Annual Report 2011

CONTENTS

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

His Royal Highness
Prince Nayef Bin Abdulaziz Al Saud

INTRODUCTION AND BACKGROUND

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Etihad Etisalat Company (Mobily), is a Saudi joint stock company, incorporated pursuant to the Council of Ministers' resolution number 189 dated Jumada 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 is 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's share capital, amounting to SAR 7 billion, consists of 700 million shares of SAR 10 each, paid in full as at December 31, 2011. 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 commercial activities during 2008. In early 2009, the remaining 0.01% of the subsidiary's share capital was acquired by National Company for Business Solutions, a subsidiary company. During 2008, the Company acquired 99% of the partners› shares in Bayanat Al-Oula for Network Services Company, a Saudi limited liability company. The acquisition included the company's rights, assets, obligations, commercial name as well as its current and future trademarks for a total price of SAR 1.5 billion, resulting in goodwill of SAR 1.47 billion on the acquisition date. In 2008, the Company invested in 95% of the share capital of a subsidiary company, National Company for Business Solutions, a Saudi limited liability company. In 2008, the Company acquired 96% of the partners' shares in Zajil International Network for Telecommunication Company, a Saudi limited liability company. The acquisition included the Company's rights, assets, obligations, commercial name as well as its current and future trademarks for a total price of SAR 80 million, resulting in goodwill of SAR 63 million on the acquisition date.

OUR ROLE IN THE KINGDOM'S ECONOMY

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The Company and its subsidiaries currently provide a variety of telecommunications' services in the Kingdom of Saudi Arabia, which include wireless mobile telecommunication, data and Internet services. Our main activity is to establish and operate mobile wireless telecommunications' networks, fiber-optic networks and to manage, install and operate telephone networks, terminals and communication unit systems. In addition, we sell and maintain mobile phone and communication unit systems. We commenced commercial operations on May 25, 2005. The main activities of our subsidiaries are as follows:

- Development of technology software programs for Company use and to provide information technology support.
- Execution of contracts for the maintenance of wire and wireless telecommunications' networks, the installation and maintenance of computer systems and data services.
- Wholesale and retail trade in equipment and machinery, electronic and electrical devices, wire and wireless telecommunications' equipment, smart building systems and the import and export to third parties in addition to marketing and distributing telecommunications' services and providing consultation services in the telecommunications' domain.
- Wholesale and retail trade in computers and electronic equipment, the maintenance and operation of such equipment and the provision of related services.

OUR VISION, MISSION AND OBJECTIVES

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Our Vision

To innovate and lead in telecom services to add value to your life

Our Mission

To enrich the life of customers and employees by fully leveraging our capabilities to exceed their expectation

Our Objectives

- To be the best work environment in the region by caring or employees first.
- To be number one at delighting our customers.
- To maintain leadership in data applications and services.

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

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The Abdulaziz Saleh Alsaghyir (Chairman)
BSc in civil engineering, University of Kansas, USA; chairman, Abdulaziz Alsaghyir Commercial Investment Company.

Khaled Omar Alkaf (Chief Executive Officer and Managing Director)
Honors degree in computer engineering, George Washington University, USA; over 20 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, Etisalat UAE.

Salem Ali Alsharhan
BSc in accounting, United Arab Emirates University, UAE; financial advisor, Etisalat UAE.

Ahmed Abdulkarim Julfar
BSc in civil engineering, Gonzaga University, Washington, USA; chief executive officer, Etisalat Group; chairman, E-Vision, the UAE cable TV operator.

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

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; 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.

Abdulrahman Abdullah Alfehaid
Bachelor Degree in telecom engineering (1975) King Saud University, Riyadh, KSA. Mr. Alfehaid was Deputy Governor for Regulatory Policies and Licensing Affairs of the Communications And Information Technology Commission (CITC).

EXECUTVE MANAGEMENT

Khaled Alkaf
Chief Executive Officer and MD

Abdulaziz Altamami
Chief Operating Officer

Thamer Alhosani
Chief Financial Officer

Abdulrahman Ghaleb
Chief Contracts and Administrative Officer

Marwan Alahmady
Chief Business Officer

Hamed Alkharji
Chief HR Officer

Ahmed Alhashemi
Chief Marketing Officer (Acting)

Mohammed Beseiso
Chief Sales & CR Officer

Abdullah Alrowais
Chief Internal Audit

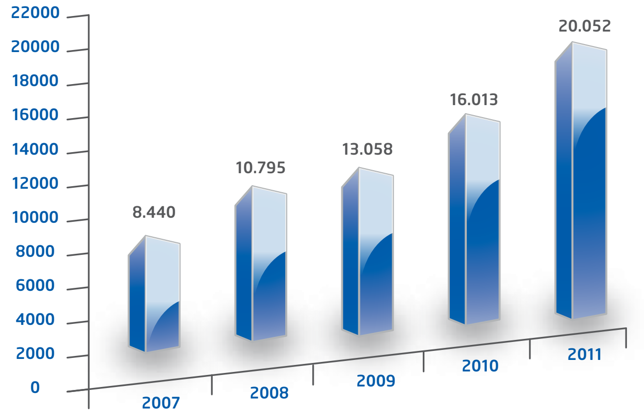
Medhat Amer
Chief Information Officer

Mohammed Basafi
Chief Technical Officer (Fixed and Broadband Network)

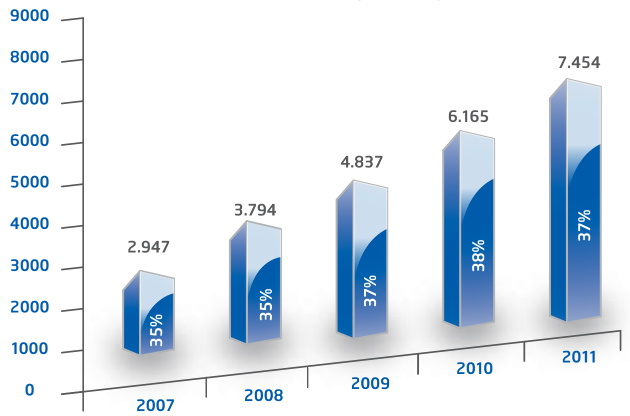
Nasser Alnasser
Chief Technical Officer (Mobile Radio Network)

FINANCIAL HIGHLIGHTS

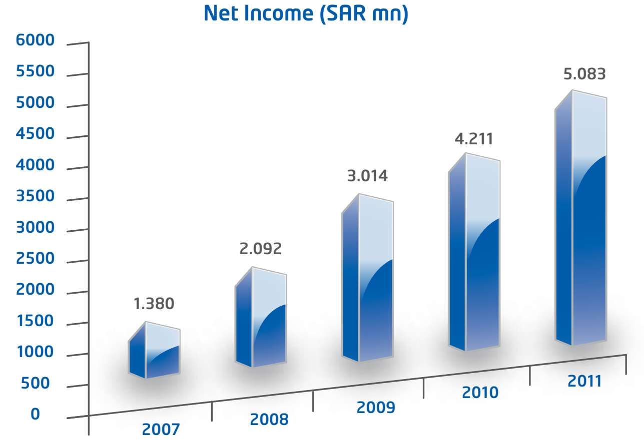
Revenue (SAR mn)



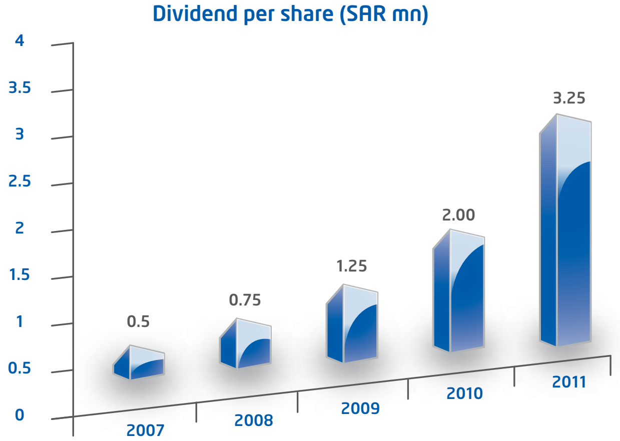
EBITDA & EBITDA % (SAR mn)



Net Income (SAR mn)



Dividend per share (SAR mn)



ANNUAL MILESTONES

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2004
- Etihad Etisalat awarded Saudi Arabia's first 3G and second GSM licenses.
- 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.
- Launch of commercial GSM services in 32 cities.
- Coverage of 79.2% of the population achieved.
- Number of subscribers hits 1 million.
- Positive EBITDA achieved.

2006
- 3.5G service launched - first in the Kingdom.
- Partnership signed with ITC and Bayanat Al-Oula to build 12,600 km advanced fiber-optic network.
- Mobily turns cash-flow positive.
- Subscribers total more than 6 million representing more than 30% market share.
- Population coverage exceeds 90%.
- Mobily available at more than 3,600 points of sale.

2007
- Net income, before Zakat, doubles to SAR 1,404 million.
- Earnings per share grows 97.14% from SAR 1.40 to SAR 2.76
- Islamic financing of SAR 10.78 billion
- Investment SAR 1 billion to enhance 3.5G network.
- 99.9% of Bayanat Al-Oula acquired.
- 4,843 base stations, 993 of them 3.5G capable.
- More than 11 million subscribers achieved.

2008
- Net profit increased 52% over 2007.
- First dividend paid out to shareholders.
- Mobily joins a consortium to expand internationally the national fiber-optic network (SNFN).
- Exclusive national roaming agreement signed 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.

- 3.8 million new subscribers added despite the entry of a third service provider.
- Capital increased by SAR 2 billion in a 200 million shares rights issue (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 increased 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.
- Dividend of SAR 1.25 per share declared compared to SAR 0.75 per share for the previous year.

2010

- SAR 3 billion increase in revenues - The highest in absolute terms since inception, representing a growth of 23% yoy.
- Semi-annual dividend s distribution effective 2011, and 60% increase in 2010 dividends payment (SAR 2.00 DPS).
- 92% broadband population coverage.
- Post-paid revenues up by 50%, and business revenues recorded an increase of more than 100%.
- Broadband subscribers exceed 2.3 million (Those subscribed to one of Mobily Mega data bundles - 1G, 5G or Unlimited).
- 46% increase in traffic during the Haj in Mecca, with a record number of 1.48 million users registered on the network in the Holy Site of Mina on the first day of Eid.
- SAR 1.2 billion financing facility at a competitive Murabaha rate to expand and upgrade current data infrastructure capabilities

in line with the company's growth objectives.

- Collaboration with six telecom operators to build the longest redundant terrestrial communications infrastructure along a 7,750 km round trip route connecting Europe to Middle East.

