

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND
AUDITORS' REVIEW REPORT
FOR THE THREE AND SIX MONTH PERIODS
ENDED JUNE 30, 2011

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND
AUDITORS' REVIEW REPORT
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011**

INDEX	PAGE
Review report	1
Interim consolidated balance sheet	2
Interim consolidated statement of income	3
Interim consolidated statement of cash flows	4
Notes to the interim consolidated financial statements	5 – 17

REVIEW REPORT

Tel : +966 (1) 4630018
Fax : +966 (1) 4630865
www.deloitte.com
Head Office: Riyadh

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

Scope of Review

We have reviewed the accompanying interim consolidated balance sheet of **Etihad Etisalat Company** (a Saudi joint stock company) ("the Company") as of June 30, 2011, and the related interim consolidated statement of income for the three and six month periods ended June 30, 2011 and the interim consolidated statement of cash flows for the six month period then ended including the notes which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Company's management and were presented to us with all the information and explanation which we required.

We conducted our review in accordance with the standard of interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review Results

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia.

Deloitte & Touche
Bakr Abulkhair & Co.



Ehsan A. Makhdom
License No. 358

Sha'ban 17, 1432
July 18, 2011



ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)
AS AT JUNE 30, 2011

	Notes	2011 SR'000	2010 SR'000
ASSETS			
Current assets			
Cash and cash equivalent		1,025,752	711,716
Short-term investments		200,000	500,000
Accounts receivable, net		3,863,199	6,878,273
Due from a related party		11,714	15,426
Inventories, net		574,003	214,698
Prepaid expenses and other assets		1,437,858	1,339,169
Total current assets		7,112,526	9,659,282
Non-current assets			
Property and equipment, net	3	13,639,664	11,427,719
Licenses' acquisition fees, net	4	9,841,878	10,224,390
Goodwill		1,529,886	1,529,886
Total non-current assets		25,011,428	23,181,995
TOTAL ASSETS		32,123,954	32,841,277
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term loans	5	1,199,759	429,024
Current portion of long term loans	5 and 6	1,911,474	1,775,696
Accounts payable		4,106,110	7,689,024
Due to related parties		32,815	78,861
Accrued expenses and other liabilities		3,585,187	3,689,661
Total current liabilities		10,835,345	13,662,266
Non-current liabilities			
Long term loans	5 and 6	4,867,514	6,140,127
Provision for end-of-service benefits		79,128	55,614
Total non-current liabilities		4,946,642	6,195,741
TOTAL LIABILITIES		15,781,987	19,858,007
SHAREHOLDERS' EQUITY			
Authorized, issued and outstanding share capital	1	7,000,000	7,000,000
Statutory reserve	8	1,069,668	648,520
Retained earnings		8,272,299	5,334,750
Total shareholders' equity		16,341,967	12,983,270
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		32,123,954	32,841,277

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


Chief Financial Officer:
Thamer Mohammed Al Hosani


Managing Director and Chief Executive Officer:
Khaled Omar Al Kaf

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011

	Notes	For the three month ended		For the six month ended	
		June 30, 2011 SR'000	June 30, 2010 SR'000	June 30, 2011 SR'000	June 30, 2010 SR'000
Services revenues		5,126,636	3,972,325	9,610,940	7,553,700
Cost of services		(2,648,885)	(1,898,497)	(4,844,055)	(3,652,750)
Gross profit		2,477,751	2,073,828	4,766,885	3,900,950
Operating expenses					
Selling and marketing expenses		(252,795)	(310,031)	(534,398)	(560,624)
General and administrative expenses		(465,332)	(375,771)	(895,689)	(772,489)
Depreciation and amortization	3 and 4	(536,300)	(447,691)	(1,059,808)	(864,564)
Total operating expenses		(1,254,427)	(1,133,493)	(2,489,895)	(2,197,677)
Operating income		1,223,324	940,335	2,276,990	1,703,273
Finance expenses	5 and 6	(42,947)	(42,619)	(82,867)	(82,799)
Other income		20,148	31,005	27,056	36,732
Income before zakat		1,200,525	928,721	2,221,179	1,657,206
Zakat		(36,456)	(27,697)	(58,876)	(42,118)
NET INCOME FOR THE PERIOD		1,164,069	901,024	2,162,303	1,615,088
Basic earnings per share (in Saudi Riyals):					
- From operating income for the period	9	1.75	1.34	3.25	2.43
- From net income for the period	9	1.66	1.29	3.09	2.31

