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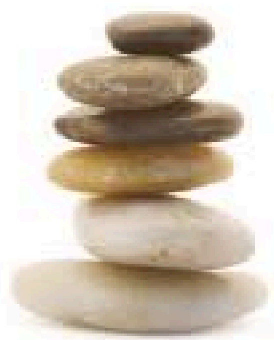
STC
الاتصالات السعودية

Annual Report 2009



بسم الله الرحمن الرحيم

King Abdul Aziz Al Saud
Founder of the Kingdom of Saudi Arabia

King Abdullah Bin Abdul Aziz Al Saud
Custodian of the Two Holy Mosques

Prince Sultan Bin Abdul Aziz Al Saud
The Crown Prince, Deputy Premier
Minister of Defence and Aviation and Inspector General

Prince Naif Bin Abdul Aziz Al Saud
The Second Deputy Premier and Minister of Interior

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Leadership

Mission and values of Saudi Telecom Company

STC Mission

As leaders in a world of constant change, we strive to exceed our customer's expectations so that, together, we reach new horizons.

STC Values

Honesty, Commitment, Cooperation, Respect, Initiative, Loyalty

H.E STC Chairman's Statement

In the name of Allah and prayers and peace be upon the noblest of Prophets and Messengers.
Dear respected stakeholders,
May Allah's Peace and Blessings be upon you.
On behalf of the BOD members, it is with pleasure that I present to you the STC annual report for the fiscal year 2009.

Through Allah's Guidance …
STC maintained its excellence and superiority among telecommunication companies in the local market, as demonstrated by the company's achievements and the outstanding financial results achieved by the end of 2009, which, in turn, had a positive impact on stakeholders' dues. Operating revenues reached SR 50.780 million by the end of the year, compared to SR 47.469 million last year, marking a 7% rise. Consequently, the Company has a solid financial position as well as high cash flows and profit, which positively reflected on stakeholders' equities that rose towards the end of 2009 by 12%.

Dear brother and sister stakeholders,
The Company has recently started to harvest the fruits of some of its versatile investments and foreign expansions in the telecommunication sector within the local and international markets since 2007. Hence, the Company moved from a local service operator providing integrated services to being one of the largest integrated communication companies all over the world. STC has transcended local borders extending to the outside world. By the end of 2009, STC has a remarkable global presence in more than ten countries with a high density population, including KSA, Bahrain, Kuwait, India, Indonesia, Malaysia, Turkey, South Africa, Jordan and Lebanon. That, in turn, enabled Saudi Telecom to cater to a number of customers reaching more than 26 million in the local market and more than 100 million all over the globe. For the first time in the history of the Company, it achieved – thanks be to Allah – operating revenues exceeding SR 50 billion.

Brothers and sisters,
Saudi Telecom Company strives to accelerate the fulfillment of the various customers'

needs by providing high-quality, multi-purpose bundled offers. The Company provided advanced video and data services through the state-of-the-art fiber optic networks and built more developed electronic cabins in all KSA cities. This paved the way for connecting fiber optic cables which are characterized by very high speeds, high quality and efficiency, and uninterrupted and safe services. In addition, their prices are very moderate and they are the most reliable with regard to international communication whether for individuals, families or even corporations.
STC continued to concentrate on making use of the growing opportunities in the enterprise sector which are related to the communication sector. It launched several initiatives in the educational, industrial and economic fields. It activated an operating model which concentrates on the customer in order to allow customers to experience the best services provided to them.
The Company did not overlook the fierce competition in the communication sector. It managed to increase operational efficiency and reduce costs through applying the concept of shared services, migrating to NGN, realizing the welfare economy and making use of scale economies. The Company promoted the concept of shared services which stems from its FORWARD strategy and introduced administrative, technical and cultural change in order to increase investment revenue through reducing costs and adopting supplemental programs such as cross synergy program and the uniform international procurement project. These matters are expected to continue and positively reflect on achieving optimum value to the Company's shareholders and maximize their rights in its internal and external investments.
On the sphere of social responsibility, STC was so keen to proceed on its positive and effective role in serving the society and embodying the principle of social responsibility which it adopts in various cultural, educational, religious, health and social fields as a contribution by the Company towards the comprehensive sustainable development fields and as a gesture of loyalty to the homeland from which it was launched and developed.
To conclude, it gives me the greatest pleasure to direct my thanks on behalf of the Board members to all of the company's stuff and all official bodies in KSA for their incessant support, all STC Board members and all respected shareholders for their trust in us. We promise you to be loyal forever in placing STC in the forefront both inside and outside KSA.

May Allah's Peace and Blessings be upon you.

H.E Dr. Muhammad Bin Sulaiman Al-Jasser

The CEO's Statement

In the name of Allah and prayers and peace be upon the noblest of Prophets and Messengers.

Dear shareholders and customers of Saudi Telecom Company,

Peace, mercy and blessings of Allah be upon you.

By the end of 2009, Saudi Telecom has completed – thank God – its FORWARD strategy which concentrated its priorities throughout the last three years on seven main axes: Fulfillment of Personal Communication Potential ,offering Wholesale Services, re-inventing Home Communication, acquiring Enterprise Customers, achieving External Growth, re-aligning for Customer Excellence and deriving Operational Efficiencies.

Implementing the strategy assisted in the continuity of the Company's role in leading the telecommunication market in the Kingdom of Saudi Arabia. It also made the company have the initiative and precedence in providing innovative offers and services to customers. In addition, it enhanced and developed customers' experiences and improved the company's operational competence.

Accordingly, by the end of 2009, the company achieved remarkable growth with regard to the size of its works and standard financial outcomes. By the end of the year, its operating revenues reached SR 50.780 million compared to SR 47.469 million with a growth rate of 7% when compared to the same period last year. The total number of its customers reached 100 million, of which 26 million are in the local market. This led to the increase of the company's share in the gross domestic product during the period from 2000 to 2009 to reach more than SR 90 billion.