2011

- SAR 10 billion refinancing scheme drawn up with seven local banks to replace existing short, medium and long term loans with one loan consisting of four tranches over five to seven years.
- Implementation of new dividend policy with distribution being made every quarter rather than half yearly.
- Renewal of our management agreement for a further five years with our founding company, Etisalat (UAE).
- First implementation of Long Term Evolution 4G LTE network.
- New Ladies Contact Centre opened in Jeddah.
- Launch of our Best Customer Experience Initiative (CEX) to provide the best possible telecom experience for our customers.
- Network connection with Kuwait's Communication Ministry initiated.
- GOSI partnership agreement signed for the management and operation of telecom and IT infrastructure at mega business park, Wahat Ghurnatah.
- Mobile broadband subscribers exceed 8.7 million.

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

offers us the growth that we seek. The number of mobile broadband subscribers reached 8.7 million at the end of 2011 compared to 2.3 million subscribers in the unlimited, 5GB, and 1GB bundles for the previous year. The volume of data traffic amounted to 163 terabytes per day compared to 85 terabytes per day at the end of 2010. The dramatic rise in the demand for broadband data services is a firm indication of where the market is headed and we, at Mobily, are fully cognizant of this direction and are investing heavily in this market segment. This is why we have concentrated on fibre optic networks and why we are a global leader in the introduction of the next generation of telecom technology - 4G/LTE.

No doubt we will come under increasing competition from other telecom operators in the future but we believe that our record indicates that we are well placed, particularly as a result of our GED strategy, to counter both technical and user demand challenges in the years ahead.

This Growth, Efficiency and Differentiation (GED) policy, which was implemented last year, forms the basis of our core business strategy and has already delivered results as evidenced by our financial statements for 2011. The GED strategy has six clearly defined goals - the development of our broadband services, extending our consumer segment reach, developing the business market segment, excelling in customer service, expanding our wholesale market offerings and seeking the maximum efficiency possible across all facets of our business.

In the light of this GED strategy, portion of our SAR 10 billion Islamic financing arrangement to refinance our short, medium and long-term loans, will be used to help develop our broadband network infrastructure to grow revenue and maintain, as well as entrench, our leadership position in the Saudi market.

To achieve the necessary telecommunications' development strategies in Saudi Arabia, which largely depend on e-Government requirements, we need to spread broadband all over the country. This requires launching advanced networks to, as yet, unsupported geographical areas of the Kingdom.

In addition, the growth in broadband business related services will increase in the coming years. These will affect our social life and create new patterns of work, which in return will provide new employment opportunities and more prospects of business sector. All of this, ultimately, will be reflected positively on gross national product.

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We have strong regional alliances that lead to major telecommunications' benefits for neighbouring countries.

For example, in terms of a contract signed with Kuwait's Communication Ministry, our optical-fiber network will be connected to that country with an underground cable that passes through the borders of our two countries. This agreement forms part of our on-going GED plans to extend our network to other countries via the Saudi National Fiber Network (SNFN) and to connect the Kingdom to all neighboring countries.

We are working with other regional operators in new technologies and various connectivity solutions such as the Tata Global Network (TGN) Gulf Cable System and the Regional Cable Network (RCN). The RCN cable connects Asia with Europe via the UAE, Saudi Arabia, Jordan, Syria, Turkey then Europe and aims to provide Internet to more than 2 billion people through enhancing the connectivity quality and acting as the backbone for the international network. In addition, we have a number of other alliances on network and product levels.

In terms of the strength of our balance sheet, our cash flow, our people and the market in which we operate Mobily is a solidly based company, poised for continued growth into the future. I look forward to a continuation of our strong financial and technical performances in the years ahead.

I also wish to compliment the fiscal and the telecom industry authorities for the wise and helpful decisions they have taken during the year and we look forward to working closely with them in the future interests of the Saudi society.

I wish to record the Board's thanks to Dr Fahad Almubarak who has served the Company so well with his advice and counsel. He has resigned following his appointment as the Governor of the Saudi Arabian Monetary Agency and we wish him all success in his new role. Eng. Abdulrahman Alfehaid, to whom we extend a warm welcome, has filled his position on our Board and we look forward to benefitting from his valuable inputs and guidance in the future.

The year was marked by outstanding and contribution from all members of the Mobily team and I wish to warmly thank them for their dedication and loyalty to the company. I also wish to congratulate our CEO on once again leading this company with intelligence and foresight resulting in the record achievements of 2011.

Abdulaziz Alsaghyir
Chairman

CEO AND MANAGING DIRECTOR'S STATEMENT

CEO AND MANAGING DIRECTOR'S STATEMENT

Investors, observers, existing and potential customers and our staff have come to expect outstanding performance, user experience and innovative products from Mobily. With good reason. We have consistently delivered across-the-board excellence - and we fully intend to build on past results and offer even better deliverables across all fronts in the years ahead. All important financial yardsticks of our 2011 performance - revenue, net income, dividend per share, for example - grew significantly. This is a truly impressive result, particularly as the Kingdom's telecom sector is highly competitive and, technologically, fast moving. In spite of this, I believe that we will maintain this high level of performance and that, for example, we will sustain growth of our bottom line in the coming year.

The Kingdom's economy remains healthy and continues on a growth path likely to expand by 4% during 2012 and, in line with this upward trend, our revenues will continue to rise. Data revenue, in particular, offers high-level growth potential. For example data revenue grew by 59% in 2011. We see this as an indication of where this market offers potential and we intend to capitalise on this user preference by offering a creative mix of product and services including state-of-the-art devices and innovative services to fulfil the demand. Volume of data traffic could possibly double during 2012. Our post-paid customers represent a loyal market segment, unlikely to move to other service providers and I believe that this sector could contribute as much as 30% of service revenue in 2012 compared to 28% this year. As a result of a strong drive that we made into the fast developing business sector, revenue from this segment increased by a healthy 85 percent compared to 2010 and is targeted to more than double in 2012.

As an example of our drive to satisfy this fast accelerating data demand, we took a decision to invest in our infrastructure capabilities - particularly in our fiber optic network and in Long Term Evolution (LTE), sometimes known as 4G, which can provide download speeds more than double that of 3G. This decision was based on our five-year Growth, Efficiency and Differentiation (GED) strategy, which was initiated last year and which is periodically revisited.

We realized as far back as 2007 that the telecom sector would no longer be confined to offering traditional services and we then decided that we should become acquainted with international developments. As a result, a restructure was made with a clear strategy aimed at innovation and development. These were the seeds that led to the adoption of the latest broadband generation. In fact we were one of the first companies in the world to begin working on this exciting new offering. The first stage of this development has been completed and we now await certain marketing and statutory hurdles to be cleared before the product is widely offered to the Saudi market. A substantial investment in our network infrastructure is required but we believe that this is necessary as it represents a key differentiator in the telecom market. The momentum of mobile market has shifted away from 2G and voice connections to a focus on the data-centric broadband space - particularly 4G. The advent of 4G will promote the fast growing area of smartphone use. This includes the rapidly increasing use of social networking sites.

We also see the rollout of Near Field Communication (NFC), which will become significant in the near future, as a major development area. NFC is a set of short-range wireless technologies, typically requiring a distance of 4 cm or less between and can be used for transactions, data exchange and, for example, credit card payments. The use of NFC is set to gain increased traction in the world soon especially as Apple is expected to incorporate this technology in the next release of its smartphone, iPhone 5.

In order to remain competitive, and to retain our winning position in the Kingdom's fast developing telecom world, some capital expenditure is necessary. We are continually adding to the reach of our fiber optic network, which now exceeds 30,000km including metropolitan areas, by moving into previously untapped areas. To continue maximizing shareholder value in the medium and long term, we continue to invest in wireless broadband network capabilities, a fast growing revenue sector of our business, and into the most recent development in the telecom industry, 4G. We are committed to installing the best possible and most cost effective equipment in order to lead the industry and to provide our users with exceptional service at competitive prices. Capex, which is currently running at about 20% of revenue, is expected to drop to around 10% by 2016.

The Kingdom's telecom regulator has indicated that three Mobile Virtual Network Operator (MVNO) licences will be issued in 2012. In terms of this licence we would possibly be able to lease our excess network capacity to another telecoms operator. Prior to an arrangement of this nature we would have to investigate the lessee's brand, what type of market segment they address and how they differentiate from us.

During the year a price war of international calling rates and data bundles was initiated. To remain competitive we were forced to reduce our rates in these market segments. However, the number of our customers and data connections increased which helped offset negative net income levels.

Voice over Internet Protocol (VoIP) calling is not officially allowed in Saudi Arabia but is becoming more widespread as smart-phone handset prices fall allowing lower income residents access to cheap or free international calls. I believe it is necessary for the authorities to regulate the use of VoIP in the Kingdom. The price war helped slow VoIP's rise with conventional mobile international calls often preferable because they are more convenient and of a higher quality. However the use of VoIP has helped focus our attention on creating value by offering the best possible quality products and services.

To remain competitive in the marketplace and in order to offer users a cost effective entry to mobile telecommunication (especially data based services) we are seriously considering Mobily branded embedded SIM card handsets at highly competitive prices. Users of these devices will undoubtedly become key data users.

In the light of the rapid increase in the use of smart-phones and their applications (apps) we have actively promoted the development of writing the software for local applications. We held a Developers' Conference and have offered incentives for local writers to develop apps - particularly those Arabic based.

During the year several internal initiatives took place - all aimed at improving existing and potential customer experience of our products and services and at improving operational efficiencies. All levels of our staff were involved in our Customer Experience Initiative (CEX) program which concentrates on our Company interfacing with existing and potential customers in the best and most efficient way possible.

As in previous years I must thank and pay my respects to every member of the Company's staff who have yet again pulled together to deliver such a sparkling set of financial results.

In addition I wish to thank my colleagues on the management committees and, in particular, the board of directors for their support and wise counsel during the year.

Khaled Omar Al Kaf
Chief Executive Officer
and Managing Director

MANAGEMENT REVIEW

MANAGEMENT REVIEW

REFINANCING

We entered into negotiations for SAR 10 billion Islamic financing agreement with local banks to refinance three of our existing long, medium and short-term loans. The loans being refinanced are the remainders of a SAR 10.781 billion long-term loan arranged in 2007, a SAR 1.5 billion medium-term loan arranged in 2009 and a SAR 1.2 billion short-term loan arranged in 2010. The financing arrangement, which will be concluded on better terms and conditions compared to the previous loans, will give us access to banking facilities, including a revolving standby credit facility, of up to SAR 10 billion payable in four tranches over five to seven years. We believe that, when concluded, this refinancing arrangement will show a clear indication of our financial strength and strong cash flow. We decided to take this step now rather than in the future, as we were able to negotiate the refinancing at a competitive rate of SIBOR (Saudi Interbank Offered Rate) + 0.70% until the end of the loan repayment period of two of the tranches and SIBOR + 0.65% until the end of the loan repayment period of the other two tranches. The refinancing will allow us to grow revenue and to maintain, as well as entrench, our leadership position in the Saudi broadband market. It will also allow us to provide our users with the best possible data services, applications and an advanced high-speed infrastructure based on the best technologies.