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

Chief Financial Officer:
Thamer Mohammed Al Hosani

Managing Director and Chief Executive Officer:
Khaled Omar Al Kaf

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2011

	2011 SR'000	2010 SR'000
OPERATING ACTIVITIES		
Income before zakat	2,221,179	1,657,206
Adjustments to reconcile income before zakat to net cash from operating activities:		
Depreciation	795,354	601,740
Amortization of licenses' acquisition fees	264,454	262,824
Provision for doubtful debts	87,490	72,877
Finance expenses	82,867	82,799
Operating income before changes in working capital	3,451,344	2,677,446
Changes in working capital:		
Accounts receivable	1,785,367	(1,470,115)
Due from a related party	10,797	53,931
Inventories	(277,427)	(82,302)
Prepaid expenses and other assets	(189,024)	22,002
Accounts payable	(2,039,846)	1,292,408
Due to related parties	(248,224)	(132,007)
Accrued expenses and other liabilities	263,717	16,435
Provision for end-of-service benefits, net	13,481	9,097
Zakat paid	(72,275)	(32,274)
Finance expenses paid	(60,686)	(72,717)
Net cash provided from operating activities	2,637,224	2,281,904
INVESTING ACTIVITIES		
Short-term investments	250,139	100,000
Purchase of property and equipment	(2,037,965)	(1,431,665)
Disposals of property and equipment, net	8,058	994
Acquisition of licenses	(78,053)	(37,500)
Net cash used in investing activities	(1,857,821)	(1,368,171)
FINANCING ACTIVITIES		
Proceed from short-term loans	600,000	426,958
Payment of short-term loans	-	(370,518)
Proceed from long-term loans	270,000	568,136
Payment of long-term loans	(885,000)	(885,000)
Cash dividends	(1,400,000)	(875,000)
Net cash used in financing activities	(1,415,000)	(1,135,424)
Net change in cash and cash equivalent	(635,597)	(221,691)
Cash and cash equivalent, beginning of the period	1,661,349	933,407
CASH AND CASH EQUIVALENT, END OF THE PERIOD	1,025,752	711,716

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

Chief Financial Officer:
Thamer Mohammed Al Hosani

Managing Director and Chief Executive Officer:
Khaled Omar Al Kaf

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 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 was registered in Riyadh under commercial registration number 1010203896 dated December 14, 2004. The Company is the second authorized provider of mobile telecommunication services in the Kingdom of Saudi Arabia.

The Company's share capital amounting to SR 7 billion consists of 700 million shares of SR 10 each, paid in full as at June 30, 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. The shareholders resolved to increase the subsidiary's share capital to be SR 10 million through cash contributions deposited in the subsidiary's bank account.

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 system, in addition to sell and maintain mobile phones and communication unit system in the Kingdom of Saudi Arabia. The Company commenced its commercial operations on May 25, 2005.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011

1. ORGANIZATION AND ACTIVITY (Continued)

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 telecommunications 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 the 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

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

Interim consolidated financial statements

The Company prepares its interim consolidated financial statements in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public accountants. Each interim period is an integral part of the financial year. Revenues, expenses and provisions for a period are recorded and presented in the interim consolidated financial statements for that period. The results for the interim period may not give an accurate indication of the annual operating results.

Basis of consolidation

The accompanying interim 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 date on which control is transferred to the Company.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 June 30, 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 interim 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 interim 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 interim consolidated financial statements and the reported amounts of revenues and expenses for the period. Although these estimates are based on management's best available information and knowledge of current events at the interim 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 month or less from 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 allowances 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories comprise of mobile phones' sim cards, pre-paid 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 interim consolidated financial statements when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

Property and equipment

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

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Licenses' acquisition fees

Licenses' acquisition fees are amortized according to their regulatory useful life and the amortization is charged to the interim consolidated statement of income. The capitalized license fees are reviewed at the end of each financial year to determine if any permanent decline exists in their values. In case a permanent impairment is identified in the capitalized licenses' fees, such permanent impairment is recorded in the interim 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 period and reported in the interim consolidated financial statements at carrying value after adjustments for impairment in value, if any.

Accounts payable

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

Provision for end-of-service benefits

The provision for employees' end-of-service 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 interim 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 interim consolidated statement of income.

For the purpose of consolidating the interim financial statements, the interim financial statements denominated in foreign currencies are translated into Saudi Riyals at rates of exchange prevailing at the interim balance sheet date for assets and liabilities, and the average of exchange rates for the period 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 interim 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 interim consolidated financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at the interim 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 interim consolidated statement of income.

Revenue recognition

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

Revenues from sale of handsets equipment and accessories are recognized when the handsets equipment and accessories are delivered to 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 interim consolidated statement of income on a straight-line basis over the terms of the leases.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 risk 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 derivatives financial instrument is recorded under finance expenses caption in the interim consolidated statement of income.

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011

3. PROPERTY AND EQUIPMENT, NET

	Land SR'000	Buildings SR'000	Leasehold improvements SR'000	Telecomm- unication network equipment SR'000	Computer equipment and software SR'000	Office equipment furniture and 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	-	924	27,432	1,417,666	137,194	25,126	-	377,917	1,986,259
Disposals	-	-	-	(9,842)	(94)	(79)	-	-	(10,015)
Transfers	-	2,433	91	283,738	67,285	113	-	(353,660)	-
June 30, 2011	147,386	165,702	567,558	14,036,191	1,317,570	390,984	1,633	1,888,184	18,515,208
Accumulated depreciation									
January 1, 2011	-	14,115	199,793	2,989,129	636,061	241,886	1,163	-	4,082,147
Depreciation for the period	-	3,936	29,293	614,146	121,455	26,283	241	-	795,354
Disposals	-	-	-	(1,855)	(63)	(39)	-	-	(1,957)
June 30, 2011	-	18,051	229,086	3,601,420	757,453	268,130	1,404	-	4,875,544
Net book value									
June 30, 2011	147,386	147,651	338,472	10,434,771	560,117	122,854	229	1,888,184	13,639,664
June 30, 2010	143,286	167,035	356,371	8,466,070	474,066	137,022	416	1,683,453	11,427,719