During 2009, the company strived to increase its customer base and provide distinct services and integrated telecommunication solutions which fulfill their needs. The company carried out integrated telecommunication solutions in a number of major economic projects and cities such as King Abdullah Economic City in Rabegh and King Abdullah University as well as other projects. The company also aimed at achieving notable growth in the speed of broadband services and increasing their penetration in addition to several other bundled offers. The company also uniquely introduced FTTH fibre optics for the first time in the local market.

The matter was not limited to the local market. The company showed its interest in making use of the growth opportunities in the regional and international markets. The company has the largest land and marine transmission network, satellites, and international exchanges in the Middle East. In addition, the company is a pioneer in the field of marine cables as it increased the number of international MPLS, it also used the fiber optics network connected with marine cables and land network with neighboring countries as well as a satellite network that provides multiple connection techniques.

During 2009, the operations of Gulf Allied Digital Media "GADM" were launched STC also launched its cross synergy program as well as the uniform international procurement project with its strategic partners. The company sold a part of its share in the Malaysian Maxis company with an internal revenue rate "IRR" of 29%; a matter which supports the company's orientation and reflects its successful investment approach. It is to be taken into account that the Company still has 25% of Binariang Group.

Saudi Telecom also effectively participated in the Hajj season of 1430 AH offering services to the pilgrims. The company sponsored the national media campaign to spread awareness among pilgrims and offered a number of various services in the fields of communications and disseminating religious, health and cultural information among pilgrims.

Saudi Telecom did not ignore the social aspects. The company was keen to have a continuously positive and effective role in a manner that embodies its responsibilities towards society. The Company adopted a number of social recognition programs and its most paramount activities could be summarized in building a number of health centers ,sponsoring several events, conferences, forums and exhibitions, adopting and implementing a number of training programs as well as programs for talented students sponsoring a number of academic research endeavors.

The company's role was not limited to such efforts,it also participated in adopting a number of charitable and social occasions, celebrations and support of some centers. This matter reflects the distinct attitude of the company and its qualitative experience in this regard.

To conclude, I would like to express my gratefulness and thankfulness to the Creator, Sublime be He, and then to our wise leadership represented by the Custodian of the Two Holy Mosques, may Allah protect him, his Trustworthy Crown Prince and the Second Deputy Prime Minister for supporting and sponsoring the company. I would like also to direct my thanks to their Highnesses, the Chairman of the Board and the Board Directors for supporting the company's management. I would like to thank our dear customers for trusting and supporting us and our esteemed shareholders and all of the company's staff for their strenuous efforts which led to achieving our chain of continuous successes.

Peace, mercy and blessings of Allah be upon you.

Saud Bin Majed Al Daweesh
CEO

Cooperation

Board of Directors

From Right to Left:

Mr. Abdulrahman bin Abdulaziz Mazi
Mr. Mohammed bin Saleh Al-Daham
Mr. Khaled bin Abdulrahman Al-Rajhi
Mr. Mohammed bin Abdulla Al-Kharashi
Dr. Mohammed bin Sulaiman Al-Jasser (Chairman)
Dr. Hamed bin Sulaiman Al-Qassumi
Eng. Mohammed bin Omran Al-Omran
Mr. Abdulaziz bin Haban Alhabdan
Mr. Ibrahim bin Ali Al-Hassen

Company Executive Management

From Right to Left:

1. Saud Bin Majed Al-Daweesh	CEO of Saudi Telecom
2. Omar bin Mohammed Al-Turky	VP for Shared Services
3. Ziad bin Thamer Al-Otaibi	VP of Network
4. Saad bin Dhafer Al-Qahtani	VP of Home
5. Saad bin Ahmed Dimyati	VP of Wholesale
6. Ibrahim bin Saleh Al-Thabaiy	VP of IT
7. Ameen bin Fahad Al-Shiddi	VP of Finance
8. Salah bin Mohammed Al-Zamil	VP of Human Capital
9. Hamood bin Mohammed Al-Kussayer	VP of Regulatory Affairs
10. Jamil bin Abdullah Al-Mulhim	VP of Personal
11. Sameer bin As'ad Matboli	VP of Enterprise
12. Khaled bin Abdulrahman Al-Jasser	VP of Corporate Strategy

Third: The report of the Board of Directors on the Company's performance and activities during the fiscal year 2009

Dear Saudi Telecom stakeholders,
May Allah's Peace and Blessings be upon you.
The BOD is happy to present to its respected stakeholders the brief annual report on the Company's performance and activities for the fiscal year 2009, which reflects sustained progress in Company's performance across its various areas of activity. The role played by STC is visible in developing the Saudi telecommunications sector, in a manner that serves the Saudi society and efficiently contributes to boosting the national economy, resulting in rewarding dividends for stakeholders.
Below is a brief rundown of the Company management, as well as financial and technical performance and activities throughout 2009.

A- The Board of Directors (BOD):

Structure of the BOD and categories of members:
Article 17 of the STC 'Articles of Association', defines the number of BOD members as nine, in accordance with section (a) of Article 12 of the guiding Corporate Governance Regulations issued by CMA via decree number 1-212-2006, dated 21/10/1427 AH, corresponding to 12/11/2006, pertaining to the number of members. During the fiscal year 2009, a new Board of Directors has been elected for the fourth session which started on 28/4/2009 AD. The following table lists the names of BOD members, their categories and membership in the BOD's of Saudi joint stock companies.