TECHNICAL DEVELOPMENTS

Following a careful, studied plan into the fast developing aspects of the telecommunications' industry, we awarded two contracts worth SAR 450 million for the construction and development of a Long Term Evolution (4G) infrastructure. Future plans include covering more than 30 cities and regions representing 85% of the Kingdom. The contracts follow field-testing conducted last year to identify the construction and rollout requirements of a 4G network, as well aspects of optimal maintenance and operation. Together with an upgrade of our WiMAX infrastructure, our 4G infrastructure offers unprecedented download speeds of up to 100 Mbps - much faster than prior wireless technologies and even faster than some cable broadband speeds. Our 4G network will cater for the rapidly expanding demands and aspiration levels of an increasingly sophisticated market which requires a reliable, high speed data communication service into the future.

We believe that 4G represents a quantum leap into the next age of communication, ramping up much faster than previous advances - and it offers us a huge opportunity to tap into the fast growing demands of a market that requires superfast data transfer for both commercial and personal use.

The exponential increase in the demand for data consumption is driving the need for 4G speeds in order to handle the high levels of data capacity.

The service we are installing will help protect our return on investment (ROI) by helping boost the longevity of our network infrastructure.

We are determined to catch this wave of demand with innovative products that are efficient, reliable and cost effective. 4G is poised to maximise the communication ecosystem of our extensive user base and to provide a robust infrastructure that will allow us to offer a wide range of appealing content. All that is now needed is a range of readily available, affordable and compelling devices. Several equipment vendors have already announced, and in some cases launched, 4G ready devices.

4G has the ability to provide higher capacity, higher data transfer speeds, higher peak rates, higher spectral efficiency, more scalability and lower latency. This will improve users' experience and enable home users, including communities beyond the reach of a fixed-line infrastructure, to have access to fast broadband speeds. It will allow, for example, high-definition video streaming and it narrows the quality gap between fixed line and wireless broadband. It is ideal for our country which has high concentrations of population in the cities and sparse levels beyond these major metropolitan areas. Getting cost-effective broadband services to these areas are best achieved with a 4G infrastructure.

The way in which users receive broadband content is expected to start changing in the years ahead with fixed and mobile networks being integrated so that a user can switch from watching the same content on a high definition television to a mobile handset and then another device such as a laptop, tablet or in-car device.

The recent, rapid growth in the number of social networking sites on the Internet (e.g. Facebook, Twitter, Google+, etc.) heralds a new level of Internet usage which will undoubtedly create huge demands for data volume and speed - ideally serviced by our 4G infrastructure. Instead of merely gathering information off the Internet, users are now participating more and more by adding their own content which adds enormously to the level of scale of information available. Research has shown that time spent on social networking sites is increasing rapidly - but, interestingly the research shows that time spent on mobile devices is increasing at a faster rate than on desktop computers.

As Average Revenue Per User (ARPU) from conventional voice services continues to drop, lucrative data package revenues are expected to increase exponentially with the use of our 3G/HSPA+ and 4G infrastructure. However, at present the spectrum of mobile frequencies in the Kingdom is limited. We trust that the authorities will change this situation, especially as many 4G capable devices currently work in the 2.3/2.6 gigahertz range - a range that does not penetrate buildings as effectively as those in lower frequencies. We therefore are very keen to see an opening up of the spectrum particularly in the sub-gigahertz range as the bulk of mobile traffic originates from within a building.

First phase of our 4G coverage included the cities of Najran, Jazan, Al Kharj, Ras Tanoura, Algurayat and Aldudamy. This was followed by Hail, Al Baha, Al Mujamaaa and Wadi Al Dawasir. The third phase will include Riyadh, Jeddah and Dammam.

We were the first in the Kingdom to launch the TelePresence service to the business sector. The service offers customers a live, immersive, face-to-face experience with colleagues, customers and partners in 48 worldwide locations. It enables the possibility of holding meetings at one location with participation from other geographical dispersed locations using high definition and dynamic video and audio technology. Travel time and expenses are minimized which helps in fast decision-making and it will facilitate a 'greener' environment by reducing the carbon footprint. Our TelePresence rooms in Riyadh and Jeddah are equipped with a Cisco TelePresence Systems 3010, which allows for up to six people to connect simultaneously to other locations. The rooms have three 65-inch plasma screens and a specially designed physical table that sits six participants on each side of the virtual table. It also features an additional LCD display for sharing content and data, as well as integrated cameras, lights and microphones. Customers can purchase meeting slots in our TelePresence rooms on an hourly or daily basis using our interactive 24-hour online booking system.

During the year we completed the exploratory project for the Comprehensive Service Fund Project which will provide voice and broadband internet connectivity to the residents of the districts of Khulais and Al-Kamel in the Mecca Region and the district of Mahd Al-Dhahab in the Madina Region. We were the first telecom operator in the Kingdom to fully complete the entire project which is supervised by the Communications and Information Technology Commission. The installation covers 482 villages that belong to these provinces and have been covered in record time despite the nature of the region's terrain.

Subsidiary Bayanat Al Oula signed an agreement for the construction of an advanced fiber-optic network (FTTx) at a cost of SAR 400 million. More than 70,000 homes in Riyadh, Jeddah, Dammam and Al Khobar will benefit from the 4,000 additional kilometers of fiber-optic cable. This FTTx network is expected to be a meaningful driver for Internet Protocol Television (IPTV), a system through which television is delivered using our network instead of traditional satellite and terrestrial signals.

We have installed a Bridgewater Policy Controller for data traffic (PCR) to manage our mobile data communication growth and to deliver innovative services on our 3G/HSPA+ network. The PCR, which is integrated with our Cisco Service Control Engine enforcement solution, will enable us to offer innovative differentiated service tiers and dynamic promotions to our subscribers. It can also apply a wide range of intelligent, real-time controls, including managing the quality of service changes, optimizing high bandwidth traffic and enforcing usage quotas.

BEING PART OF A BIGGER SOCIETY

Since our establishment in the Kingdom, we have played an active and contributory role in Saudi society. In doing this, we have ensured that we have a solid commercial foundation on which to build outreach programs to various sectors of the community. We view our corporate responsibilities to include our employees, our customers, our shareholders - and, importantly, the social environment in which we operate. During the year we concentrated on several on-going programs which we have identified in previous years as worthwhile initiatives – and we have developed support programs for new programs which contribute to the ongoing upliftment of Saudi society.

Haj Commitment

As in previous years we boosted our network capacity at the holy sites – this year by a new fiber-optic network and 70 towers which were added to our existing network. A special cable network in the train stations, tunnels, the Al Jamrat Bridge and the Mena building guaranteed a continuous enormous flow of communication. The high quality fiber-optic network, which connected all fixed and mobile towers, succeeded in transferring millions of calls and prevented the overlapping of signals ensuring the highest possible clarity of the transmitted signal. Two international switchboards facilitated pilgrims' calls to other countries. Outlets for sales and service were set up at international airports, seaports and borders and we opened outlets in some Islamic and Arab countries such as Turkey, Egypt, Indonesia and Malaysia to give pilgrims a head start on the procedures and the information they need during Haj. Three outlets were opened at King Abdulaziz International Airport and seven in Mecca, which worked around the clock. Mobily outlets offered a variety of services including selling post-paid and pre-paid mobile lines, the Rihal package dedicated to pilgrims, charging cards, and 'Connect' for Internet services. As part of our social responsibilities, we distributed millions of gifts, bottled water, bags and umbrellas and we launched various media awareness campaigns aimed at raising the sacred culture of the country during the Haj and Umrah seasons. The readiness to serve the pilgrims began at various levels immediately after the pilgrimage ended last year. We recorded a substantial increase in the number of registered users. Data usage increased dramatically with Internet traffic rising by 87% from last season with a 475% increase in BlackBerry data traffic alone. During the first days of Haj the network in Mecca witnessed an increase of 225% in incoming international calls compared to the same period last year.

Free Internet Access during Ramadan

New users of our "Connect Laptop" package were offered free internet access from 04h00 to 19h00 during Ramadan. Existing subscribers could also get the same offer by paying SAR 20 for a 1GB bundle and SAR 25 for a 2GB bundle.

Association of Disabled Children

A strategic co-operation agreement was signed with the Association which will enable subscribers to our Niqati package to convert earned points into material support for the benefit of the Association. This will help expand the range of the Association's activities as well as its therapeutic and social services to more than 3,000 children with disabilities.

Charity Auction

SAR 6.7 million was raised from our Charity Auction of "Platinum" numbers which was held during the year. Ten associations and health charities in the Kingdom benefitted from this prestigious event. SAR 2.25 million was paid for the number 0566666666 and SAR 1.050 million was paid for 0565555555. The auction was attended by a large number of philanthropists, heads of boards of charities, trustees and senior officials.

Down Syndrome Association

Mobily and some Al Hilal's players hosted children of the Down Syndrome Association at the Al Hilal store. Memorable pictures were taken with the Al Hilal players and the children received some gifts.

Organ Transplants

During the year we supported the Saudi Spanish training program for organ transplant specialists. Under the program 100 Saudis trained at the Barcelona University in co-operation with the Saudi Organ Transplant Society.

Festivals

We are the major sponsor and partner for several significant festivals, including the Buridah Summer Festival in the central region, Al Ahsa Festival in the Eastern region and Najran Tourism Festival in the Southern region. Also during the year we sponsored the annual Abha Shopping Festival for the 7th time and for the third time, the Hasana Fallah festival as well as the Riyadh Women's Festival. In addition, we sponsored the seventh Onaiza Dates Festival. The Kingdom is the primary global source of dates and the festival recognizes the product's importance and the region's contribution to the Saudi Arabian economy.

Relief efforts in Jeddah

Following the extensive floods in Jeddah around 1,500 people benefitted from Mobily contributions including a donation of SAR 2 million in the form of housing and furniture. Working in close cooperation the Jeddah Chamber of Commerce and Industry and a group of local charities we donated 150 mobile handsets with SIM cards, along with broadband routers, 2,000 bags and mobile laser printers to help relief volunteers maintain communication amongst themselves and ensure that aid and assistance reached victims.

Jeddah Marathon

We sponsored the Jeddah Marathon which is becoming more and more popular. 2011 saw the eighth time the event was held and, as ever, was extremely popular. More than 1,000 spectators attended and, for the first time a children's (under 6 years old) run was incorporated in the event. Prizes totaled SAR 250,000 as well as motor cars which went to the winners.

