restimulated mobile number portability (MNP) with **Raqme** for subscribers wishing to migrate from other providers to one of Mobily's post paid packages – **Khatty**, **Khatty Plus**, **Najma**, **Blue Wave** or **Mada** which is based on home zone billing. The program has made the process as simple and as straightforward as possible should subscribers want to take advantage of these high quality and high value products which the company offers. Mobily also added new partners to its customer loyalty program, **Neqati**.

The company launched a dynamic map browsing service though an interactive client map that allows dynamic searching and routing. Making use of our data networks, **Amaken** is built on the best possible on device map and provides access in most countries around the world. The service allows users to easily find a destination including, for example, hotels or restaurants or pharmacies. Routing from one location (including the user's location) to another can be displayed graphically (a blue line along the route) as well as text descriptions, including distances. Capturing the displayed map can also be sent through MMS, e-mail or Bluetooth to another user. With another user's permission, their location can also be determined on the displayed map. Users can locate themselves on the maps if their devices support GPS technology.

Also introduced was **Rahati** that controls all types of communication – voice calls, video calls, SMS and MMS. With this package customers have the ability to choose how to treat an incoming call. A Black list and a White list can be created and customers have the choice of accepting all calls, or rejecting them. In addition, customers can choose the desired blocking tone from a range of options including a busy tone, a ringing tone, and wrong number tone or a special blocking message.

Mobily's **Ranan** service allows users to replace the standard ring-back tone with a variety of options that can be heard by those who contact the subscriber until a response is recorded. User choices can be an Islamic tone, music, a joke or one of many other selectable sound bites. Up to 10 tones can be stored and assigned to different contacts.

The **Najma** package, tailor made for women, was introduced during the year. This package includes free live TV feeds, access to six Mobile content bundles and provides interactive services. Its introduction is the result of months of research into the specific needs of women.

The **Blue Wave** is a package designed by Mobily for all Mobily customers but with a special flavor for Al-Hilal fans. This postpaid package granted distinction to Al-Hilal fans to show their appreciation for a leading football club and to have easy communication, at low cost, among themselves.

Also, whenever Al-Hilal wins a match, Blue Wave subscribers enjoyed free promotional offers from Mobily, such as 60 minutes video calls on the Mobily network.

Customers who subscribe to **Mobily Al Hilal** can select a wide selection of information services ranging from brief or detailed news on the Al Hilal club to football league information as well as other local and international sports information, to business and political news as well as Al Hilal photographs.

A **Video Portal (Live TV) Service** was also launched which allowed customers to enjoy live quality TV in high resolution. A wide range of news and entertainment channels were made available in various categories with customers able to choose which particular segment they would like to view.

Powerful growth has been shown in our Blackberry product grouping. To cater for this sector two new offerings have been launched. A special Blackberry handset package, **Blackberry Professional Software (BPS)**, was offered which was specifically designed to meet the needs of small to medium business units and organizations. It's was based on best-in-business class Blackberry software - but with simplified features that are relevant to small and medium business. Subscribers still enjoy the same advantages in productivity, management and security but in a cost effective package that can be installed on their existing e-mail server without hindering the mobility of their employees. They will get wireless access to e-mail, business data, the Internet, organizer information and more. The other offering was the **Blackberry Internet Service (BIS)** price reduction. This targeted individuals and customers who have no enterprise-grade e-mail infrastructure. Subscription services were reduced from SAR 199 to SAR 99 a month for use inside the Kingdom. Customers could choose from four feature-rich and elegant Blackberry handsets – the 8100, known as the Pearl, the 8300 known as the Curve, the 8800 and the classic-styled 8700.

Mobily also became the first Saudi mobile operator to launch **in-flight calls** aboard selected airlines. A trial was conducted on an Emirates flight between Dubai and Morocco and was recognized as the first international flight in the world to fly commercially with this unique telephone roaming service. This means that Mobily users can stay in touch regardless of where they are, on the ground or in the air.

Community Involvement

Mobily concluded its negotiations with the Al Hilal Football Club and will continue its partnership agreement for six more years. This deal will ensure benefits for one of the country's premium clubs and for the company. Al Hilal Club will stand to make as much as SAR 75 million annually and Mobily in return will get the advertising and sponsorship rights from the club as well as content rights for mobile phones including Al Zaeem channel.