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011

4. 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	-	-	78,053	78,053
Cost at June 30, 2011	12,210,000	753,750	420,856	13,384,606
Less:				
Accumulated amortization at January 1, 2011	3,040,488	187,032	50,754	3,278,274
Amortization for the period	241,303	14,914	8,237	264,454
Accumulated amortization at June 30, 2011	3,281,791	201,946	58,991	3,542,728
Balance at June 30, 2011	8,928,209	551,804	361,865	9,841,878
Balance at June 30, 2010	9,410,815	581,631	231,944	10,224,390

5. SHORT AND LONG-TERM LOANS

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 June 30, 2011.

During the first quarter of year 2010, the Company signed a sharia-compliant financing agreement with a local bank for total amount of SR 250 million in the form of notes payable to finance its working capital requirements. The outstanding balance was fully paid at the end of year 2010.

During the first quarter of year 2010, the Company signed a sharia-compliant financing agreement with a foreign bank for a total amount of US\$ 55 million (equivalent to SR 206 million) and was fully utilized to finance its working capital requirements. The outstanding balance was fully paid at the end of year 2010.

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 1.05 billion as at June 30, 2011.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011

5. SHORT AND LONG-TERM LOANS (Continued)

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

On March 14, 2007, the Company signed a long-term financing agreement arranged by a local bank and 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 as follows:

- (a) Proceeds from the sale and re-distribution of minutes amounting to US\$ 2.45 billion (equivalent to SR 9.19 billion).
- (b) Murabaha loan to finance the working capital amounting to US\$ 225 million (equivalent to SR 843.75 million).
- (c) Murabaha financing amounting to US\$ 200 million (equivalent to SR 750 million).

On March 29, 2007, the Company received the loan related to the sale and re-distribution of minutes amounting to SR 9.19 billion, and utilized it to settle the previous loan amounting to SR 7.1 billion, and to settle the loans of the founding shareholders. 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 June 30, 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 4.5 billion as at June 30, 2011 (June 30, 2010: SR 5.9 billion).

During the first quarter of 2010, the subsidiary, Bayanat Al-Oula for Network Services Company, signed a long-term sharia-complaint 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 above term loan period is four years and it is repayable through semi-annual scheduled installments, with the first installment due after 18 months from the date of utilization. The last installment is due on February 28, 2014.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011

5. SHORT AND LONG-TERM LOANS (Continued)

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 June 30, 2011 (June 30, 2010: SR 310 million).

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

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

7. DIVIDENDS

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 (Year 2009: SR 1.25 for each outstanding share).

8. STATUTORY RESERVE

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

9. EARNINGS PER SHARE

Earnings per share from operating income and from net income for the period is calculated by dividing operating income and net income for the period by the outstanding number of ordinary shares as at June 30, 2011 amounting to 700 million shares.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011

10. CAPITAL COMMITMENTS AND CONTINGENCIES

The Company had capital commitments resulting from contracts for supply of property and equipment, which were entered into and not yet executed at the interim consolidated balance sheet date in the amount of SR 2 billion as at June 30, 2011 (June 30, 2010: SR 1.3 billion).

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

The Company and its subsidiary referred to above entered into this project to support and complete its mobile network services by providing highly sophisticated technology services. Network rings 1, 2 and 7 were completed in June, July and December 2007, respectively. Network rings 4, 5 and 6 were completed during 2008, while network ring 3 with a cost of SR 245 million has not been completed to date.

The Company and its subsidiaries had contingent liabilities in the form of letters of guarantee and letters of credit in the amount of SR 116 million and SR 404 million as at June 30, 2011 respectively (June 30, 2010: SR 100 million and SR 163 million respectively).

11. SEGMENT INFORMATION

The objective of the segment reporting standard promulgated by the Saudi Organization for Certified Public Accountants is to disclose detailed information on the results of each of the main operating segments. Given that the requirements of this standard, in terms of the prescribed threshold, taking into consideration the concentration in the Company's operations, are not met as at June 30, 2011, the Company's management believes that operating segment information disclosure for the Company and its subsidiaries is not required.

12. RISK MANAGEMENT

Financial instruments

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2011

12. RISK MANAGEMENT (Continued)

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 exchange 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 made to minimize the risk, when management believes it is deemed necessary (Note 6).

Liquidity risk

The management closely and continuously monitors the 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.

13. FAIR VALUE

The fair value of the Company's consolidated financial assets and liabilities doesn't significantly differ from the carrying amounts. The Company's management believes that it is not exposed to any significant risk with respect to the aforementioned.

14. COMPARATIVE FIGURES

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