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, 2008

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AUDITORS' REVIEW REPORT

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) as of June 30, 2008, and the related interim consolidated statements of income for the three and six month periods ended June 30, 2008 and interim consolidated statement of cash flows for the six month period then ended. 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 auditing applicable to interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A review of interim financial information 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, 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.

Deloitte & Touche
Bakr Abulkhair & Co.

Bakr A. Abulkhair
License No. 101

Rajab 13, 1429
July 16, 2008

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)
AS AT JUNE 30, 2008

	Note	2008 SR'000 (Consolidated)	2007 SR'000 (Unconsolidated)
ASSETS			
Current assets			
Cash and cash equivalents		186,390	591,666
Accounts receivable, net		2,301,948	417,518
Due from related parties		11,721	63,944
Inventories		85,635	26,380
Prepaid expenses and other assets		865,234	887,786
Total current assets		3,450,928	1,987,294
Non-current assets			
Property and equipment, net	3	6,964,256	4,191,054
Licenses acquisition fees, net	4	11,183,673	11,543,427
Goodwill		1,466,865	-
Investment in unconsolidated subsidiary	1	-	1,836
Total non-current assets		19,614,794	15,736,317
TOTAL ASSETS		23,065,722	17,723,611
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term loan	5	1,503,863	-
Current portion of long term loan	5	1,148,438	693,809
Accounts payable		4,353,693	1,725,037
Due to related parties		69,593	158,417
Accrued expenses and other liabilities		2,240,544	1,627,835
Total current liabilities		9,316,131	4,205,098
Non-current liabilities			
Long term loan	5	7,277,039	8,412,137
Provision for employees' end-of-service indemnities		35,604	18,942
Total non-current liabilities		7,312,643	8,431,079
TOTAL LIABILITIES		16,628,774	12,636,177
SHAREHOLDERS' EQUITY			
Value of authorized, issued and outstanding share capital 500,000,000 shares at par value of SR 10 per share	1	5,000,000	5,000,000
Statutory reserve	8	137,955	-
Retained earnings		1,298,993	87,434
Total shareholders' equity		6,436,948	5,087,434
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		23,065,722	17,723,611

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

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2008

	Note	For the three month ended		For the six month ended	
		June 30, 2008 SR'000	June 30, 2007 SR'000	**June 30, 2008 SR'000**	June 30, 2007 SR'000
		(Consolidated)	(Unconsolidated)	**(Consolidated)**	(Unconsolidated)
Services revenue		**2,543,553**	2,028,608	**4,851,341**	3,905,162
Cost of services		**(1,130,542)**	(919,709)	**(2,214,728)**	(1,810,856)
Gross profit		**1,413,011**	1,108,899	**2,636,613**	2,094,306
Operating expenses					
Selling and marketing expenses		**(199,277)**	(181,160)	**(380,768)**	(351,173)
General and administrative expenses		**(363,574)**	(255,808)	**(679,379)**	(458,221)
Depreciation and amortization	3 and 4	**(319,714)**	(242,889)	**(612,109)**	(484,950)
Total operating expenses		**(882,565)**	(679,857)	**(1,672,256)**	(1,294,344)
Operating income		**530,446**	429,042	**964,357**	799,962
Finance charges	5	**(84,789)**	(132,480)	**(204,546)**	(261,264)
Other income		**5,236**	7,283	**19,267**	15,757
Income before zakat		**450,893**	303,845	**779,078**	554,455
Zakat		**(2,486)**	-	**(4,657)**	-
NET INCOME FOR THE PERIOD		**448,407**	303,845	**774,421**	554,455
Earnings per share (in Saudi Riyals):					
From operating income for the period	7	**1.06**	0.86	**1.93**	1.60
From net income for the period	7	**0.9**	0.61	**1.55**	1.11