A football festival was held to mark the retirement of famous player Sami Al Jaber with Manchester United being invited to play an exhibition match against Al-Hilal as part of the festival. The visit by Manchester United was regarded as the first in its kind to the Kingdom for an elite English team. The team spent five days in Riyadh for a training camp and the exhibition match.

The company also sponsored a festival football match to honor one of the Kingdom's most distinguished players, Majed Abdullah and his club, Al Nasr. World famous Real Madrid paid their first visit to Saudi Arabia to attend and play at the festival.

In support of the development of schoolboy football, Mobily continued with sponsorships of Kingdom-wide tournaments with one of the teams being sent to a AC Milan summer training camp in Italy.

The company also launched the "Mobily All Stars" – a new and unique concept in support of the Kingdom's sporting world. It is the nucleus of a campaign to build a football dream team.

In sympathy with the victims of the Israeli aggression in Gaza Mobily halved calling rates to Palestine for one month. This gesture was done to reinforce communication among friends and relatives and raised SAR 1.47 million in two days. A blood donation drive was also mounted by the company amongst its staff giving them the opportunity to contribute to the cause.

Mobily, in conjunction with the Muslim World League, launched a charity focused postpaid package, "**Khatty Al Khair**," which allocated 15% of the profits from the sale of network minutes to charity. The package offered the same benefits as Khatty Plus but had the additional benefit of donations for every minute of airtime. The charity will receive a five halala per minute donation for every call made on Mobily network and one halala per minute for every call made to numbers on other networks for a year.

Various other sports and community projects benefited from Mobily sponsorships.

Six New Core Values

Mobily's six core values were introduced during the year. These values will guide the company and its employees in all aspects of what the company undertakes and the manner in which Mobily people intend to achieve the company's goals.

These are:

Open – Friendly, Flexible and Accessible.

We build, nurture and promote an open environment where our core values are converted into actions. Our people build trust through transparency.

- We listen carefully
- We welcome new ideas
- We share knowledge

Respectful – Islamic values, Civic and Fair.

We respect our colleagues and customers and treat them as we would like to be treated. We believe in developing close, mutually productive partnerships by motivating people through positive feedback and constructive praise in an atmosphere of mutual respect.

- We respect our values and traditions
- We respect our colleagues
- We respect our social responsibilities

Energetic – Enthusiastic, Spirited and Agile

We have a compelling desire to improve and win in everything we do. We are creating breakthroughs with enthusiasm and flexibility. We work efficiently without compromising quality.

- We serve with passion
- We are dynamic
- We go the extra mile

Progressive – Insightful, Aspiring and Ingenious

We challenge convention and reinvent the way we do business. We create and deliver products and services that help our customers and contribute to Mobily's brand image. We proactively respond to internal and external conflicts with collaboration, focused thinking and effective communication.

- We reach out for new horizons
- We are solutions-minded
- We delight our customers

Contemporary – Informed, Fresh and Relevant

We stay informed with the global trends, yet we leverage our diversity and Saudi heritage to discover breakthrough solutions relevant to the needs of internal and external customers. We benchmark our performance rigorously s the very best, internally and externally.

- We never stop learning
- We never stop seeking knowledge
- We respond to the market needs

Successful – World-class, Leads the way and Winning

We renew our vision and goals for the future, whilst measuring and celebrating the successes achieved. We are extremely focused on building a unique brand image for Mobily.

- We contribute to the success of our stakeholders
- We believe that success is a journey, not a destination
- We are growing

Corporate Information

Life is a succession of moments
to live each is to succeed

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, Kingdom Tower
P.O. Box 23088
Riyadh 11321
Kingdom of Saudi Arabia

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

Auditors
Deloitte & Touche
Bakr Abulkhair and Company
License No 101

Investor Relations Postal Address
Investor Relations Department
Etihad Etisalat Company – Mobily Finance
P.O. Box 9979
Riyadh 11423
Kingdom of Saudi Arabia

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

Shareholder enquiries regarding stock accounts should be directed to:

Telephone
+966 56 040 4040

Fax
+966 56 031 6605 / 56 041 2070

Investor information and literature requests should be directed to:

e-mail
investorcontact@mobily.com.sa

Exchange:
Saudi Stock Exchange (**Tadawul**)

Tadawul code:
7020 (Etihad Etisalat)

Bloomberg code:
EEC AB

RIC (Reuters Instrument Code):
7020.SE

Financial Statements

Life is a succession of moments
to live each is to succeed

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 of December 31, 2008, 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 statement 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 of December 31, 2008, 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.