Names of BOD members, their categories and membership in other Saudi joint stock companies:

Number	Name	Membership in other board of directors	Membership categorization
1	H.E. Dr. Muhammad Bin Suliman Al-Jasser, Chairman and Head of the Executive Committee	None	Non-executive Non-independent
2	H.E. Mohammed Bin Abdullah Al-Kharashi, Vice Chairman, Head of the Nomination and Compensations Committee and member of the Executive Committee	• Tawuniya Insurance Company • Saudi Industrial Investment Group (SIIG) • Saudi Research and Marketing Group • Saudi Arabian Mining Company (Maaden)	Non-executive Independent
3	H.E. Dr. Hamad Bin Sulayman Al-Qassumi, member of the Nomination and Compensations Committee	None	Non-executive Non-independent
4	H.E. Muhammad Bin Saleh Al daham, member of the Executive Committee and the Investment Committee	• Saudi Railway Company (SAR) • Al-Elm Information Security	Non-executive Non-independent
5	H.E. Ibrahim Bin Ali Al-Hassan, member of the Executive Committee	None	Non-executive Non-independent
6	H.E. Abdulaziz Bin Habdan Al-Habdan, Member of the Nominations and Compensations Committee, and Member of the Audit Committee	• Banque Saudi Fransi	Non-executive Independent
7	H.E. Mohammed Bin Omran Al-Omran, Head of the Investment Committee, Member of the Executive Committee	• Ar-Rajhi Company for Cooperative insurance • Saudi British Bank	Non-executive Independent
8	H.E. Abdulrahman Bin Abdulaziz Mazi, Member of the Nominations and Compensations Committee, and Member of the Investment Committee	• Technical Investments Co. • SyriaTel Mobile Telecom Company • VTEL Holding Company • Modern Global Company for the Development of Telecommunication Software «GlobiTel» • Estarta Solutions	Non-executive Independent
9	H.E. Khalid Bin Abdulrahman Al-Rajhi, Head of the Audit Committee, and Member of the Investment Committee	• Al Bilad Bank • Saudi Cement Company • Walaa Insurance	Non-executive Independent

BOD Committees:
BOD committees for the current round (the fourth) were devised as follows:
The Executive Committee:
The Executive Committee is made up of five members:
H.E. Dr. Muhammad Bin Suliman Al-Jasser, head
H.E. Mohammed Bin Abdullah Al-Kharashi, member
H.E. Muhammad Bin Saleh Al daham, member
H.E. Ibrahim Bin Ali Al-Hassan, member
H.E. Mohammed Bin Omran Al-Omran

The Executive committee is charged with reviewing strategies, as well as domestic and global activities of the Company in basic and non-basic areas of work, granting them approval as per the authorities vested in them by the BOD. The committee held one meeting throughout 2009.

The Nominations and Compensations Committee:
The Compensations Committee is made up of four members:
H.E. Mohammed Bin Abdullah Al-Kharashi, head
H.E. Dr. Hamad Bin Sulayman Al-Qassumi, member
H.E. Abdulaziz Bin Habdan Al-Habdan, member
H.E. Abdulrahman Bin Abdulaziz Mazi, member

The Committee is charged with laying down, approving and endorsing an operation mechanism, structuring salaries in accordance with market criteria and ensuring fair implementation thereof in a manner that motivates management and employees to do their jobs. The Committee is also entitled to review the structure of the Board of Directors, refer recommendations to the Board of Directors with respect to the required changes, review and approve the compensation and rewarding policy as a preliminary step before referring it to the BOD. The Committee held thirteen meetings throughout 2009 (including four meetings held by the Compensation and Rewarding Committee in the third round).

The Audit Committee:
The Audit Committee is made up of four members:
H.E. Khalid Bin Abdulrahman Al-Rajhi, head
H.E. Abdulaziz Bin Habdan Al-Habdan, member
H.E Abdulziz Bin Ibrahim Al Omor, member
H.E. Dr. Ahmad Bin Abdullah Al-Mughames, member

The Committee is charged with reviewing STC's financial and administrative policies and procedures, and compiling financial reports and their outcome. The Committee also reviews the reports and observations of the Internal Audit periodically and regularly in a manner that ensures the efficiency of supervision and risk management in STC. The Committee held thirteen meetings throughout 2009 (including six meetings in the third round).

The Investment Committee:
The Investment Committee is made up of four members:
H.E. Engineer Mohammed Bin Omran Al-Omran, Head
H.E. Muhammad Bin Saleh Al daham, member
H.E. Abdulrahman Bin Abdulaziz Mazi, member
H.E. Khalid Bin Abdulrahman Al-Rajhi, member

The Committee is charged with reviewing the Company's strategic investments as per the Company's strategies. The Committee also reviews and studies the strategic investment opportunities and recommends the suitable ones. The Committee held four meetings throughout 2009.

Commitment

Members’ participation in BOD and Committees meetings:
The following table shows the number of BOD as well as subcommittees meetings in the fourth round, and members’ attendance throughout 2009.

Members’ attendance of meetings of the BOD and subcommittees (in the fourth round) for the year 2009

No. of meetings Name / Member Name	BOD (6)	Executive Committee (1)	Nomination and Compensations Committee (9)	Audit Committee (7)	Investment Committee (4)
H.E. Dr. Muhammad Bin Suliman Al-Jasser	5	1	-	-	-
H.E. Mohammed Bin Abdullah Al-Kharashi	6	1	9	-	-
H.E. Dr. Hamad Bin Sulayman Al-Qassumi	5	1	-	-	4
H.E. Muhammad Bin Saleh Al daham	6	1	-	-	-
H.E. Ibrahim Bin Ali Al-Hassan	6	-	9	-	-
H.E. Abdulaziz Bin Habdan Al-Habdan	6	-	9	7	-
H.E. Mohammed Bin Omran Al-Omran	5	1	-	-	4
H.E. Abdulrahman Bin Abdulaziz Mazi	6	-	8	-	4
H.E. Khalid Bin Abdulrahman Al-Rajhi	5	-	-	6	3

Some members were unable to attend some of the BOD and Committees meetings on account of their being outside KSA, or due to personal circumstances.

BOD members interests:
STC has not entered into any businesses or contracts involving direct or indirect interests to BOD members, the CEO, financial manager or any person related to them.