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

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2008

	2008 SR'000 Consolidated	2007 SR'000 Unconsolidated
OPERATING ACTIVITIES		
Income before zakat	779,078	554,455
Adjustments to reconcile income before zakat to net cash from operating activities:		
Depreciation	353,976	228,218
Amortization of licenses acquisition fees	258,133	256,733
Provision for employees' end-of-service indemnities	9,542	6,484
Provision for doubtful debts	53,900	84,571
Finance charges	198,323	260,470
Operating income before changes in working capital	1,652,952	1,390,931
Changes in working capital:		
Accounts receivable	(891,835)	231,977
Due form related parties	59,340	(58,782)
Inventories	(4,561)	11,666
Prepaid expenses and other assets	(29,682)	(171,099)
Accounts payable	654,001	(867,089)
Due to related parties	(49,892)	(20,918)
Accrued expenses and other liabilities	395,578	630,029
Provision for employees' end-of-service indemnities paid	(1,283)	(638)
Zakat paid	(7,517)	-
Finance charges paid	(186,652)	(658,865)
Net cash provided from operating activities	1,590,449	487,212
INVESTING ACTIVITIES		
Acquisition/formation of subsidiaries	(35,071)	-
Purchase of property and equipment	(1,361,780)	(505,633)
Investment in unconsolidated subsidiary company	1,836	(1,836)
Goodwill from acquisition of subsidiary	(1,466,865)	-
Net cash used in investing activities	(2,861,880)	(507,469)
FINANCING ACTIVITIES		
Proceed from short term loan	1,500,000	-
Payment of short term loans	(505,313)	(7,523,100)
Payment of founding shareholders' long term loan	-	(1,600,000)
Proceeds from long term loan	-	9,187,500
Cash dividends	(250,000)	-
Net cash provided from financing activities	744,687	64,400
Net change in cash and cash equivalents	(526,744)	44,143
Cash acquired from acquisition/formation of subsidiaries	9,936	-
Cash and cash equivalents, beginning of the period	703,198	547,523
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	186,390	591,666

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

1. ORGANIZATION AND ACTIVITIES

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

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

In compliance with the Royal Decree No. (M/40) dated Rajab 2, 1425 H, pertaining to the incorporation of Etihad Etisalat Company, the founding shareholders are required to issue a further 20% of their shares into the Saudi stock market during the third year from the Company's date of incorporation. Consequently, during the first quarter of year 2008, the founding shareholders sold 25% of their shares in the Company's share capital, representing 100 million shares, to the public after which the new shareholding became; The Emirates Telecommunications Corporation–Etisalat, UAE 26.25% of the share capital, six Saudi shareholders 33.75% of the share capital while the remaining 40% of the share capital was held by the public as of June 30, 2008.

During the year 2007, the Board of Directors decided to propose to the Company's Extraordinary General Assembly to approve increasing the Company's share capital from SR 5,000 million to SR 7,000 million by issuing 200 million new ordinary shares with the right of underwriting to the registered shareholders in the Company in accordance with their respective shareholdings in the Company's share capital, whereby 60% of the increase in the share capital will be allocated to the founding shareholders while the remaining 40% of the increase in the share capital will be allocated to all other non-founding shareholders. The issuance of these shares will be at par value of SR 10 per share with no share premium.

During the year 2007, the Company invested in 99.99% of the share capital of a subsidiary company, Mobily InfoTech Limited Company incorporated in Bangalore, India which has commenced its commercial activities during the year 2008.

During the year 2008, the Company acquired 99% of the partners' shares in Bayanat Al-Oula for Network Services Co. a Saudi limited liability company. The purchase includes the transfer of all the limited liability company's right assets, obligations, commercial name and current and future brand names for a total purchase price of SR 1.50 billion, which resulted in a Goodwill of SR 1.47 billion as at June 30, 2008.

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

For the purpose of the preparation of the interim consolidated statement of cash flows for the period ended June 30, 2008, the net book value of assets and liability for the above mentioned subsidiaries as at the acquisition/formation date are as follows:

	Mobily Info Tech Limited Company SR'000	Bayant Al-Oula for Network Services Co. SR'000	Etihad Etisalat for Commercial Investment SR'000	Total SR'000
Cash and cash equivalents	**9,836**	-	**100**	**9,936**
Accounts receivable	-	**4,280**	-	**4,280**
Inventories	-	**11,884**	-	**11,884**
Prepaid expenses and other assets	-	**25,257**	-	**25,257**
Property and equipment, net	-	**345,118**	-	**345,118**
Licenses acquisition fees, net	-	**155,112**	-	**155,112**
Investments	-	-	**15,000**	**15,000**
Total assets	**9,836**	**541,651**	**15,100**	**566,587**
Accounts payable	-	**(490,843)**	-	**(490,843)**
Accrued expenses and other credit balances	-	**(16,677)**	-	**(16,677)**
Provision for employees' end-of-service indemnities	-	**(996)**	-	**(996)**
Due to related parties	**(8,000)**	-	**(15,000)**	**(23,000)**
Total liabilities	**(8,000)**	**(508,516)**	**(15,000)**	**(531,516)**
NET ASSETS	**1,836**	**33,135**	**100**	**35,071**