Bakr A. Abulkhair
License No. 101
Muharram 22, 1430
January 19, 2009

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2008

	Note	2008 SR'000 (Consolidated)	2007 SR'000 (Unconsolidated)
ASSETS			
Current assets			
Cash and cash equivalents	3	**1,263,995**	703,198
Short term investments		**1,049,999**	-
Accounts receivable, net	4	**3,098,248**	1,459,656
Due from a related party	5	**38,452**	71,061
Inventories		**107,563**	69,190
Prepaid expenses and other assets	6	**1,063,075**	810,372
Total current assets		**6,621,332**	3,113,477
Non-current assets			
Property and equipment, net	7	**8,117,399**	5,478,552
Licenses acquisition fees, net	8	**10,922,932**	11,286,694
Goodwill	9	**1,529,886**	-
Investment in unconsolidated subsidiary	1	**-**	1,836
Total non-current assets		**20,570,217**	16,767,082
TOTAL ASSETS		**27,191,549**	19,880,559
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short term loans	10 and 11	**1,861,878**	-
Current portion of long term loan	10 and 11	**1,286,250**	1,010,625
Accounts payable	12	**4,365,130**	3,142,017
Due to related parties	5	**78,171**	111,485
Accrued expenses and other liabilities	13	**3,157,437**	1,765,200
Total current liabilities		**10,748,866**	6,029,327
Non-current liabilities			
Long term loan	10 and 11	**6,642,086**	7,912,356
Provision for employees' end-of-service indemnities		**46,287**	26,349
Total non-current liabilities		**6,688,373**	7,938,705
TOTAL LIABILITIES		**17,437,239**	13,968,032
SHAREHOLDERS' EQUITY			
Authorized, issued and outstanding share capital	1	**7,000,000**	5,000,000
Statutory reserve	15	**347,133**	137,955
Retained earnings		**2,407,177**	774,572
Total shareholders' equity		**9,754,310**	5,912,527
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**27,191,549**	19,880,559

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

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008 SR'000 (Consolidated)	2007 SR'000 (Unconsolidated)
Services revenue	16	**10,794,539**	8,440,432
Cost of services	17	**(4,773,485)**	(3,778,838)
Gross profit		**6,021,054**	4,661,594
Operating expenses:			
Selling and marketing expenses	18	**(816,080)**	(641,040)
General and administrative expenses	19	**(1,410,795)**	(1,073,287)
Depreciation and amortization	7 and 8	**(1,298,264)**	(1,030,919)
Total operating expenses		**(3,525,139)**	(2,745,246)
Operating income		**2,495,915**	1,916,348
Finance charges	10	**(438,183)**	(555,849)
Other income		**41,238**	43,251
Income before zakat		**2,098,970**	1,403,750
Zakat	14	**(7,187)**	(24,202)
NET INCOME		**2,091,783**	1,379,548
Earnings per share (in Saudi Riyals):			
From operating income	21	**4.77**	3.66
From net income	21	**4.00**	2.64