BOD members & top executives shares:
The total shares of BOD members & top executives, their spouses & dependents during 2009 are as follows :

Total at Beginning of 2009	Total at End of 2009	Change Percentage
12,465,648	12,526,889	0.49%

Corporate governance:
STC endorsed Corporate Governance Regulations in the month of Thul Hijja, 1426 AH, corresponding to February, 2005. The Regulations are made up of 31 principles covering the entirety of corporate governance statute articles, issued by the Capital Market Authority (CMA) in 2006, as well as some of the best international practices in governance, in conformity with the statutes and rules issued by relevant bodies in KSA. STC has also approved a written Disclosure Policy, determining what should be disclosed, when, how and by whom. The policy was published on the STC website. As such, STC has complied with the guiding Corporate Governance Regulations, as issued by CMA by decree 2006-212-1, dated 21/10/1427/ AH, corresponding to 12/11/2006, in terms of the number of committees, their make-up, members’ independence, as well as several other articles of the statute. The following table details how far STC conforms to Saudi Executive Rules of Corporate Governance issued by CMA:

N#	Article number in Corporate Governance Regulations	Compliances	Partial Compliances	Non Compliances	Details
1	Third: Stakeholders equities	•			
2	Fourth: Facilitating stakeholders exercising their rights and access to information	•			
3	Fifth: Stakeholders’ rights relating to the General Assembly	•			
4	Sixth: Voting rights		•		Has been implemented except the article of cumulative voting, as it is
5	Seventh: Stakeholders equities in assets’ profits	•			
6	Eighth: Disclosure-related policies and procedures	•			
7	Ninth: Disclosure in the BOD report	•			
8	Tenth: BOD main functions	•			Full compliance has been achieved as per the instructions and regulations issued by the Ministry of Commerce, the Company’s Articles of Incorporation and relevant bodies.
9	Eleventh: BOD responsibilities	•			
10	Twelfth: BOD structure	•			
11	Thirteenth: BOD Committees and their independence	•			
12	Fourteenth: The Audit Committee	•			
13	Fifteenth: Nominations and Compensations Committee	•			
14	Sixteenth: BOD meetings and agenda	•			
15	Seventeenth: BOD members remunerations and compensations	•			

The Internal Control:

The BOD hereby acknowledges that account ledgers have been compiled correctly, and so the BOD has no doubts regarding the ability of STC to continue its activities. The BOD attests that the internal control on the financial statements relies on proper bases and operates adequately and efficiently.

The Audit Committee, stemming from the BOD, oversees the internal audit of the Company, which regularly checks the adequacy and efficiency of the internal control system. This is part of the BOD target, namely to attain a reasonable degree of trust concerning the soundness and efficiency of the internal control system in the Company.

The Internal Audit:

The Internal Audit is an objective and independent checking and advisory action that aims at adding value and improving Company's operations. An internal audit assists an organization in achieving its objectives through providing a regular input on the process of assessing and improving the efficiency of risk management, control as well as operation, subject to the Internal Audit of the company. The Internal Audit has carried out several regular and special audits, which resulted in reducing income loss, minimizing costs, in addition to taking part in reviewing preliminary and final financial statements and coordinating the work of external audit bodies.

Potential Risks:

No economic sector is free from potential risks. Undoubtedly, some risks may be involved in STC's operation in accordance with developments in the Saudi telecom sector which is witnessing rapid changes. Major risks lie in the advent of new competitors, fiercer competition, and the fast-paced technological progress, which now stands as a major challenge to many companies, compelling them to adopt new high-cost technologies that may involve substantial risks. The Company has undoubtedly taken all that into consideration, when laying out its FORWARD strategy for the coming years, in a manner that maintains its leading status in the market.

B- STC Financial Performance:

STC achieved tangible growth in the size of its operations and consolidated financial results, as operating revenues amounted to SR 50.780 million by the end of the fiscal year 2009, compared to SR 47.469 million by the end of 2008, with an increase rate of 7%. Total assets increase to SR 109.587 million compared to SR 99.762 million by the end of the fiscal year 2008 with an increase rate of 10%. Whereas total liabilities increase to SR 58.755 million compared to SR 57.200 million by the end of the fiscal year 2008.

Owing to all the above, the Company has a solid financial position as well as high cash flows and profit, which positively reflected on stakeholders' equities that rose by the end of 2009 by 12%. The following table details the assets, liabilities and result of operations of the Company across the previous fiscal years:

Table of the assets, liabilities and result of operations of the Company across the previous fiscal years:

Description (in SR thousands)	2005	2006	2007	2008	2009
	Unconsolidated	Unconsolidated	Consolidated	Consolidated	Consolidated
Income statement					
Operating revenues	32,539,943	32,393,571	34,457,807	47,469,368	50,780,087
Operating expences*	(19,177,890)	(19,745,426)	(21,839,906)	(32,134,227)	(37,966,500)
Operating income	13,362,053	12,648,145	12,617,901	15,335,141	12,813,587
Other income and expenses, net	(622,943)	493,333	(171,688)	(3,292,787)	(683,219)
Zakat, taxes and minority interests	(292,249)	(342,576)	(424,480)	(1,004,508)	(1,267,012)
Net income	12,446,861	12,798,902	12,021,733	11,037,846	10,863,356
Balance sheet					
Current assets	11,950,144	13,362,282	13,977,435	18,946,396	22,663,161
Current liabilities	9,454,731	9,523,463	17,219,660	22,898,835	29,340,669
Working capital	2,495,413	3,838,819	(3,242,225)	(3,952,439)	(6,677,508)
Other non-current assets	1,507,392	1,899,342	6,608,940	4,739,086	4,965,656
Fixed and intangible assets	31,286,340	30,860,149	48,224,871	76,076,653	81,958,659
Total assets	44,743,876	46,121,773	68,811,246	99,762,135	109,587,476
Current liabilities	9,454,731	9,523,463	17,219,660	22,898,835	29,340,669
Long-term loans	-	-	13,019,303	28,081,220	22,711,062
Other liabilities	2,433,708	2,443,971	2,680,401	6,220,203	6,702,797
Total liabilities	11,888,439	11,967,434	32,919,364	57,200,258	58,754,528
Paid-up capital	15,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Reserves, retained earnings and minority interests	17,855,437	14,154,339	15,891,882	22,561,877	30,832,948
Equity	32,855,437	34,154,339	35,891,882	42,561,877	50,832,948
Total liabilities and equity	44,743,876	46,121,773	68,811,246	99,762,135	109,587,476