PARTNERSHIPS AND EVENTS

We have renewed our management agreement with our founding company Etisalat. The agreement, which started in December, will run for five years. A committee, consisting of members from the two companies, was formed to develop the existing business relationship for the benefit of our customers and shareholders.

We signed a partnership agreement with Google during the year which will allow users to get free and unlimited access to all Google websites including their Gmail accounts, Google Maps, Google Plus and YouTube. This was the first of its kind signed in the Middle East. The agreement merges the concepts of Mobily Connect and Google to produce the final product, Google Connect. Google and YouTube are among the top three sites visited by Internet users in the Middle East.

We signed a contract with Kuwait's Communication Ministry to connect our optical-fiber network to the ministry with an underground cable that passes through the borders of the two countries. The agreement represents part of our on-going plans to build international networks via the Saudi National Fiber Network (SNFN) and to guarantee and find multiple, reliable paths for data connection in the Kingdom and connect us to all neighboring countries. For example, we are working on creating a 4,000 km regional network of ground cables (RCN) with high bandwidth that extends from the UAE to Europe. This network will cover the Kingdom via our networks and will create links to Jordan, Syria and Turkey in collaboration with a number of regional operators.

We signed a strategic cooperation agreement with King Saud University in terms of which we will provide data communication services through Bayanat Al Oula to Riyadh Techno Valley and will invest between SAR 4 million to SAR 6 million in a research and development center there. The agreement is part of Riyadh Techno Valley's vision to develop advanced telecom applications and design value-added services. The agreement will enhance our brand amongst several influential segments: researchers, students, faculty members and entrepreneurs.

We completed the IP VPN support at a number of locations affiliated to Saudi Basic Industries Company (SABIC) in Riyadh, Jubail and Yanbu. We were selected by SABIC due to our advanced infrastructure and network that ensured fast and integrated communication between SABIC's various locations.

A strategic partnership agreement was signed with the General Organization for Social

Insurance (GOSI) for the management and operation of Wahat Ghurnatah telecom and IT infrastructure. Wahat Ghurnatah is a mega business park being financed and built by GOSI on the outskirts of Riyadh on the Eastern Ring Road. It occupies 133,151 square meters of land, is made up of six 15 to 20 story towers and four buildings with five to seven floors, a fully equipped convention center for 200 people, a four level underground car park for 4,000 vehicles and a residential compound with 48 villas with a health club and other entertainment amenities.

We now have a Channel Partner Agreement with Smartworld to provide desktop management and support services as part of our "Office In a Box Service" for Small and Medium Enterprises. The services come in an innovative bundle that will add value to the business sector and represents our ongoing effort to provide highly reliable and advanced solutions for this fast growing market segment.

A new channel partnership agreement was signed during the year - this time with DiGiCo Solutions bringing the number of our channel partners to eight. Partners now include Al-Haddad Telecom, Al Musbah Telecom, Axiom Telecom, Alfa Telecom, Qanawat Telecom, Safari Telecom and Saudi Call.

We signed a strategic partnership with the Whites Group which specializes in beauty and health products. As a result of this partnership subscribers can exchange their Neqaty earned points at any of Whites outlets.

Application Developers Conference and Awards

In line with our confidence of the growth of demand for smart-phone apps, we hosted a Developers' Conference with the aim of developing a roadmap for application developers in the country. The Conference also provided a venue for developers to exchange experiences and thoughts on app development. It is predicted that the number of smart-phones in the Gulf region will reach 26 million by the end of 2014 - an indication of the demand for apps in the near future. The fact that more than 10 billion apps have been downloaded from the Apple iTunes program is proof of the potential for apps. During the year we handed over awards valued at US$ 90,000 to the winners of the mobile App Developers' Competition. The awards were designed specifically to stimulate creativity and talent among Saudi youth to develop mobile apps with an emphasis on the values of Arabic culture and content. The development of these apps will help in crossing the geographical borders of the Middle East to reach the West and, as a result of this sponsorship and other related activities, we are becoming a trend-setter for Arab program developers.

Al Hilal Store

During the year we opened the first branch of an intended chain of Al-Hilal luxury retail stores selling a wide range of the club's products on a prime commercial site in Riyadh at a cost of SAR 15 million. It represents the first store by any Saudi football club and the biggest club store in the Middle East. In the first week of operation, sales surpassed SAR 1 million. The store offers high quality Al Hilal products including clothes, accessories, children toys and many other products.

Several mobile products and services related to the club are offered as a result of our sponsorship agreement with the Club. Subscribers to our Al Zaeem service can get daily updates on the club's football news, activities, Saudi Football League news, fixtures and results, international football news, fixtures and results and media reports on the club. We also offer a special Al Hilal Mobily Connect USB device specially designed for Al Hilal fans to go with their passion for their club and to be different from other teams' supporters. We also offer a football-shaped portable high speed connection device enabled with HSPA technology and branded with the club's colors. And, in conjunction with Info2cell.com, we exclusively developed an Al Hilal iPhone app to provide club fans with insider news and up-to-date information about the club. This app is part of a series of apps being launched following the recently signed partnership between Info2cell.com and ourselves.

Middle East Telecom World

We were the diamond sponsor of the Middle East Telecom world conference held during the year in Dubai. The conference attracted top decision makers in the telecom industry from all around the world. At the conference we highlighted our services to national and international wholesalers. A number of our senior staff also presented technical papers at the event.

Euromoney Conference

We were the exclusive telecom services' sponsor of the Euromoney Saudi Arabia Conference. The conference concentrated on cross-border investment and capital markets for portfolio and direct investors, financial intermediaries, corporations, governments and financial institutions. The purpose of the conference is to offer the audience an opportunity to exchange ideas, develop new contacts and participate in informed, impartial and leading edge discussions.

PROUD MOMENTS

During the year we reaped a record number of awards both for the Company and for the contributions of our people including our CEO. The awards ranged from Government Ministries to regional leaders and to the Press. To a large extent, the awards were in recognition of the work done for us being among the first operators in the world bringing 4G technology to the market and for the performance excellence of our mobile and fixed line infrastructure.

Digital GIS Excellence Award

Esri, an American company specializing in digital Geographical Information Systems (GIS) awarded an Excellence Award to the Company in recognition of our development of GIS applications for optical fiber communication networks across the Kingdom. The award reflected our determination to apply modern technology to ensure the best possible service for our customers. The GIS application is one of the most important communication tools using optical-fibre cable for both voice calls and data transfer in Saudi Arabia. The benefit of the system is that underground telecom, electricity, water and other public utilities are not disrupted during construction projects.

Best Mobile Broadband Provider

The Telecommunications Council of South Asia and the Middle East and North Africa (SAMENA) recognized the Company for its outstanding services in the regional telecoms sector and for being the first operator to launch 4G services in the world - and the fact that we have the largest 3G network in the MENA region.

Our CEO Awarded Best Business Leader

SAMENA also named our CEO, Khalid Al Kaf, as the Best Business Leader of the year. This was awarded in recognition of his "remarkable effort made in bringing to reality his vision for the business sector in Saudi Arabia by providing integrated telecom services that can raise the productivity for establishment and companies."

CommsMEA Award

We won the "New Telecoms Service of the Year" award from the leading telecommunication magazine (CommsMEA). The award was made as a result of Mobily being the first operator in the world to introduce 4G technology as well as providing an infrastructure capable of providing fully reliable fixed and mobile broadband services.

MCIT Prize

We won a Digital Excellence Award in a contest organized by the Ministry of Communications and Information Technology (MCIT) for our website which enriches the quality of Arabic digital content on the Web and for encouraging ideas generated by our customers.

Arabian Business Magazine Award

We received the annual best company award by Arabian Business Magazine in the telecommunications sector. The magazine noted, in making the award, that Mobily won due to our "unprecedented services" and our taking a global lead in developing the new 4G service in the Kingdom.

IPRA Honor

The Gulf Branch of the International Association of Public Relations honored us for our "outstanding support" over the two days of the Second Regional IPRA conference held in Abu Dhabi. The event was attended by leaders from the business sector, a number of media specialists as well as PR industry leaders from all over the GCC and from other parts of the world.

ISO 20000

During the year we were awarded the ISO 20000 certificate from the International Standards Association - the first such award to a telecommunications' company in the region. The certificate recognizes IT service management providing the business sector with the best possible services. In addition, at an IT Service Management (ITSM) event hosted by BMC Software in Dubai, we received an award for a "Pioneering and Leadership Project in the Middle East Telecom Sector for implementing BSM."

Uptime Institute Tier 4

Our Riyadh Data Center achieved a Tier 4 rating

from the Uptime Institute in the United States. This rating is the highest internationally recognized ranking of data center design standards which ensure a continuity of operation. Our three data centers covering a total area of more than 4,000 square metres, are all classified and certified by the Uptime Institute and we are the first in the Middle East to have achieved this specific Tier status from the Institute.

BMG Transparency

We were ranked amongst the most transparent companies in the Kingdom by the BMG Finance Group. The ranking is organized by BMG Finance Group and the Al-Eqtisadiah newspaper who rate the transparency of a company in terms of its disclosure activities, releases on the company's website and how the company's officials handle the distribution of financial information.

Saudization Award

We received the Prince Naif Saudization Award for the high rates of Saudization we have reach in the telecommunications' sector. This is the second time we have been honored by the award.

Prince Sultan University

The University honored us for our sponsorship of its graduation ceremony.

Souq Okaz Festival

Prince Khaled Al-Faisal, Amir of Mecca, honored the Company for its official patronage of the Souq Okaz Festival for the second year. The Company has a strong commitment to the Islamic culture and heritage. We will also be sponsoring the event in 2012.

HIGH LEVEL OF INVESTOR RELATIONS' ACTIVITY

Our Investor Relations Department is tasked with maintaining regular contact with investors, investment advisers and analysts around the world. It interfaces with most of the major banks in the financial capitals that have investment divisions responsible for advising clients on trends and opportunities in global economies. For example, during the year our IR personnel interfaced with hundreds of investment decision makers and attended more than 16 IR conferences to present our Company to the international investment community. We are thus well poised ahead of the recent indications that overseas investors will be allowed to directly own securities on the Saudi Stock Exchange (Tadawul). It has been estimated that foreign investors' share of trades on the Tadawul, the Arab world's biggest stock exchange, may increase fivefold in two years following this historic decision. It is common cause that these investors are likely to invest in worthwhile Saudi listed companies that they are familiar with and, with the high level of activity done by the IR department, Mobily is likely to be high on their acquisition list.