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

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008 SR'000 (Consolidated)	2007 SR'000 (Unconsolidated)
OPERATING ACTIVITIES		
Income before zakat	**2,098,970**	1,403,750
Adjustments to reconcile income before zakat to net cash from operating activities:		
Depreciation	**779,149**	513,466
Amortization of licenses acquisition fees	**519,115**	517,453
Provision for employees' end-of-service indemnities	**20,194**	15,006
Provision for doubtful debts	**121,727**	251,478
Finance charges	**417,420**	540,700
Operating income before changes in working capital	**3,956,575**	3,241,853
Changes in working capital:		
Accounts receivable	**(1,734,219)**	(977,068)
Due from a related party	**32,609**	(65,073)
Inventories	**(25,443)**	(31,142)
Prepaid expenses and other assets	**(225,943)**	(94,512)
Accounts payable	**608,376**	507,078
Due to related parties	**(41,314)**	(67,849)
Accrued expenses and other liabilities	**1,371,613**	746,997
Provision for employees' end-of-service indemnities paid	**(2,660)**	(1,753)
Zakat paid	**(7,517)**	-
Finance charges paid	**(386,061)**	(938,311)
Net cash provided from operating activities	**3,546,016**	2,320,220
INVESTING ACTIVITIES		
Short term investments	**(1,049,999)**	-
Acquisition/formation of subsidiaries	**(52,050)**	-
Purchase of property and equipment	**(2,953,024)**	(2,043,359)
Acquisition of licenses	**(240)**	-
Disposal of property and equipment, net	**536**	-
Investment in unconsolidated subsidiary	**1,836**	(1,836)
Goodwill from acquisition of subsidiaries	**(1,529,886)**	-
Net cash used in investing activities	**(5,582,827)**	(2,045,195)
FINANCING ACTIVITIES		
Proceed from short term loans	**1,846,499**	-
Payment of founding shareholders' long term loan	**-**	(1,600,000)
Proceed from long term loan	**-**	9,187,500
Payment of long term loan	**(1,010,625)**	(7,706,850)
Cash dividends	**(250,000)**	-
Increase in share capital	**2,000,000**	-
Net cash provided from (used in) financing activities	**2,585,874**	(119,350)
Net change in cash and cash equivalents	**549,063**	155,675
Cash acquired from acquisition/establishment of subsidiaries (Note 1)	**11,734**	-
Cash and cash equivalents, beginning of the year	**703,198**	547,523
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**1,263,995**	703,198

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

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	Share capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
January 1, 2007		5,000,000	-	(467,021)	4,532,979
Net income for the year		-	-	1,379,548	1,379,548
Transferred to statutory reserve	15	-	137,955	(137,955)	-
December 31, 2007		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)**	**-**
December 31, 2008		**7,000,000**	**347,133**	**2,407,177**	**9,754,310**

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

1. ORGANIZATION AND ACTIVITIES

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) and Royal Decree number M/40 dated Rajab 2, 1425 H (corresponding to August 18, 2004) and was registered in Riyadh under commercial registration number 1010203896 dated December 14, 2004.

The Company is the second authorized provider of mobile telecommunication services in the Kingdom of Saudi Arabia.

The Company was incorporated with a share capital of SR 5 billion divided into 100 million shares at par value of SR 50 each. In accordance with the Capital Market Authority's resolution number 4-154-2006 dated March 27, 2006 the share was split, effective April 8, 2006, into five shares at par value of SR 10 each and accordingly the Company's issued shares became 500 million shares. The founding shareholders were the Emirates Telecommunications Corporation - Etisalat, UAE holding 35% of the share capital and six Saudi shareholders holding 45% of the share capital, while the remaining 20% of the share capital was held by the public.

In compliance with the Royal Decree referred to above, pertaining to the incorporation of Etihad Etisalat Company (Mobily), the founding shareholders are required to issue a further 20% of their shares into the Saudi stock market during the third year from the Company's date of incorporation. Consequently, during the second quarter of year 2008, the founding shareholders sold 25% of their shares in the Company's share capital, representing 100 million shares, to the public after which the new shareholding became; The Emirates Telecommunications Corporation–Etisalat, UAE 26.25% of the share capital, six Saudi shareholders 33.75% of the share capital while the remaining 40% of the share capital is held by the public.

The general assembly also 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 issuance of shares is at par value of SR 10 without premium. The legal procedures relating to the share capital increase represented the issuance of the Company's new commercial registration are still in process.

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 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 and current and future trademarks for a total price of SR 1.5 billion, resulting in a goodwill of SR 1.47 billion on acquisition date.

During the second quarter of year 2008, the Company invested in 95% of the share capital of a subsidiary, Etihad Etisalat for Commercial Investment Company, a Saudi limited liability company, which has not yet commenced its commercial activities.

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 and current and future trademarks for a total price of SR 80 million, resulting in a goodwill of SR 63 million on acquisition date.