* Including administrative and general expenses

Group's Borrowings

They are composed of:

Description (in SR thousands)	2009 Consolidated	2008 Consolidated
Short-term	8,579,020	3,904,714
Long-term	22,711,062	28,081,220
	31,290,082	31,985,934

Oger Telecom Ltd:
As of December 31, 2009, the Group's share in the investees' borrowings and bank facilities amounted to SR 8.851 million.
Binariang GSM Holding Group
As of December 31, 2009, the Group`s share was SR 3.473 million in the Sukuk, and SR 5.321 million in the bank facilities. The Sukuk were utilized in financing the acquisition of outstanding shares of Maxis, the Malaysian holding group.
NTS
As of December 31, 2009, the Group`s share in the Murabaha financing facilities was SR 464 million.
The Company
During the third quarter of 2007, the Company obtained financing facilities in the forms of Murabaha deals from several local banks. Maturity is 60 months, and the amount utilized of the facilities as of December 31, 2009 is SR 6,000 million.

In April 2008, the Company obtained financing facilities in the forms of Murabaha deals from several local banks. Maturity is 120 months, and the amount utilized of the facilities as of December 31, 2009 is SR 9,500 million.

During the fourth quarter 2008, the Company started repayment of due installments of the financing facilities. Amounts settled as of December 31, 2009 amounted to SR 2.319 million, of which SR 2.037 million were settled during the year ended December 31, 2009.

Items (in SR thousands)	2009	2008	Description	Reason
Zakat	331,868	372,893	What is paid in accordance with Zakat rules and principles, and the instructions of the Department of Zakat and Income Taxes in the Kingdom.	A regular requirement
Social insurance	272,751	261,204	What is paid in accordance with the rules and principles of the General Organization for Social Insurance in the Kingdom.	A regular requirement
Government charges	4,665,308	4,886,502	Government charges represent the expenses incurred in return for offering commercial services, issuing license and the frequency spectrum.	A regular requirement
Total amount due & paid to governmental bodies	5,269,927	5,520,599		

* Figures above represent the regular amounts to be paid by the Company to the government of KSA (domestic payments)

The Company dividend distribution policy:
Article 46 of STC Articles of Incorporation states that the Company's annual net profits are distributed after deducting all general expenses and other costs as follows:
1-10% of the annual net income is appropriated to the statutory reserve. The annual general assembly meeting may freeze such appropriation if the said reserve reached half of the capital.
2-The annual general assembly meeting may, upon the proposal of the BOD, appropriate a percent of the net income to form a fortuitous reserve and allocate it for a specific purpose(s).
3- After such appropriation and out of the outstanding amounts, 5% of the paid-up capital shall be distributed as an initial payment to the shareholders.
4- After taking the above step, a percentage of the outstanding amounts not exceeding 0.05% (half percent), shall be allocated as remuneration for the BOD as identified by the annual general assembly after making the above-mentioned deductions. The outstanding amounts shall be distributed as an additional share in income on the shareholders while taking into consideration the instructions issued by the Ministry of Commerce in this respect.

Article 47 of STC Articles of Incorporation states that the income scheduled to be distributed on shareholders shall be distributed at the place and on the dates defined by the BOD, provided that the date of distributing the same shall not exceed one month from the date of approving distribution by the annual general assembly.

Dividend distribution depends on the Company's income, its cash flow as well as future investment prospects of the main and new investments, taking into consideration the necessity of maintaining a solid financial position to counter any change in the general conditions or any significant change in the telecom sector. The Company has always paid high quarterly dividends compared to the net income achieved and the net cash flow. Despite expectations to pay annual dividends on a quarterly basis to shareholders, there are no guarantees to continue to do so, or guarantees as to the amount to be paid in any given year. Additionally, dividend distribution policy may be subject to change from time to time. Cash dividends shall be paid in Saudi Riyals.

Contribution in the National Income:
The Company's contribution in the National income since 2000 and until the end of 2009 is more than SR 90 billion, in the form of fees paid to the government as well as annual profits.

Subsidiaries:
Arabian Internet and Communications Services Co. (AwalNet) – KSA
The Arabian Internet and Communications Services Co. (a limited liability company) was established in April 2002. The company is engaged in providing internet services; operation of communications projects and transmission and processing of information. STC owns 100% of its share capital amounting to SR 10 million.

Kuwait Telecom Company (VIVA) – Kuwait
In December 2007, STC acquired 26% of the KD 50 million share capital of the Kuwait Telecom Company. This company operates in the field of mobile services, and has commenced commercial operations on December 4, 2008.

STC Bahrain (VIVA) – Bahrain
STC Bahrain (BSC Closed) was established in the Kingdom of Bahrain in February 2009, and STC owns 100% of its BHD 75 million share capital. This company operates in the field of mobile services, international telecommunications and other related services. It commenced commercial operations on March 3, 2010.

Gulf Digital Media Holding – Bahrain
This company was formed in June 2009. It is a holding company which owns stakes in companies operating in the field of content services and digital media. STC owns 51% of its share capital amounting to SR 280 million.

Tejari Saudi Arabia – KSA
Tejari Saudi Arabia (a limited liability company) was formed in November 2006 for the purpose of establishment, operation and management of electronic markets and platforms, and to provide all services related to e-commerce dealings. STC owns 50% of its share capital amounting to SR 28 million and further decided to liquidate Tejari Saudi Arabia.