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

The main activities of the subsidiaries are as following:

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of presentation
The interim consolidated financial statements for the six month period ended June 30, 2008 are the interim consolidated financial statements of the Company and its subsidiaries, which were consolidated during the period then ended. The interim consolidated financial statements cover the period from January 1, 2008 to June 30, 2008, while the comparative figures for the six month period ended June 30, 2007 represent the stand-alone (i.e. unconsolidated) interim financial statements.

Basis of consolidation
The accompanying interim consolidated financial statements include the financial statements of the Company and its Subsidiaries, 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.

The Company's equity share in the net income (loss) of the subsidiaries is computed at 100% based on direct investment in the share capital of the subsidiaries and indirect investment through certain shareholders who assigned their shareholdings in favor of the Company as at June 30, 2008.

Name	Country of incorporation	Ownership Direct	Ownership Indirect
Mobily Info Tech Limited Co.	India	99.99%	1%
Bayanat Al-Oula for Network Services company	Saudi Arabia	99%	1%
Etihat Etisalat for Commercial Investment Company	Saudi Arabia	95%	5%

Interim consolidated financial statements

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

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 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. Although these estimates are based on management's best available information and knowledge of current event at the interim consolidated financial statements date; however, actual final results may differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank current accounts and time deposits with original maturities of three months or less from acquisition date.

Accounts receivable

Accounts receivable are stated at estimated net realizable value after allowances have been made for doubtful amounts. Allowance for doubtful debts is calculated based on aging of accounts receivable and based on the Company's previous experience in debt collections.

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

Provisions
Provisions are recognized in the 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:

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

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

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

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

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

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

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

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

The subsidiary, Mobily Info Tech Limited Co. (India), enjoys a three years tax exemption commencing from the date of operations and ends in year 2009.

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.

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

Government charges
Government charges represent fees and charges as stipulated in the license agreements and paid against the right of use of telecommunications services in the Kingdom of Saudi Arabia including frequency fees. These fees are recorded in the related periods during which they are used and are included under cost of services.

Financial instruments
Assets and liabilities related to financial instruments are recognized when the Company becomes a party to the contractual provisions of the instrument. 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 national and international interconnection charges paid to local and foreign operators. Interconnection costs are recorded in the period when relevant calls are made and are included in the cost of services caption.

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

Revenue from services are recognized when services are rendered to subscribers.

Revenues from sale of handsets equipment and accessories are recognized when the handsets equipment and accessories are received by the subscribers.

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

3. PROPERTY AND EQUIPMENT, NET

	Land SR'000	Buildings SR'000	Leasehold improvements SR'000	Tele-communication equipment SR'000	Computer equipment and software SR'000	Office equipment and furniture SR'000	Vehicles SR'000	Capital work in progress SR'000	Total SR'000
Cost									
January 1, 2008	47,822	8,233	242,154	4,554,708	408,521	193,727	684	945,197	6,401,046
Acquisition of property and equipment of a subsidiary (Note 1)	-	-	**2,174**	**100,313**	-	**1,773**	**778**	248,181	**353,219**
Additions	**18,899**	**12**	**48,073**	**46,903**	**46,255**	**53,745**	**24**	**1,280,651**	**1,494,562**
Transfers	-	**4,198**	**81,869**	**1,232,859**	**19,938**	**6,925**	-	**(1,345,789)**	-
June 30, 2008	**66,721**	**12,443**	**374,270**	**5,934,783**	**474,714**	**256,170**	**1,486**	**1,128,240**	**8,248,827**
Accumulated depreciation									
January 1, 2008	-	309	54,278	658,522	140,932	68,025	428	-	922,494
Acquisition of property and equipment of a subsidiary (Note 1)	-	-	**294**	**6,872**	-	**638**	**297**	-	**8,101**
Charge for the period	-	**241**	**20,577**	**251,550**	**49,516**	**32,021**	**71**	-	**353,976**
June 30, 2008	-	**550**	**75,149**	**916,944**	**190,448**	**100,684**	**796**	-	**1,284,571**
Net book value									
June 30, 2008 (Consolidated)	**66,721**	**11,893**	**299,121**	**5,017,839**	**284,266**	**155,486**	**690**	**1,128,240**	**6,964,256**
June 30, 2007 (Unconsolidated)	19,350	6,320	153,383	3,168,059	239,207	109,602	303	494,830	4,191,054