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

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Mobily InfoTech Limited Company SR'000	Bayant Al-Oula for Network Services Co. SR'000	Etihad Etisalat for Commercial Investment Company SR'000	Zajil International Network for Telecommunication SR'000	Total SR'000
Assets					
Cash and cash equivalents	9,836	-	100	1,798	11,734
Accounts receivable	-	4,280	-	21,820	26,100
Inventories	-	11,884	-	1,046	12,930
Prepaid expenses and other assets	-	25,257	-	1,503	26,760
Property and equipment, net	-	345,118	-	11,648	356,766
Licenses acquisition fees, net	-	155,113	-	-	155,113
Total assets	9,836	541,652	100	37,815	589,403
Liabilities					
Accounts payable	-	(490,844)	-	(15,151)	(505,995)
Accrued expenses and other liabilities	-	(16,677)	-	(4,277)	(20,954)
Provision for employees> end-of-service indemnities	-	(996)	-	(1,408)	(2,404)
Due to a related party	(8,000)	-	-	-	(8,000)
Total liabilities	(8,000)	(508,517)	-	(20,836)	(537,353)
NET ASSETS	1,836	33,135	100	16,979	52,050

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 equipment 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.

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES

These 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 presentation
The consolidated financial statements for the year ended December 31, 2008 include the financial statements of the Company and its subsidiaries, which were consolidated during the year then ended. The consolidated financial statements cover the year from January 1, 2008 to December 31, 2008, while the comparative figures for the year ended December 31, 2007 represent the stand-alone (i.e. unconsolidated) financial statements of the Company.

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 and by one of the shareholders in a subsidiary who assigned his shareholdings in favour of the Company as at December 31, 2008:

		Ownership percentage	
Name	Country of incorporation	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, bank current accounts and Murabaha deals with original maturities of three months or less from acquisition date.

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

Accounts receivable
Accounts receivable are stated at estimated net realizable value after allowances have been made 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 collections.

Inventories
Inventories comprise of mobile phones' sim cards, pre-paid 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 renewals and improvements are capitalized if they increase the productivity or the operating useful life of the assets, direct costs are also capitalized. Minor repairs and improvements are expensed when incurred. Gain or loss on disposal of property and equipment represent the difference between the sale proceeds and the carrying amount of these assets and is recognized in the consolidated statement of income.

Impairment
The carrying amounts of the Company's assets are reviewed at each 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 whenever the carrying amount of the asset exceeds its recoverable amount. Impairment losses, if any, are charged to the consolidated statement of income.

Licenses acquisition fees
Licenses acquisition fees are amortized over 25 years, which is the regulatory life of the licenses. Amortization is charged to the consolidated statement of income. The capitalized licenses fees are reviewed at each year end to determine any permanent decline in their values. In case a permanent impairment is identified in the capitalized licenses fees, such permanent impairment is recorded in the consolidated statement of income.

Goodwill
The excess of consideration paid for the acquisition of a subsidiary, over the fair value of net assets acquired at the acquisition date, is recorded as goodwill and is measured at the end of each financial period 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 employees' end-of-service indemnities
The provision for employees' end-of-service indemnities is calculated in accordance with the Saudi Arabia labor law based on the employee years of service in the Company.

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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 subsidiary, Mobily InfoTech Limited Co. (India), enjoys a three years period tax exemption commencing from the date of operations and ends in year 2010.

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.

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.

Government charges
Government charges represent government contribution fees in trade earnings, license fees, frequency waves fees and costs charged to the Company against the rights of using telecommunications 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.

Revenue recognition
Revenue in respect of telecommunications services is accounted for in the year when the telecommunication services are rendered to the subscribers, applying the rates approved by the Communications and Information Technology Commission ("CITC") and is stated net of discounts and related 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.

Derivative financial instruments and hedge accounting
The Company uses derivative 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 provide written principles on the use of financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes. Derivative financial instruments are initially measured at fair value on the contract date and are re-measured at fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated as effective hedges of future cash flows are recognized directly in equity and the ineffective portion is recognized immediately in the consolidated statement of income.