Joint ventures:
NTS (AXIS) - Indonesia
NTS obtained the license to operate a third generation mobile network in Indonesia and it started the commercial provisioning of this service in the first quarter of 2008. STC acquired 51% of NTS in September 2007.

Oger Telecom Ltd. - U.A.E.
Oger Telecom Ltd. is a company registered in Dubai, the United Arab Emirates, having investments in companies operating in the telecommunications sector in Turkey and South Africa. STC acquired 35% of Oger Telecom Ltd in April 2008.

Binariang GSM Holding Group – Malaysia
Binariang is a Malaysian investment holding company that had owned 100% of Maxis, the then un-listed Malaysian holding group operating in the telecommunications sector in Malaysia. In November 2009, 30% of Maxis' shares were offered for public subscription and the company was subsequently listed in the Malaysian stock market. The percentage ownership of Binariang in Maxis has accordingly reduced to 70%.
Binariang has other investments in telecommunications companies in both India and Indonesia, holding 74% of Aircel - India and 44% of NTS - Indonesia. STC acquired 25% of Binariang in September 2007.

Investments accounted for under the equity method:
Arab Submarine Cables Company Ltd. – KSA
Arab Submarine Cables Company Ltd. was established in September 2002 for the purpose of constructing, leasing, managing and operating a submarine cable connecting the Kingdom and the Republic of Sudan for telecommunications between them and any other countries. The operations of the Arab Submarine Cables Company Ltd. started effective June 2003. STC owns 48.6% of its share capital amounting to SR 75 million.

Arab Satellite Communications Organization "Arabsat" – KSA
This organization was established in April 1976 by member states of the Arab League. Arabsat offers a number of services to member states, as well as to all public and private sectors within its coverage area, principally the Middle East. STC owns 36.66% of its share capital amounting to USD 500 equivalent to SR 1,875 million.

C- FORWARD, the Strategy of Customer Centricity

By the end of 2009, STC completed the implementation of its FORWARD Strategy which prioritizes these seven main axes:

- **Fulfill Personal Communication Potential**
- **Offer Wholesale Services**
- **Re-invent Home Communication**
- **Win Enterprise Customers**
- **Achieve External Growth**
- **Re-align for Customer Excellence**
- **Derive Operational Efficiencies**

Implementing the FORWARD strategy assisted in the continuity of the Company's role in leading the telecommunication market in the Kingdom of Saudi Arabia. It also made the company have the initiative and precedence in providing innovative offers and services to customers. In addition, it enhanced and developed customers' experiences, made use of the Company's expansions and international investments and improved the Company's operational competence.

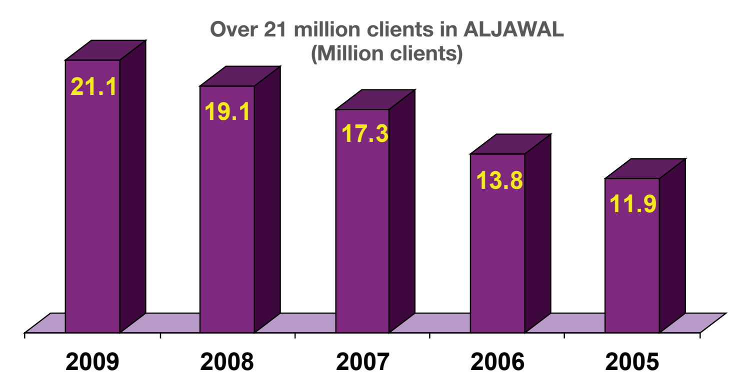
"F"
Fulfill Personal Communication Potential

Driven by a sincere desire to meet the growing needs of its clientele while sustaining its lead across the domestic market, STC has exerted strenuous efforts in order to offer the best-in-class, most advanced personal communication services at competitive prices. Consequently, STC has witnessed its client base grow reaching 21 million customers by the end of 2009. Throughout the year, the Company provided many innovative marketing services and offers. More than 32 new services have been provided, and more than 23 existing services have been improved. 33 various offers have been provided to Jawal customers within different segments. Maybe one of the most prominent offers provided during this year as a gesture of unprecedented appreciation and recognition of its customers was the offer "Thank you". It was provided to AlJawal "Post Paid" customers on two phases. During the first phase, customers were granted free calls over the Jawal network for a complete month. In the second phase, customers were granted free SMS and MMS over the network for another complete month. These offers gained the appreciation and satisfaction of customers.

The Company also developed the content service as its customers increased to 5.5 million. There was a concentration on the quality of the content provided through the additional eleven services launched during 2009. Several developmental aspects were introduced to Blackberry. Most of these aspects are related to the prices of packages and the volume of data allowed to be transmitted. In addition, the pre-paid Blackberry service was launched and it contributed to an unprecedented rise in the number of Blackberry customers. Besides, the number of Internet packages customers increased at a high percentage reaching 225% so that the number of customers of Internet packages in addition to Easy Net reached more than 4.6 million customers.

For the first time in the Middle East and North Africa, the Company launched the new cell phone HTC Magic in the local market which is considered the first smart phone provided with Android operating system developed by Google. This comes within the framework of the Company's commitments and endeavors to provide products and services which secure comfort, wide coverage and added value to its customers. The new phone enhances the mobile network experience to the Company's customers.

In the field of roaming, its customers reached more than one million during the summer of 2009. Around 170 new agreements on roaming services were added so that the total number of roaming services agreements reaches 1400.