PLANS, PHONES, AND MUCH MORE

We explore every possible area of the market (both geographically and demographically) in order to satisfy the larger sectors as well as the niche areas to give us an understanding of the demands and needs of the full 360 degrees of marketing potential. Only after each new product is deemed to meet the necessary criteria in terms of usability, affordability and market appeal is it developed, packaged and marketed. This demanding process has led to a wide spread of both products and services designed to best serve the broad spectrum of market needs.
We have paid attention to producing highly flexible packages that allow users to simply and seamlessly switch between products. Various special offers were made throughout the year - discounts, bundles and promotions, all designed to create excitement and interest in the market and to drive the Mobily brand across all sectors of the community.

Maktabi

This is a special package offered to the small and mid-sized business sector. It has been especially designed to meet all their telecommunications and information technology services requirements at highly competitive prices. Maktabi consists of a desktop phone equipped with a business SIM card, managed laptop, high-speed Internet access, a mobile handset and a Microsoft Messaging and Collaboration suite for companies' e-mails and communications solutions - all for a fixed monthly fee. Due to the flexibility of the Maktabi service, subscribers can select their services based on the number of their staff with an option to increase in the future, as well as the option to settle the cost of services and items of the package over a certain period of time without any advance payment.

Enterprise users gain significant cost benefits by subscribing to Maktabi through a single service provider which helps reduce the cost of ownership and ensures proper asset management and increased labor productivity. To eliminate the need for in-house support, a special technical unit has been established to provide technical support and service around the clock.

Wajid

This post-paid package is the first of its kind in the Kingdom, offering users no monthly fees, free minutes and Internet connectivity each month, the lowest local calling fees in the Kingdom and the ability to add an international number to enjoy a 25% discount when users call it with no additional fees.

SMART

The SMART post-paid package is the only package that gives users a monthly discount on their total bill (national calls, international calls, Internet, Blackberry, SMS) - and for a lifetime. Users also get a sliver vanity number without any additional fees services.

Injaz

This package provides business subscribers with 100 free on-net minutes, 100 cross-net free minutes, 100 free SMS's, 100MB of free internet data in addition to the freedom of work group calling for a monthly SAR 100 fee.

elife

This is a broadband service which offers the fastest download and upload speeds in the Kingdom - download speeds of up to 200Mbps can be selected. Installation is done by our technicians within 24 hours of a user's application. Computers, tablets, smart-phones and printers can all be connected to the installed router using either Ethernet or WiFi.

7ala National

This is the best pre-paid bundle for reduced national calls plus free credit with every recharge. It guarantees low priced communication inside the Kingdom at all times. It also offers permanent validity for a user's line as long as it is recharged by SAR 15 every month and it offers discounted rates on one chosen favorite national number. In addition discounted night calls are offered.

7ala Plus

7ala plus package is a pre-paid package for life. The key differentiating aspect of this package is that with any recharged amount of SAR 10 or above, customers will be entitled to receive a 100 percent free bonus amount that will be equal to the recharged amount. The free bonus validity varies according to the consumption amount.

7ala International

This is the best pre-paid bundle offering the best possible international prices during the day. Users can also select one of the free new services - sending local and international SMS's at reduced rates or reduced rates for national and international calls - plus free credit with every recharge. It also offers discounted rates on two chosen favorite numbers. In addition discounted night calls are offered.

Raqi

A post-paid lifetime exclusive package which is designed especially for high-end users, Raqi offers a wide range of unique features which cater to all tastes and lifestyles. A special golden number is offered as well as an unlimited Connect bundle and priority when contacting our customer service. Various value bundles of 500, 1,000 and 2,000 minutes are offered at special unified national rates and which can be bundled with international minutes. Special unified international rates and roaming packages are also offered. Additional SIMs are offered to family members and users can benefit from our Rahati service which allows them to block or receive calls at their discretion. Raqi travelers are offered a Privilege Pass which grants access to more than 600 VIP lounges at international airports in more than 100 countries and 300 cities worldwide. Luxury lifestyle features known as "Quintessentially" allow users to get tickets to popular sold-out football games, dinner reservations at the world's most exclusive restaurants and hotels as well as exclusive invitations to charity events, gala dinners and shopping sprees. Users are able to change and update services on a monthly basis.

Anees

This is a pre-paid package designed for customers to pay less during off-peak hours. Only one rate applies no matter which number is being called, Mobily to Mobily, Mobily to land line or Mobily to another mobile operator and customers can choose one favorite international number to enjoy a special discounted calling rate.

Wafeer

Customers using this pre-paid package pay the same rate starting the third minute day or night - and a discounted rate to any destination in the Kingdom. A chosen favorite international number can be chosen to which a discounted rate will be applied.

Fallah

The Fallah package (either pre-paid or post-paid) offers users a limited time offer of free Internet throughout the day and free calls within the Mobily network from 23h00 until 07h00. In addition 600 free minutes over three months on all local networks are offered.

Khatty

This post-paid package offers the most cost-effective monthly fee. The minute rate is the same for all national calls.

Khatty Plus

All the benefits of the Khatty package are offered and, in addition, users can choose five Mobily numbers that can be called at very low rates. Each subscriber in either of the Khatty packages is eligible to choose one favorite international number to enjoy special discounted calling rates per country on all day and all week days.

Minute Bundles

This is our distinctive new range of five various sized post-paid services. The bigger the bundle chosen, the cheaper the calls cost. Subscribers can choose one favorite international number for special discounted calling rates per each country on all day and all week days.

Mabuhay

This pre-paid package is the only exclusive line for Filipino in Saudi Arabia. It includes a reduced calling rate to any Globe number in the Philippines and a slightly higher rate to a favorite non-Globe number. The package also offers Tagalog language support, integration with the Philippines' Social Security System, a call-me feature and Filipino ring back tones.

Blue Wave

The Blue Wave pre-paid and post-paid packages have been especially designed for all our customers - but with a special flavor for Al-Hilal Saudi Football Club fans. They grant distinction to Al-Hilal fans as well as making special offers to them from time to time. Blue Wave users benefit from a special rate when they call another Blue Wave user.

Mada

The post-paid Mada package enables users to make calls within a kilometer wide geographical home or work zone of their choice at highly competitive rates. Mada also offers low national and international call rates as well as a special rate for a favorite international number all-day long.

Najma

We recognized from the day of our launch six years ago that Saudi women were of great importance in our society and that we would partner with them in our development. This resulted in the Najma post-paid package, designed especially for women. It offers a special reduced tariff for local calls at users preferred times, from 19h00 to 07h00 whenever any Mobily or any fixed line in KSA is made. When activating Najma users receive 200 points from the Neqaty program which can be used to redeem minutes, free SMS or gifts from selected retailers. In addition, users get a free and daily SMS daily on latest fashion and family care tips. A wide variety of added value packages can be added such as updates on vaccination dates, weight monitoring, entertainment news, daily recipes, tips on child care, decoration, shopping and religious messages.

Deeraty

This is a post-paid package that allows users to set large geographical area as their favorite zone and enjoy the best rates within the chosen area. A total of 92 zones are offered from the Central and Northern area, the Western and Southern area and the Eastern area.

Rihal - The Pilgrims Line

Pilgrim visitors to Saudi Arabia for a few days, weeks or months are offered this specialty pre-paid package which allows visitors special discounts on calls to relatives and colleagues in their home countries. In addition, there is a special flat rate in Saudi Arabia. The line is permanently deactivated after 120 days.

Bundles

Subscribers to our Bundle packages can get many services at economical prices. The youth bundle contains sport news; the women's bundle contains themes of beauty, fashion, kitchen, family and entertainment. The men's bundle includes general and financial news and business headlines.

Smartphone Apps

By logging on to a Mobily webpage, users can download an ever-expanding amount of apps across a wide range of interests from games to personal finance including utilities and communications.

Gaming Portal

Similar to our Apps offering, one of our web pages offers subscribers a wide variety of games - action, strategy, role-playing games, simulation, massively multiplayer and sports.

Baby Ultrasound

Users are able to receive their baby's image on their handheld device before the baby is born. We have partnered with three Al Habib Hospitals to provide prospective parents with this innovative product.

Dr. Ayed Al-Qarni

Subscribers to this iPhone and iPad app get multi SMS's and MMS's daily with spiritual content and the latest books in Arabic from Dr. Ayed Al-Qarni directly onto their mobile devices.

Deals

Users of this free subscription package receive 4-5 messages a week offering the latest exclusive deals from well-known and trusted shops and brands.

Business SoftPhone

This concept offers both pre-paid and post-paid users the possibility of making voice calls and sending SMS texts from their PCs from anywhere in the world. This subscriber package is part of our commitment to provide integrated and innovative telecom solutions using IP telephony and our state-of-the-art network.

Roaming Alliance
Pre-paid and post-paid users are able to roam in the UAE and Egypt (using Etisalat networks) and Etisalat users from the UAE and Egypt can roam in the Kingdom at home country rates. There are no subscription fees or monthly charges.

Connect Roaming
This allows roaming users to connect to the Internet and to get their e-mails at data package rates rather than at call rates. It is currently available in 32 countries with more to follow.

Roamtalk
The service allows outbound Mobily pre-paid and post-paid roamers to make calls back to the Kingdom at local rates. This is done through a software client which users can install on their PCs, laptops, smart-phones and smart devices.

Devices, Apps and More

iPhones
The iconic Apple iPhone, which has taken the world by storm, is now available in its 4S (16GB, 32GB or 64GB) format. During the year we offered the new phone and a wide range of accessories at outlets around the Kingdom.

Available in either black or white, the phone was made available in a variety of value packages to suit various sectors of the market. We continued to offer the iPhone 4.

Blackberry
A wide range of Blackberry phones were on offer including the recently released Porsche Design P'9981. In addition, a roaming service which allowed new and existing Blackberry users to get unlimited Blackberry roaming abroad was introduced. A special two month offer was also made available and a weekly Blackberry Internet bundle service was introduced. In addition, following the Blackberry outage during the year which was beyond our control, we compensated our Blackberry users by offering a free extended three days of service. The outage was widespread and affected many areas around the world - mostly in the Middle East and Europe.

Nokia E7

Special offers are available on this exceptional phone which is known as the "Ultimate Business Smartphone."

HTC ChaCha

Built solely around social networking, the smartphone package combines the power of Facebook with the simplicity and ease-of-use of the HTC experience.

Connect Router

In partnership with NetComm Limited, we launched a new DC-HSPA+ 42Mbps WiFi Router which allows millions of home users across the Kingdom to have access to fast broadband speeds for multiple wireless Internet devices at speeds that exceed those of fixed-line connections. Communities beyond the reach of a fixed-line infrastructure are able to create a network on our HSPA+ network which will provide high-speed access to large volumes of data, emails, Internet and business applications without the need for a cable connection.