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3. CASH AND CASH EQUIVALENTS

	2008 SR'000 (Consolidated)	2007 SR'000 (Unconsolidated)
Cash on hand and at banks	**213,770**	288,011
Short-term Murabaha	**1,050,225**	415,187
	1,263,995	703,198

4. ACCOUNTS RECEIVABLE, NET

	2008 SR'000 (Consolidated)	2007 SR'000 (Unconsolidated)
Accounts receivable	**3,471,861**	1,788,827
Less: Provision for doubtful debts	**(373,613)**	(329,171)
	3,098,248	1,459,656

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

	2008 SR'000 (Consolidated)	2007 SR'000 (Unconsolidated)
Balance, January 1	**331,168**	77,693
Provision for the year	**121,727**	251,478
Bad debts written off	**(79,282)**	-
Balance, December 31	**373,613**	329,171

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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:

	2008 SR'000 (Consolidated)	2007 SR'000 (Unconsolidated)
Net telecommunication services	**121,710**	133,861
Management fees	**37,500**	37,500
Seconded staff cost	**48,428**	40,221
Other management cost	**69,311**	76,963
Roaming services	**4,864**	2,795

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

	2008 SR'000 (Consolidated)	2007 SR'000 (Unconsolidated)
Emirates Telecommunication Corporation	**38,452**	71,061

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

	2008 SR'000 (Consolidated)	2007 SR'000 (Unconsolidated)
Emirates Telecommunication Establishment	**75,907**	106,641
Emirates Data Clearing House	**2,264**	4,844
	78,171	111,485

6. PREPAID EXPENSES AND OTHER ASSETS

	2008 SR'000 (Consolidated)	2007 SR'000 (Unconsolidated)
Accrued revenues	**291,039**	196,163
Advance payments to suppliers of telecommunication equipment	**212,573**	238,366
Prepaid expenses	**193,725**	186,483
Advance payments to trade suppliers	**17,564**	43,676
Other	**348,174**	145,684
	1,063,075	810,372

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7. PROPERTY AND EQUIPMENT, NET

	Land SR'000	Buildings SR'000	Leasehold improvements SR'000	Tele-communication equipment SR'000	Computer equipment & software SR'000	Office equipment & furniture SR'000	Vehicles SR'000	Capital work in progress SR'000	Total SR'000
Cost:									
January 1, 2008	47,822	8,233	242,154	4,554,708	408,521	193,727	684	945,197	6,401,046
Acquisition of subsidiaries' property and equipment (Note 1)	-	-	2,174	100,313	15,125	3,243	938	248,181	369,974
Additions	24,620	10	98,291	610,279	118,879	90,175	24	2,119,488	3,061,766
Transfers	-	4,736	86,657	1,881,089	35,615	5,397	-	(2,013,494)	-
Disposals	-	-	-	(438)	(178)	(140)	(7)	-	(763)
December 31, 2008	72,442	12,979	429,276	7,145,951	577,962	292,402	1,639	1,299,372	9,832,023
Accumulated depreciation:									
January 1, 2008	-	309	54,282	658,520	140,932	68,024	427	-	922,494
Acquisition of subsidiaries' property and equipment (Note 1)	-	-	294	6,872	4,636	1,047	359	-	13,208
Charge for the year	-	570	45,002	562,425	108,562	62,396	194	-	779,149
Disposals	-	-	-	(110)	(66)	(44)	(7)	-	(227)
December 31, 2008	-	879	99,578	1,227,707	254,064	131,423	973	-	1,714,624
Net book value									
December 31, 2008 (Consolidated)	72,442	12,100	329,698	5,918,244	323,898	160,979	666	1,299,372	8,117,399
December 31, 2007 (Unconsolidated)	47,822	7,924	187,872	3,896,188	267,589	125,703	257	945,197	5,478,552

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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 as of January 1, 2008	12,210,000	753,750	15,489	12,979,239
Subsidiary's acquired license (Note 1)	-	-	**171,735**	**171,735**
Additions	-	-	**240**	**240**
	12,210,000	**753,750**	**187,464**	**13,151,214**
Less:				
Accumulated amortization as of January 1, 2008	1,592,670	97,551	2,324	1,692,545
Subsidiary's acquired license (Note 1)	-	-	**16,622**	**16,622**
Amortization for the year	**482,606**	**29,827**	**6,682**	**519,115**
Accumulated amortization as of December 31, 2008	**2,075,276**	**127,378**	**25,628**	**2,228,282**
Balance as of December 31, 2008 (Consolidated)	**10,134,724**	**626,372**	**161,836**	**10,922,932**
Balance as of December 31, 2007(Unconsolidated)	10,617,330	656,199	13,165	11,286,694

9. GOODWILL

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

	2008 SR'000 (Consolidated)	2007 SR'000 (Unconsolidated)
Bayanat Al-Oula for Network Services Company	**1,466,865**	-
Zajil International Network for Telecommunication	**63,021**	-
	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 to finance the acquisition of a subsidiary.