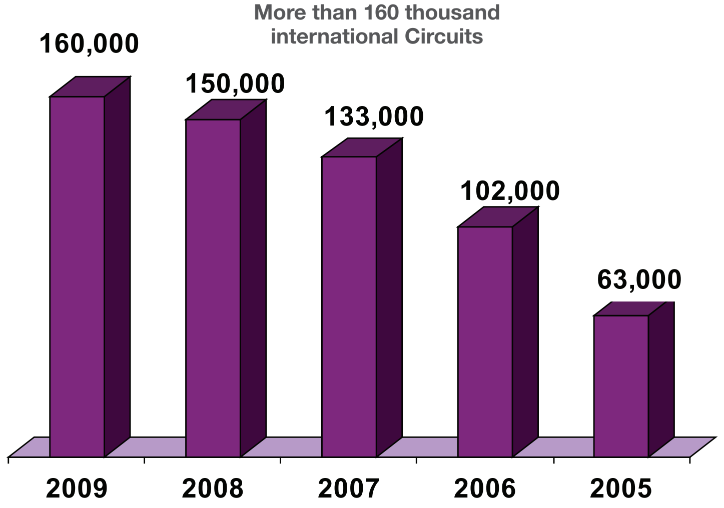
Transparency

“O”
Offer Wholesale Services

Seeking to offer its clients optimum services, while keeping abreast of the latest in the wholesale domain, and in order to benefit from opportunities for expansion in wholesale services across local and foreign markets, the Company worked strenuously to attain a remarkable regional and international ranking. Working to that end, STC has come to possess and operate the biggest land, marine and satellite network and infrastructure. The Company is therefore a pioneer in building its global network which is regarded as the most advanced in the region. The Company leads the region in the field of marine cables. Its participation extends to five generations of marine cables. Increasing the capacity of the third and fourth marine cables was completed with more than 100% of their previous capacities. New connection hitches in fiber optic networks were carried out to connect the neighboring countries by using modern technologies. The current connections were also expanded to cope with the increase of traffic and conduct alternative paths to protect these connections thus providing the largest amount of reliability and sustainability. With regard to Internet services in KSA and transit Internet services, the Company has voluminous Internet capacities on all marine cables in the region such as FLAG, SMW4 and SMW3. These cables end on the marine landing station in Jeddah and from which they connect to the Internet Management Centers and Transit Internet Centers in Riyadh and Jeddah where connection between them is carried out with ring paths which guarantee that the service shall not be disrupted in all cases.

With regard to establishing international centers to pass multi-protocol services, the Company signed many agreements with companies like the USA-based AT&T and Verizon, the UK-based BT and the French company Orange. This was done to establish a number of international centers to pass multi-protocol services in Riyadh and Jeddah through direct connection with the Company’s network which serves customers inside and outside the Kingdom.

The Company managed to increase the number of MPLS carrying the international traffic movement and operating in the international exchanges until they reached more than 160 thousand international circuits; a matter which enabled the Company to cope with the increasing growth in international phoning traffic.



In the field of regional expansion through POPs, the POP project was completed and its initial phase included the establishments of international POPs in eight countries.
A number of agreements have been signed and the most important of them are the partnership with MADA Company in Jordan, and service agreements with Epslon in Britain, Aircel in India, Qtel in Qatar, STC VIVA in Bahrain, du in UAE and QNET in Kuwait.
During 2009, several services have been carried out to carriers and local and international operators such as:

- Restoring service to international capacities
- Inter-connection of multimedia messages
- Inter-connection of video calls
- Bitstream service
- IGN service

“R”
Re-invent Home Communication

Saudi Telecom Company strived to accelerate the dissemination of broadband by providing high-quality, multi-purpose bundled offers. The Company provided advanced video and data services to the home sector through its strenuous efforts to build a wide and powerful infrastructure with the state –of-the-art fiber optic networks and build more developed electronic cabins (MSAN) in the populated districts of all KSA cities. This matter contributed to connecting FTTH which STC exclusively provides. The Company provided high-quality services with extra high speeds reaching 20 megabytes through the very popular AFAQ DSL Shamel which is the most common among Internet users. It is characterized by continuity, safety, high speed and it offers multiple options in a manner incomparable to other Internet services. In addition, its prices are suitable and it is the most reliable service in international communication for individuals, families or corporations. The growth rate of broadband reached more than 30% throughout the year, and several sales offices have been inaugurated to communicate with customers and meet their needs.

"W"
Win Enterprise Customers

The Company directed its efforts towards widening its business sector customers' base by increasing the percentage of sales to medium and large-size companies, providing excellent services and integrated communications solutions which fulfill customers' needs. The Company implemented integrated communications solutions in several major enterprises such as economic cities (MODON), and King Abdullah University. It also provided most commercial buildings in major cities with fiber optics. It executed many partnerships with service providers to facilitate access to customers and re-conduct sales processes.
The Company launched the Data Center service which is specialized in hosting customers' hardware and applications and storing the information needed by companies as per the most recent safety and reliability parameters. Thus, the Company became the first one in the region to provide Data Center Tier 4 as it invested on its excellence in providing its customers with modern communication solutions and services in the various major governmental and economic sectors. In addition, the Company provided the service of constantly hosting and managing IP solutions starting from transmission services up to technological application services.

In collaboration with the Saudi Arabian Monetary Agency, the Company developed the network for points of sales designed to facilitate purchase and sales processes at shopping malls. A set of suitable solutions has been adopted to promote the quality of service in light of the development and growth witnessed by the commercial sectors in KSA. The transaction takes not more than 20 seconds with a 99% success rate. New, advanced and safe ISPAN technology was introduced to replace the X.25 network in order to cope with all international systems. More than 70 thousand points of sales machines have migrated to the new network which currently accommodates about 140 thousand machines. It will be able to accommodate 300 thousand machines within the next year. Throughout the year, several new solutions and services have been launched as well.

"A"
Achieve External Growth

In 2007, the Company started its foreign investments and expansions by studying the business opportunities related to the communication sector in the local and international markets in order to make use of and contribute to achieving the optimum benefit for shareholders.
The Company moved from a local service operator providing integrated services to being one of the largest integrated communication companies all over the world. In the past three years, STC has transcended local borders extending to the outside world. By establishing a network of business and investments in a number of countries, such as Bahrain, Kuwait, India, Indonesia, Malaysia, Turkey, South Africa, Jordan and Lebanon in addition to KSA enabled Saudi Telecom to cater to a number of customers reaching 100 million all over the globe.