Corporate Billing system

During the year we launched Globys Bill Analyst, an advanced online analytics and reporting solution for corporate customers. The program is able to consolidate billing data from multiple systems and provide customers with a holistic view of their invoices, services and call detail records making it easier to analyze costs and usage. Customers can generate custom reports, perform cost allocations and share information with colleagues thus greatly reducing the time and resources required for the monthly reporting and payment process. Bill Analyst also allows customers to set alerts to proactively manage unbilled usage.

Mobily App

This comprehensive account management smartphone app is available for the major platforms in the market including the iPad. It offers users access to their Mobily GSM consumer accounts, where they can manage their different services, view their bills and redeem Neqaty loyalty points. Also users can report any kind of network problems they face and locate their nearest Mobily shop wherever they are. Non-Mobily users can use the application to learn more about our different products and services, as well as utilizing a free feed from 3lhawa to check the latest in news and sports.

Be Cautious

This free smartphone app was launched allowing Android OS users to reduce traffic speed violations and acquaint users with traffic safety measures. Available in both English and Arabic, the app was specifically designed to meet users' daily use and their actual requirements. It alerts the user should the speed limit be exceeded in a specific location. The app is a direct result of the Mobily App Developers Program which was initiated during the year.

Islamy

An Islamy app was launched for iPhone users. This app provides vital information including prayer times in all Saudi cities, daily "Ayat", Islamic tips for different life situations and constantly updates "Athkar" for all occasions. Included in the app are downloads of beautiful backgrounds and wallpapers and beneficial audio files of different "Adyieh" and "Ahadeeth".

Noor Al Hayat

The Noor Al Hayat app for Android users was launched during the year. This is a very interesting and helpful Islamic app that offers access to official prayer times in more than 400 cities, and shows Qibla to Mecca direction. It also has a Hijri Calendar that integrates with the system calendar, and views of Islamic and national holidays.

Fareeqi

The Fareeqi app game for Android users allows players to create a game by setting a date and time, selecting the players from their contacts and picking a location on the map. The app auto-generates a message and sends it to all the invited players with all the necessary information (time, date, GPS coordination and location name).

Neqaty

This is a program for both pre-paid and post-paid users which incorporates a points system (SAR 1 earns 1 point). Our association with a wide range of retailers allows users who earn points to redeem them for goods and services ranging from electronics to chocolate as well as various Mobily products.

Neqatona

This is an enhancement of our Neqaty program, by allowing subscribers to merge earned points from up to 10 phone lines into one account provided all lines are registered under the name of the same subscriber. This will allow subscribers to accumulate higher points faster and thus get more valuable gifts from our list of Neqaty partners. All our customers are automatically enrolled in the Neqaty program.

Eco-friendly SIM cards

As part of our eco-friendly initiative we offered our customers SIM cards made with renewable and easily recyclable materials. These cards are fully compliant with telecommunications' standards and the card body is certified 100% compostable make it unique in the region. The innovation contributes to reduce the environmental impact and provide high-standard technical properties at the same time. In addition to its innovative concept, we made sure that this unique SIM is packaged in attractive and recyclable wrapping.

Qatar roaming

We launched a roaming promotion in Qatar during the Asia Cup tournament, during which all roaming subscribers received an 80% discount on roaming charges.

Motor Car Giveaways

We continually run exciting giveaways including luxury motorcars which are designed to provide an on-going high level user experience and which maintain customer relationship and help build brand loyalty and awareness. A recent promotion offered 92 BMWs including grand prizes of two BMW X6Ms. Earlier in the year we ran a customer competition with 70 Mercedes cars on offer as prizes.

Win a Million

During summer we launched a free competition for customers who used our roaming services while abroad. The prize was SAR 1 million (20 prizes each worth SAR 50,000).

Social Media

In order to maintain contact in a contemporary digital environment we maintain Mobily accounts on Facebook, YouTube Google+ and Twitter. This allows our Social Media team to constantly monitor user sentiment and to immediately attend to user queries.

Business Outlets

To cater for the specific product and service demands of the business community we expanded our distribution to this sector in three of our branches (Riyadh, Jeddah and Dammam). Other outlets catering for this sector will be opened in the future. A dedicated 24-hour phone line (1101) for business users was initiated during the year.

Device Zone

We launched a Mobily Device Zone in our branch in the Tawaren Centre in Riyadh. This new concept offers the public easy access to more than 32 types of the latest telecommunication devices - and at competitive rates.

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. 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. Embedding this risk management strategy in the Company's management style was a feature of the year. This involved identifying, assessing and recording risks and monitoring procedures to minimize or eliminate these risks. Project, operational, tactical and strategic levels of risk were identified, managed and were periodically reviewed, updated and, where necessary, were reported to our Executive Risk Management Committee and reviewed by our Board Risk Management Committee. During the year significant changes to the internal and external environment were noted and these have been taken into account during the risk assessment review exercises. These included the implementation of our GED strategy (Growth, Efficiency and Differentiation), internal restructuring and the deployment of new technologies. The effects of the Arab Spring uprising were considered, as were changes to the external environment, social unrest in the region and the effect in the Middle East of the Eurozone economic crisis. Business continuity efforts and activities continued with improvements through 2011. Crisis simulation exercises and the functional testing of business continuity plans across departments were conducted. Haj crisis management plans were successfully reviewed and updated in preparation for the Haj season with the support and participation of management across various departments. Vendor Business Continuity Management (BCM) plans were successfully tested to improve our network resilience. We will continue to enhance our Enterprise Risk Management (ERM) and BCM capabilities through knowledge sharing, collaboration and improved communication to enhance our risk awareness culture via regular interactions through the Risk Champions with middle to lower level management and improved efficiency and effectiveness by automating the risk management process.

HUMAN RESOURCE DEVELOPMENT

Our management team has a strong belief that our employees are central to the growth of a sustainable and competitive business. In the light of this philosophy our Human Resource Department has been charged with the fostering of knowledge, skills and capability with management system tools such as Competency Assessment, Performance Management and others. These ensure that our employee's capabilities comply with corporate competency expectation enabling them to support our current and future businesses. We realize the importance of continuous support of Human Resources Development by providing a variety of training and development courses both in-house and by outside contractors. In addition, we initiated several new programs to improve employees' capabilities to increase their knowledge, skills and working behaviors. According to a GulfTalent survey, we are the seventh most desirable employer in Saudi Arabia and the first employer of choice in the Telecom sector. The survey involved around 2,400 Saudi male and female students at renowned Saudi universities and covered areas ranging from training and development, salaries and benefits, work environment, job security to company image and reputation. However one of

our main objectives is to become the Kingdom's overall Employer of Choice by 2015. This will help us attract the finest possible staff members at all levels and, in order to attain this objective, we have to deliver the best possible training to our staff for a better understanding of our products and services. Specialized programs such as a Professional Development Program (PDP), a Management Competency Program (MCP), a Leadership Program (LP) and a Saudi Young Talent Program (SYPT) were initiated. We also introduced an e-learning portal.
As a result of these efforts we achieved a training penetration rate of 78%, we held the equivalent of 12,034 training days, 34% of our employees went on overseas training courses and 100 employees did PDPs, 1,100 managers and supervisors did MCPs, 57 did LPs and 12 candidates joined the SYPT.
During the year we initiated an important new concept - our Service Excellence with our Best Customer Experience Initiative (CEX) - which reaches across all our employees and concentrated on providing the best possible telecommunications' experience for our customers. Recognizing the importance of the customer, the core of the initiative was to determine their needs and to provide easy, accessible solutions to their requirements from the moment they first interface with Mobily. The emphasis of the program was to make clear to all that our customers are not just a revenue source but a market whose needs must be respected and fulfilled. In line with the objectives of this program we have introduced a CEX award where the best customer experience stories from our staff will be nominated and published. Each department in the company now has clear-cut goals, complete with timelines, which have to be fulfilled in terms of the CEX. "Mindset Change," "Fix the Basics" and "A Day with the Customer" have now become part of the everyday language within our company as our employees have now understood and taken up the challenge of the CEX program. The social media such as Twitter and Facebook are being monitored to measure user sentiment and action is taken to improve or amend our service delivery when necessary. The overall theme of the program is "Heartbeat - It only works if it all works" - a goal to get all employees working on the concept and understanding its importance for the overall success of the company. Five basic goals have been determined as critical to the program - Being a Trendsetter, First Time Right, Being Distinctive, Being Passionate and Being Reliant as well as Resilient. The Trendsetter goal is defined as us continuously introducing disruptive innovation in the form of cutting edge products and services that enrich the lives of our customers and us

setting new standards in the market by serving our customers and developing innovative ways to strengthen their relationships with us. First Time Right refers to our people not compromising quality and quantity with shoddy work. We are investing in processes, technologies and resources to ensure that customers do not have endured return visits because of our products or services being hampered by poor delivery. In addition our Service Level Agreements will be changed where necessary to enhance the level of quality that our customers are entitled to enjoy. Being Distinctive ensures that our products and services have a market differentiation that ensures that we are a brand leader and that they are easy to explain, understand and use. What you see is what you get (WYSIWYG) is the overriding philosophy of this concept. Being Passionate is important to us and to the customer. It requires that our people are committed and motivated to go the extra mile to take care of our customers, that they will speak from their hearts and not from a learned script and that they will be empowered, where necessary, to act on the spot without time consuming upward reference. We also introduced various benefits like housing loans, car loans and a commission scheme which were well received by employees.

WOMEN AND MOBILY

From the very start of our business six years ago we recognized that women had an important role to play in the company - not only as subscribers to our specially designed product for women, Najma, but as members of our workforce as well. Using their past experience and innovative ideas, women were involved in the early days of the Company's formation. Since then our workforce has benefitted from their inputs. They have also contributed significantly in the organization of special women's events. In fact, we were the first mobile phone company in the country to open outlets specifically for women. We have worked at creating the best possible working conditions for our female staff, consistent with Sharia and social traditions. Our women work in separate buildings which allow them to work with ease and to provide the best quality of service to our females customers. Our Ladies Call Centers in Jeddah is about 2,500 square metres in size. Among the facilities are a training area, a meeting hall and a play school for children.

CORPORATE INFORMATION

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

Etihad Etisalat Company - Mobily Finance
P.O. Box 9979
Riyadh 11423
Kingdom of Saudi Arabia

Att: Mr. Nader Nuwayhid - Vice President Invester Relations and Corporate Governance

Shareholder enquiries regarding stock accounts should be directed to:

Telephone

+966 (0)56 040 4040

Fax

+966 (0)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

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2011

INDEX

Deloitte.

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AUDITORS' REPORT

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

Scope of Audit

We have audited the accompanying consolidated balance sheet of Etihad Etisalat Company (a Saudi Joint Stock Company) (the "Company") as at December 31, 2011, 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 auditing standards generally accepted in the Kingdom of Saudi Arabia. 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 accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Etihad Etisalat Company as at December 31, 2011, and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia 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 24, 1433
January 18, 2012

Audit.Tax.Consulting.Financial Advisory.