On March 14, 2007, the Company signed a long term financing agreement with a group of local, regional and international 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$ 200 million (equivalent to SR 750 million).

(c) Murabaha financing amounting to US$ 225 million (equivalent to SR 843.75 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, utilized to settle the previous loan amounting to SR 7.1 billion, and to settle the loan of the founding shareholders. Neither the Murabaha loan to finance the working capital nor the Murabaha financing were utilized as at December 31, 2008.

The above term loan period is 6 years and repayable through semi-annual scheduled instalments, with a repayment of Murabaha on a quarterly basis. The last instalment being 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 380 million as of December 31, 2008. These bank facilities are subject to finance charges at prevailing market rates. The subsidiary's management is currently in the process of transferring the above mentioned facilities to sharia-compliant facilities.

The subsidiary, Zajil International Network for Telecommunication has sharia-compliant bank facilities in the form of short term loans to finance its working capital.

11. DERIVATIVES

During the last 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 in loans Murabaha rates resulting from the financing activities for a notional amount of US $ 343 million (equivalent to SR 1.29 billion). The hedging agreements are based on the swap between the Company and the banks of fixed rates against floating rates.

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12. ACCOUNTS PAYABLE

	2008 SR'000 (Consolidated)	2007 SR'000 (Unconsolidated)
Trade payables	**2,216,666**	1,102,296
Capital expenditures payables	**2,148,464**	2,039,721
	4,365,130	3,142,017

13. ACCRUED EXPENSES AND OTHER LIABILITIES

	2008 SR'000 (Consolidated)	2007 SR'000 (Unconsolidated)
Accrued expenses for telecommunication companies	**1,294,973**	374,092
Deferred revenues	**590,330**	553,558
Government share in revenue	**361,873**	283,490
Accrued selling and marketing expenses	**177,131**	142,514
License fees	**24,125**	19,185
Zakat (Note 14)	**23,900**	24,202
Other	**685,105**	368,159
	3,157,437	1,765,200

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14. ZAKAT

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

The principal elements of the Company's zakat base are as follows:

	2008 SR'000	2007 SR'000
Capital	**5,000,000**	5,000,000
Adjusted net income	**1,386,454**	969,599
Due to related parties	**78,171**	2,344
Provisions – beginning of the year	**397,570**	90,789
Liabilities against financing of property and equipment	**2,148,293**	2,039,721
Short and long term loans	**9,443,715**	8,922,981
Less:		
Property and equipment	**(14,690,545)**	(14,978,278)
Advance payments to suppliers of property and equipment	**(212,552)**	(238,366)
Goodwill	**(1,512,696)**	-
Capital work in progress	**(914,438)**	-
Investments	**(20,401)**	(1,836)
Adjusted accumulated losses – beginning of the year	**(792,703)**	(1,471,854)
Spare parts for network equipment	**(11,875)**	-

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

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

	2008 SR'000 (Consolidated)	2007 SR'000 (Unconsolidated)
Balance, January 1	**24,230**	-
Provision for the year	**7,187**	24,202
Payments during the year	**(7,517)**	-
Balance, December 31	**23,900**	24,202

The Company has filed its financial statements and zakat returns for the years up to 2007 and paid the zakat dues accordingly, which are currently under review by the Department of Zakat and Income Tax. The Company has received the final assessment for 2005.

The subsidiary, Bayanat Al-Oula for Network Services has filed its financial statements and zakat returns for the years up to 2007 and paid the zakat dues accordingly. The Company did not receive any final assessments to date.

The subsidiary, Zajil International Network for Telecommunication has filed its financial statements and zakat returns for the years up to 2007 and paid the zakat dues accordingly. The Company has received the final zakat assessment for 2006.