4. LICENSES ACQUISITION FEES, NET

	Mobile Telecommunication services license SR'000	3G services license SR'000	Other services licenses SR'000	Total licenses acquisition fees SR'000
Cost as at June 30, 2008	**12,210,000**	**753,750**	**15,489**	**12,979,239**
Acquisition of license of a subsidiary (Note 1)	-	-	**171,735**	**171,735**
	12,210,000	**753,750**	**187,224**	**13,150,974**
Less:				
Accumulated amortization as at January 1, 2008	**1,592,670**	**97,551**	**2,324**	**1,692,545**
Acquisition of license of a subsidiary (Note 1)	-	-	**16,623**	**16,623**
Amortization for the period	**241,302**	**14,914**	**1,917**	**258,133**
Accumulated amortization as at June 30, 2008	**1,833,972**	**112,465**	**20,864**	**1,967,301**
Balance as at June 30, 2008 (Consolidated)	**10,376,028**	**641,285**	**166,360**	**11,183,673**
Balance as at June 30, 2007 (Unconsolidated)	10,858,633	671,112	13,682	11,543,427

5. SHORT AND LONG TERM LOANS

On April 14, 2008, the Company signed a short term financing agreement with a group of local banks to finance the Company with a Sharia – compliant short term loan for SR 1.5 billion to finance the acquisition of a subsidiary.

On March 14, 2007, the Company signed a long term financing agreement with a group of local, regional and international banks to finance the Company with a Sharia-compliant long term loan for US$ 2.88 billion (equivalent to SR 10.78 billion). The loan agreement referred to above is based on selling the 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 selling and re-distribution of minutes amounting to US$ 2.45 billion (equivalent to SR 9.19 billion).

(b) Murabaha loan to finance the working capital amounting to US$ 200 million (equivalent to SR 750 million).

(c) Murabaha financing amounting to US$ 225 million (equivalent to SR 843.75 million).

On March 29, 2007, the Company received the loan relating to the selling and re-distribution of minutes amounting to SR 9.19 billion, which was utilized to repay the previous loan amounting to SR 7.1 billion, in addition to the repayment of the founding shareholders' loans. Both of the Murabaha loan to finance the working capital and the Murabaha financing were not utilized as at June 30, 2008.

The above loan period is 6 years and repayable through semi-annual scheduled instalments, with repayment of Murabaha on a quarterly basis. The last instalment being due on December 31, 2012.

6. DIVIDENDS

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

7. 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, 2008 and amounting to 500 million shares.

8. STATUTORY RESERVE

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

9. 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 amounting to SR 3.07 billion as at June 30, 2008 (2007: SR 2.93 billion).

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

The Company and its subsidiary entered into the said project with the objective of supporting and completing its mobile network services by enabling it to provide highly sophisticated technology services. Network ring 1, 2 and 7 were completed in June, July and December 2007, respectively. The other four network rings are expected to be completed during November 2008.

One of the subsidiaries had contingent liabilities in the form of letter of guarantees amounting to SR 74 million as of June 30, 2008 (2007: SR nil).

10. MEMORANDUM OF UNDERSTANDING TO PURCHASE SHARES IN A LIMITED LIABILITY COMPANY

On April 5, 2008, the Company has signed a Memorandum of Understanding ("MOU") to purchase 96% of the shares of Zajil International for Telecommunication Company, a Saudi limited liability company. The purchase as per the MOU includes the transfer of all the limited liability company's rights, assets, obligations, commercial name and current and future brand names for a total purchase price of SR 80 million.

On Jumada Al-Thani 27, 1429H (corresponding to July 1, 2008) the CITC approved the purchase of 96% of the partners' shares in Zajil International for Telecommunication Company referred to above, which is licensed to provide internet and short message services in the Kingdom of Saudi Arabia.

11. SEGMENT INFORMATION

The Company's management believes that operational segment information disclosure for the Company and its subsidiary is not required, due to the insignificance in respect to the value of service geographical or regulatory environment.

12. COMPARATIVE FIGURES

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