- 1 -

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Deloitte Touche Tohmatsu

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2011

	Note	2011 SR'000	2010 SR'000
ASSETS			
Current assets			
Cash and cash equivalent	3	1,689,539	1,661,349
Short-term investments		-	450,139
Accounts receivable, net	4	6,323,362	5,748,120
Due from related parties	5	11,128	22,511
Inventories, net		469,794	296,576
Prepaid expenses and other assets	6	1,399,431	1,236,770
Total current assets		9,893,254	9,415,465
Non-current assets			
Property and equipment, net	7	16,412,112	12,456,817
Licenses' acquisition fees, net	8	9,665,424	10,028,279
Goodwill	9	1,529,886	1,529,886
Total non-current assets		27,607,422	24,014,982
TOTAL ASSETS		37,500,676	33,430,447
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term loans	10	1,200,514	599,350
Current portion of long-term loans	10 & 11	4,895,445	1,843,129
Accounts payable	12	7,808,208	6,225,422
Due to related parties	5	193,525	281,039
Accrued expenses and other liabilities	13	3,948,882	3,307,109
Total current liabilities		18,046,574	12,256,049
Non-current liabilities			
Long-term loans	10 & 11	976,948	5,529,087
Provision for end-of-service benefits		89,031	65,647
Total non-current liabilities		1,065,979	5,594,734
TOTAL LIABILITIES		19,112,553	17,850,783
SHAREHOLDERS' EQUITY			
Authorized, issued and outstanding share capital	1	7,000,000	7,000,000
Statutory reserve	15	1,578,014	1,069,668
Retained earnings		9,810,109	7,509,996
Total shareholders' equity		18,388,123	15,579,664
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		37,500,676	33,430,447

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

CONSOLIDATED STATMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31,2011

	Note	2011 SR'000	2010 SR'000
Revenues	16	20,052,254	16,013,138
Cost of services and sales	17	(9,727, 832)	(7,229,717)
Gross profit		10,324,422	8,783,421
Operating expenses:			
Selling and marketing expenses	18	(1,086,069)	(1,059,392)
General and administrative expenses	19	(1,784,031)	(1,559,410)
Depreciation and amortization	7 & 8	(2,148,963)	(1,809,830)
Total operating expenses		(5,019,063)	(4,428,632)
Operating income		5,305,359	4,354,789
Finance expenses	10	(213,320)	(146,471)
Other income		45,721	70,452
Income before zakat		5,137,760	4,278,770
Zakat	14	(54,301)	(67,288)
NET INCOME		5,083,459	4,211,482
Basic earnings per share (in Saudi Riyals):			
From operating income	21	7.58	6.22
From net income	21	7.26	6.02

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

CONSOLIDATED STATMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31,2011

	2011 SR'000	2010 SR'000
OPERATING ACTIVITIES		
Income before zakat	5,137,760	4,278,770
Adjustments to reconcile income before zakat to net cash from operating activities:		
Depreciation	1,617,805	1,284,101
Amortization of licenses' acquisition fees	531,158	525,729
Provision for doubtful debts	187,806	130,465
Finance expenses	213,320	146,471
Operating income before changes in working capital	7,687,849	6,365,536
Changes in working capital:		
Accounts receivable	(763,048)	(397,550)
Due from related parties	11,383	46,846
Inventories	(173,218)	(164,180)
Prepaid expenses and other assets	(162,661)	19,715
Accounts payable	(300,270)	(154,518)
Due to related parties	(87,514)	70,171
Accrued expenses and other liabilities	659,797	(280,232)
Provision for end-of-service benefits, net	23,384	19,130
Zakat paid	(72,325)	(32,274)
Finance expenses paid	(150,279)	(135,945)
Net cash provided from operating activities	6,673,098	5,356,699
INVESTING ACTIVITIES		
Short-term investments	450,139	149,861
Purchase of property and equipment	(3,700,297)	(3,174,331)
Disposal of property and equipment, net	10,253	15,525
Acquisition of licenses	(168,303)	(104,294)
Net cash used in investing activities	(3,408,208)	(3,113,239)
FINANCING ACTIVITIES		
Proceed from short-term loans	600,000	1,026,957
Payment of short-term loans	-	(797,475)
Proceed from long-term loans	270,000	900,000
Payment of long-term loans	(1,831,700)	(1,770,000)
Cash dividends	(2,275,000)	(875,000)
Net cash used in financing activities	(3,236,700)	(1,515,518)
Net change in cash and cash equivalent	28,190	727,942
Cash and cash equivalent, beginning of the year	1,661,349	933,407
CASH AND CASH EQUIVALENT, END OF THE YEAR	1,689,539	1,661,349

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

CONSOLIDATED STATMENT OF CHANGES SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31,2011

	Note	Share capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total
					SR'000
Balance at January 1, 2010		7,000,000	648,520	4,594,662	
Cash dividends	20	-	-	(875,000)	12,243,182
Net income for the year		-	-	4,211,482	(875,000)
Transferred to statutory reserve	15	-	421,148	(421,148)	4,211,482
					-
Balance at December 31, 2010		7,000,000	1,069,668	7,509,996	15,579,664
Cash dividends	20	-	-	(2,275,000)	(2,275,000)
Net income for the year		-	-	5,083,459	5,083,459
Transferred to statutory reserve	15	-	508,346	(508,346)	-
Balance at December 31, 2011		**7,000,000**	**1,578,014**	**9,810,109**	**18,388,123**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATMENTS FOR THE YEAR ENDED DECMBER 31,2011

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 Jumada 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 is 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's share capital amounting to SR 7 billion consists of 700 million shares of SR 10 each, paid in full as at December 31, 2011.

During year 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. Early 2009, the remaining 0.01% of the subsidiary's share capital was acquired by National Company for Business Solutions, a subsidiary company.

During 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 included the company's rights, assets, 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 year 2008, the Company invested in 95% of the share capital of a subsidiary company, National Company for Business Solutions, a Saudi limited liability company.

During year 2008, the Company acquired 96% of the partners' shares in Zajil International Network for Telecommunication Company, a Saudi limited liability company. The acquisition included the Company's rights, assets, 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 a 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, fiber optics networks and any extension thereof, manage, install and operate telephone networks, terminals and communication unit systems, in addition to sell and maintain mobile phones and communication unit systems in the Kingdom of Saudi Arabia. The Company commenced its commercial operations on May 25, 2005.

The main activities of the subsidiaries are as follow:

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

- Execution of contracts for the installation and maintenance of wire and wireless telecommunication networks and the installation of computer systems and data services.

- Wholesale and retail trade in equipment and machinery, electronic and electrical devices, wire and wireless telecommunications' equipment, smart building systems and import and export to third parties, in addition to marketing and distributing telecommunication services and providing consultation services in he telecommunication domain.

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

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, 2011:

Name	Country of incorporation	Ownership percentage Direct	Indirect
Mobily Info Tech 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 Company	Saudi Arabia	96.00%	4.00%
National Company for Business Solutions	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 in the Kingdom of Saudi Arabia 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 and the reported amounts of revenues and expenses for the year. 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 equivalent

Cash and cash equivalent include cash on hand, bank 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 telecommunication 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 for 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 network 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 license 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 license fees, the permanent impairment loss 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 at the 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 benefits 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 operating outside the Kingdom of Saudi Arabia is calculated in accordance with tax laws applicable in its country.

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 the rates of exchange prevailing at the balance sheet date for assets and liabilities, and the average exchange rate 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 and advertisements. 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 telecommunication 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 handset equipment and accessories are recognized when they are delivered to the subscribers and customers.

Operating and capital leases

Lease agreements are classified as capital leases if the lease agreement transfers substantially all the risks and rewards incidental to ownership of an asset. Other leases are classified as operating leases whereby the expenses and the revenues associated with the operating leases are recognized in the consolidated statement of income on a straight-line basis over the terms of the leases.

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 provides 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 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 derivative financial instruments is recorded under finance expenses caption in the consolidated statement of income.

3. CASH AND CASH EQUIVALENT

	2011 SR'000	2010 SR'000
Cash on hand and at banks	1,439,539	961,212
Short-term Murabaha	250,000	700,137
	1,689,539	1,661,349

4. ACCOUNTS RECEIVABLE, NET

	2011 SR'000	2010 SR'000
Accounts receivable	6,616,432	6,032,528
Less: Provision for doubtful debts	(293,070)	(284,408)
	6,323,362	5,748,120

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

	2011 SR'000	2010 SR'000
Balance at January 1	284,408	153,943
Provision for the year	187,806	130,465
Bad debts written off	(179,144)	-
Balance at December 31	293,070	284,408

5. RELATED PARTIES TRANSACTIONS

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

Party	Relation
Emirates Telecommunication Corporation – Etisalat and its subsidiaries	Founding shareholder
Emirates Data Clearing House	Affiliate to Emirates Telecommunication Corporation

The terms of transactions with related parties are similar to trade transactions with external parties.

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

	2011 SR'000	2010 SR'000
Net interconnection services and roaming	49,305	11,342
Management fees	37,521	37,504
Other management expenses	118,756	124,756
Telecommunications services	29,704	20,400

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

	2011 SR'000	2010 SR'000
Emirates Telecommunication Corporation and its subsidiaries	11,128	22,511

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

	2011 SR'000	2010 SR'000
Emirates Telecommunication Corporation and its subsidiaries	180,986	276,712
Emirates Data Clearing House	12,539	4,327
	193,525	281,039

6. PREPAID EXPENSES AND OTHER ASSETS

	2011 SR'000	2010 SR'000
Accrued revenues	410,586	313,677
Prepaid expenses	278,753	341,073
Advance payments to suppliers of network equipment	241,878	312,378
Advance payments to trade suppliers	31,114	25,102
Other	437,100	244,540
	1,399,431	1,236,770

7. PROPERTY AND EQUIPMENT, NET

	Land SR'000	Buildings SR'000	Leasehold improvements SR'000	Telecommunication network 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, 2011	147,386	162,345	540,035	12,344,629	1,113,185	365,824	1,633	1,863,927	16,538,964
Additions	77,365	18,637	62,650	3,604,825	343,102	37,773	-	1,439,001	5,583,353
Disposals	-	-	-	(13,257)	(94)	(79)	-	-	(13,430)
Transfers	-	3,789	576	860,662	165,181	113	-	(1,030,321)	-
December 31, 2011	224,751	184,771	603,261	16,796,859	1,621,374	403,631	1,633	2,272,607	22,108,887
Accumulated depreciation:									
January 1, 2011	-	14,115	199,793	2,989,129	636,061	241,886	1,163	-	4,082,147
Depreciation for the year	-	7,651	58,935	1,258,855	240,752	51,319	293	-	1,617,805
Disposals	-	-	-	(3,075)	(63)	(39)	-	-	(3,177)
December 31, 2011	-	21,766	258,728	4,244,909	876,750	293,166	1,456	-	5,696,775
Net book value									
December 31, 2011	224,751	163,005	344,533	12,551,950	744,624	110,465	177	2,272,607	16,412,112
December 31, 2010	147,386	148,230	340,242	9,355,500	477,124	123,938	470	1,863,927	12,456,817