The subsidiary, Etihad Etisalat for Commercial Investments Company has no zakat obligation since it has not completed one year.

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.

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16. SERVICES REVENUE

	2008 SR'000 (Consolidated)	2007 SR'000 (Unconsolidated)
Usage	**10,232,971**	8,042,567
Activation and subscription fees	**437,969**	318,733
Other services	**123,599**	79,132
	10,794,539	8,440,432

17. COST OF SERVICES

	2008 SR'000 (Consolidated)	2007 SR'000 (Unconsolidated)
Interconnect and roaming costs and international telecommunication passages	**2,439,016**	2,080,336
Government contribution fees in trade earnings	**1,206,535**	947,594
Cost of used inventories	**205,486**	173,096
Rental of network equipment	**179,715**	143,203
Transmission costs	**150,802**	86,833
License fees	**79,511**	63,135
Frequency waves fees	**76,482**	39,313
Other	**435,938**	245,328
	4,773,485	3,778,838

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18. SELLING AND MARKETING EXPENSES

	2008 SR'000 (Consolidated)	2007 SR'000 (Unconsolidated)
Advertisement, promotion and sales commissions	**467,639**	433,338
Other	**348,441**	207,702
	816,080	641,040

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2008 SR'000 (Consolidated)	2007 SR'000 (Unconsolidated)
Salaries, wages and employees' benefits	**550,590**	392,079
Consulting and professional services	**148,339**	73,448
Other administrative costs	**69,311**	51,600
Rent expenses	**55,013**	38,881
Secondees expenses	**48,428**	29,858
Management fees to Emirates Telecommunication Establishment	**37,500**	37,500
Travel and transport	**21,367**	16,012
Board of Directors' remunerations and allowances	**5,429**	4,464
Other	**474,818**	429,445
	1,410,795	1,073,287

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20. DIVIDENDS

The Company's General Assembly in its meeting held on Rabi Al Awal 23, 1429 H (corresponding to March 30, 2008) approved the Company's Board of Directors' recommendation to distribute dividends for the year ended December 31, 2007 of SR 0.5 for each outstanding share.

21. EARNINGS PER SHARE

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 weighted average of outstanding number of ordinary shares amounting to 523 million as of December 31, 2008. Earnings per share from operating income and from net income for 2007 were re-calculated to reflect the effect of the share capital increase during 2008 retroactively.

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 current assets, while financial liabilities of the Company comprised of long and short term loans, accounts payable, due to related parties, provision for end-of-service indemnities and other current liabilities. Accounting policies for financial assets and liabilities are set out in Note 2.

Credit risk
Financial assets that 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 their experience. The management does not believe it is necessary to use derivatives financial instruments to minimize the effect of foreign exchanges risks. Hedging arrangements are made to minimize foreign exchanges risks when management believes they are necessary to do so.

Murabaha rate risk
The Company does not have any significant murabaha rate risk. Murabaha rates on bank deposits and long/short term loans are determined based on prevailing market rates. Hedging arrangements are made to minimize the risk, when management believes it is necessary to do so (Note 11).

Liquidity risk
Liquidity risk is closely and continuously monitored by performing regular review of available funds and present value of future commitments. Moreover, the Company monitors the actual cash flows and whether its financial assets meet its financial liabilities requirements. The Company believes that it is not exposed to significant risk in relation to liquidity.

23. FAIR VALUE

The fair values 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.

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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 amounting to SR 2.22 billion as of December 31, 2008 (2007: SR 2.65 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 kilometre 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 is expected to be completed during the first quarter of 2009.

The Company and its subsidiaries had contingent liabilities in the form of letters of guarantee amounting to SR 87 million as of December 31, 2008 (2007: SR nil).

25. SEGMENT INFORMATION

The Company's management believes that operational segment information disclosure for the Company and its subsidiaries is not required, due to the fact that the Company has only one major operating sector and operates mainly in the Kingdom of Saudi Arabia.

26. SUBSEQUENT EVENTS

The Company's Board of Directors in their annual meeting held on Muharram 22, 1430 H (corresponding to January 19, 2009) proposed to distribute cash dividends to the shareholders amounting to SR 525 million for the year ended December 31, 2008 of SR 0.75 for each outstanding share.

27. COMPARATIVE FIGURES

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

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