8. LICENSES' ACQUISITION FEES, NET

	Mobile Telecommunication services license SR'000	3G services license SR'000	Other SR'000	Total licenses' acquisition fees SR'000
Cost at January 1, 2011	12,210,000	753,750	342,803	13,306,553
Additions	-	-	168,303	168,303
Cost at December 31, 2011	12,210,000	753,750	511,106	13,474,856
Less:				
Accumulated amortization at January 1, 2011	3,040,488	187,032	50,754	3,278,274
Amortization for the year	482,606	29,827	18,725	531,158
Accumulated amortization at December 31, 2011	3,523,094	216,859	69,479	3,809,432
Balance at December 31, 2011	8,686,906	536,891	441,627	9,665,424
Balance at December 31, 2010	9,169,512	566,718	292,049	10,028,279

9. GOODWILL

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

	2011 SR'000	2010 SR'000
Bayanat Al-Oula for Network Services Company	1,466,865	1,466,865
Zajil International Network for Telecommunication Company	63,021	63,021
	1,529,886	1,529,886

10. SHORT AND LONG-TERM LOANS

During the fourth quarter of year 2011, the Company received commitment letters from a group of local banks by which the Company obtains a sharia-compliant long-term refinancing facility agreement amounting to SR 10 billion. The Company will use part of this financing facility to settle the outstanding loan balances amounting to SR 5.8 billion as at December 31, 2011 previously obtained by Etihad Etisalat Company (Mobily). The remaining part of the said facility will be used to finance the Company's capital expenditures and working capital requirements. Consequently, all the balances of the outstanding loans belonging to Etihad Etisalat Company (Mobily) were reclassified as current liabilities as at December 31, 2011.

The Company's management expects to receive the aforementioned facility during the first quarter of year 2012.

During the fourth quarter of year 2010, the Company signed a short-term sharia-compliant financing agreement for a total amount of SR 1.2 billion arranged by a local bank and the participation of other local banks to finance its capital expenditures and working capital requirements. The total balance utilized amounted to SR 1.2 billion as at December 31, 2011 (2010: SR 600 million). At year-end 2011, the said financing agreement maturity date was extended for additional six months.

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 a total amount of SR 1.5 billion which was used to settle the short-term loan previously obtained to finance the acquisition of a subsidiary. The outstanding balance of the loan amounted to SR 900 million as at December 31, 2011 (2010: SR 1.2 billion). During 2011, an amount of SR 300 million was paid (2010: SR 300 million).

On March 14, 2007, the Company signed a long-term financing agreement arranged by a local bank and the participation 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 loan is scheduled to be received 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 a previous loan amounting to SR 7.1 billion, and to settle the loans of the founding shareholders. The Murabaha loan to finance the working capital expired since the facility was not withdrawn by the Company and the Murabaha financing was not utilized as at December 31, 2011.

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 outstanding balance of the loan amounted to SR 3.76 billion as at December 31, 2011 (2010: SR 5.2 billion). During 2011, an amount of SR 1.5 billion was paid (2010: SR 1.5 billion).

During the first quarter of 2010, the subsidiary, Bayanat Al-Oula for Network Services Company, signed a long-term sharia-compliant financing agreement with a local bank amounting to SR 370 million which was used to settle the outstanding short-term loans and notes payable as at December 31, 2009. The outstanding balance of the loan amounted to SR 308 million as at December 31, 2011 (2010: SR 370 million). During 2011, an amount of SR 62 million was paid.

The above long-term loan period is four years and is repayable through semi-annual scheduled installments, with the first installment is due after 18 months from the date of utilization. The last installment is due on February 28, 2014.

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 its capital expenditure requirements for a total amount of SR 900 million. The total balance utilized from the mentioned facility amounted to SR 900 million as at December 31, 2011 (2010: SR 630 million).

The above long-term loan period is six years and is repayable through semi-annual scheduled installments, with the first installment is due after 36 months from the date of signing the agreement. The last installment is due on October 19, 2015.

11. DERIVATIVES

During the year 2008, the Company entered into interest rate hedging agreements with several local and international banks to hedge the cash flow risks from the fluctuations 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. The change in the fair value of the derivative financial instruments is recorded under finance expenses caption in the consolidated statement of income. The hedging agreements mentioned above will be terminated upon signing the refinancing agreement expected to be finalized during the first quarter of year 2012 (refer to Note 10).

12. ACCOUNTS PAYABLE

	2011 SR'000	2010 SR'000
Capital expenditures payable	4,523,169	2,640,065
Trade payable	3,285,039	3,585,357
	7,808,208	6,225,422

13. ACCRUED EXPENSES AND OTHER LIABILITIES

	2011 SR'000	2010 SR'000
Accrued expenses for telecommunication companies	1,326,039	889,832
Deferred revenues	587,678	440,651
Government's share in trade earnings	518,278	546,166
Accrued selling and marketing expenses	196,734	182,534
Zakat (Note 14)	63,836	81,860
License fees	36,485	35,712
Other	1,219,832	1,130,354
	3,948,882	3,307,109

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. Starting from year 2009, the Company files a consolidated zakat return for the Company and its subsidiaries.

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

	2011 SR'000	2010 SR'000
Share capital	7,000,000	7,000,000
Adjusted net income	3,912,324	3,518,191
Due to related parties	97,230	199,406
Provisions - beginning of the year	794,978	561,255
Liabilities against financing of property and equipment	4,523,169	2,640,065
Short and long-term loans	5,872,392	7,372,216
Adjusted accumulated earnings - beginning of the year	2,735,612	1,422,316
Less:		
Property and equipment	(18,733,800)	(16,152,416)
Advance payments to suppliers of property and equipment	(241,878)	(312,378)
Goodwill	(1,529,886)	(1,529,886)
Capital work in progress	(2,272,607)	(1,863,927)

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

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

	2011 SR'000	2010 SR'000
Balance at January 1	81,860	46,846
Provision for the year	54,301	67,288
Payments during the year	(72,325)	(32,274)
Balance at December 31	63,836	81,860

The Company received the final assessment for year 2005. The Company filed its financial statements and zakat returns for all the years until year 2010 and paid the zakat dues accordingly. The Company received the final zakat assessments for the years 2006, 2007 and 2008 which showed additional charges that were objected 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 Company, filed its financial statements and zakat returns up to year 2008 and paid the zakat dues accordingly. The Company did not receive any final assessments to date.

The subsidiary, Zajil International Network for Telecommunication Company, 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.

The subsidiary, National Company for Business Solution filed its financial statements and zakat return for the year 2008. The Company did not receive the final zakat assessment for the year 2008 to date.

15. STATUTORY RESERVE

In accordance with Regulations for Companies in the Kingdom of Saudi Arabia and the bylaws of the Company, the Company establishes 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. REVENUES

	2011 SR'000	2010 SR'000
Usage	12,875,573	12,527,978
Activation and subscription fees	1,138,349	745,704
Other services	6,038,332	2,739,456
	20,052,254	16,013,138

17. COST OF SERVICES AND SALES

	2011 SR'000	2010 SR'000
Networks access charges	3,959,769	3,947,989
Cost of utilized inventories	3,194,748	925,684
Government contribution fees in trade earnings	1,346,501	1,190,637
Rental and maintenance of network equipment expenses	830,770	782,509
Frequency waves fees	115,339	98,187
National transmission and interconnection links	106,222	79,859
License fees	92,465	97,408
Other	82,018	107,444
	9,727,832	7,229,717

18. SELLING AND MARKETING EXPENSES

	2011 SR'000	2010 SR'000
Advertisement, promotion and sales commissions	569,505	576,301
Other	516,564	483,091
	1,086,069	1,059,392

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2011 SR'000	2010 SR'000
Salaries, wages and employees' benefits	756,832	465,407
Consulting and professional services	238,648	165,281
Provision for doubtful debts (Note 4)	187,806	130,465
Rents	94,151	79,753
Management fees to Emirates Telecommunication Corporation	37,521	37,504
Travel and transportation	30,348	18,223
Board of Directors' remunerations and allowances	10,536	7,684
Other	428,189	655,093
	1,784,031	1,559,410

20. DIVIDENDS

Based on the mandate of the Company's Ordinary General Assembly, the Board of Directors in its meeting held on July 21, 2011 (corresponding to Shaban 20, 1432 H) resolved to distribute interim cash dividends for the first half of year 2011 of SR 1.25 for each outstanding share.

The Company's General Assembly in its meeting held on February 26, 2011 (corresponding to Rabi Al Awal 23, 1432 H) approved the Company's Board of Directors' recommendation to distribute cash dividends for the year ended December 31, 2010 of SR 2 for each outstanding share (for year 2009: SR 1.25 for each outstanding share).

21. EARNINGS PER SHARE

Basic earnings per share from operating income and from net income for the year is calculated by dividing operating income and net income for the year by the outstanding number of ordinary shares as at December 31, 2011 and amounting to 700 million shares.

22. RISK MANAGEMENT

Financial instruments

Financial assets of the Company comprised of cash and cash equivalent, short-term investments, accounts receivable, due from related parties 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 equivalent, short-term investments, accounts receivable and other assets. The cash and cash equivalent and short-term investments are deposited with high credit rated banks, and consequently 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 hedge the effect of foreign exchange risks. Financial commitments are established 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/long-term loans are determined based on prevailing market rates. Financial commitments are established 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 does not significantly differ from their carrying amounts. The Company's management believes that it is not exposed to any significant risk with respect to the aforementioned.

24. CAPITAL COMMITMENTS AND CONTINGENCIES

The Company had capital commitments resulting from contracts for the supply of property and equipment, which were entered into and not yet executed at the consolidated balance sheet date in the amount of SR 1.9 billion as at December 31, 2011 (2010: SR 1.65 billion).

The Company and its subsidiaries had contingent liabilities in the form of letters of guarantee and letters of credit in the amount of SR 111 million and SR 178 million respectively as at December 31, 2011 (2010: SR 110 million and SR 118 million respectively).

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, allocated based on the regulatory environment. 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, 2011, 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 meeting held on January 18, 2012 (corresponding to Safar 24, 1433) proposed to distribute cash dividends of SR 1.4 billion for the second half of year 2011 representing SR 2 on each outstanding share.

27. COMPARATIVE FIGURES

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