Following this expansion, the Company oriented the capital expenses at Group level especially in companies receiving such investments outside KSA in order to establish new networks and expand the existing ones as per the most developed technologies. The aim is to provide the best services to customers and interact with international competitiveness to get the largest market share.
During 2009, the company sold a part of its share in the Malaysian Maxis company with an internal revenue rate "IRR" of 29% and a return on the investment at 42% since its investment in the company in 2007. The revenue generated during these two years is large at all scales and it reflects the Company's successful investment approach.
Although the Company has completed this transaction, the company still has 25% of Binariang Group. In addition, the Company's direct and indirect shares in AXIS Company at Indonesia and Aircel at India are untouched.
The operations of Gulf Allied Digital Media "GADM" were launched at Dubai. GADM provides content services including text, voice and images. The domain of operation includes the main phases in the content industry including preparing, acquiring, producing, grouping and managing contents in addition to providing application services, marketing, sales, and managing customers' terminals.

"R"
Re-align for Customer Excellence

Saudi Telecom has been keen to apply the concept of customers' centricity, promote the new operational model in order to develop customers' experiences as well as build and develop human capital and establish STC uniform identity. The web portal of Saudi Telecom Company "Khadamati" www.stc.com.sa kicked off a sky high increase in the number of visitors with a record number reaching 10 million visitors a month. Visitors aim at obtaining the distinguished services. it also provides offers frequently launched by the company in the Hatif, Jawal and Internet services. The site occupied an advanced position within the best five hundred sites all over the world and it excelled many websites in the Middle East.
In order to interact with customers and provide state-of-the-art services via the most recent technologies, the Company designed the M3com web portal as per the latest global standards. It provides distinguished services to the AFAQ DSL Shamel customers, and the site covers all interests and needs of customers and visitors. This led to increasing the number of visitors to more than 3 million per month and more than 10 million browsing requests have been executed.
The Company is also keen to positively interact with the customers and provide the best services and offers through its customers' retention program Qitaf which, witnessed its fifth year with an unprecedented success. The Program is the largest and most famous loyalty Program all over the Middle East. 16 million customers joined Qitaf Program in addition to 27 strategic partners who represent 120 trademarks.
Within its efforts to develop human capital, the Company executed a number of programs targeting the promotion of staff efficiency, development of the personnel's performance and the improvement of the internal business environment. The Company offered more than 12 thousand internal and external training opportunities and several participations in international events. It also resumed the program of improving manpower which allows staff to retire early and have their retirement pensions if they wish.

"D"
Derive Operational Efficiencies

The Company managed to increase operational efficiency and reduce costs through applying the concept of shared services, migrating to NGN and realizing the welfare economy. The Company was keen to acquire the largest cell phone, landline and broadband network in the region. The cell phone sites are more than 15 thousand covering 99% of the geographically-populated areas, more than 7 thousand villages, and more than 37 thousand kilometers of roads. Such improvements epitomize the Company's interest in providing the best services to its customers at the highest operational efficiency in all parts of KSA, and they cope with modern developments in the field of ICT.
The Company promoted the concept of shared services which stems from its FORWARD strategy and introduced administrative, technical and cultural change in order to increase investment revenue through reducing costs and adopting supplemental programs such as cross synergy program and the uniform international procurement project with Maxis and Oger Groups. These programs aim at making use of scale economies and adopting a number of initiatives and projects which help at providing excellent and developed services to the customer at competitive prices.

Serving Pilgrims

Saudi Telecom was too keen to display in addition to leadership and effective participation during pilgrimage and serve pilgrims every year through the various telecommunications services provided by the Company, positive iniatives for serving the pilgrims and raising their religious, health and cultural awareness. In addition, the charitable deeds it provided to pilgrims embodied social responsibility in all respects during this blessed season. The key deeds and achievements provided by the Company and which contributed to the success of the pilgrimage this year include:

• The available capacity of Jawal network in Mecca and the Holy Sites amounted to more than 7 million cell phone through the state-of-the-art G2 and G3 technologies. The station numbers in the Holy Sites exceeded 1000 in addition to 35 mobile stations.
• Voice calls increased with 22% for the comparable period of the last year. The voice calls increased during the said period to 1.8 billion calls while text messages increased by 50% compared to last year as more than 1.2 billion messages were sent. International calls increased by 12% to reach more than 250 million calls. All indicators of the Jawal network were outstanding where call failure or jammed traffic did not exceed 0.5% which is better than the best international standard indicators.
• International Circuits increased for all outgoing calls from KSA to all countries of the world with high streamlining to reach more than 160,000 Circuits with an increase of 10,000 Circuits compared to last year.
• Coverage of all land, marine and air border outlets with various services to be in line with the arrival of Muslim pilgrims from all world countries.
• Coverage of all Miqats with complete attendance across all temporary sales outlets and mobile sales vehicles.
• Distribution and publication of booklets in different languages and introduction of various services provided by the Company to pilgrims.

• Sponsorship of the national media campaign for raising awareness of pilgrims during 1430 H pilgrimage under the slogan of "Pilgrimage as Worship and Civilized Behavior" and the availability of a fully integrated media center for all participating TV channels and other different mass media.
• Distribution of more than 1.2 million gifts to pilgrims such as suitcases, umbrellas, masks and water.
Selling numbers and SIMs to pilgrims in their countries so that they can get their number before leaving to facilitate their communication with their families and relatives through coordination with strategic partners and subsidiaries.

Social Responsibility

STC was keen to proceed on its positive and effective role in serving the society and embodying the principle of social responsibility which it adopts in various cultural, educational, religious, health and social fields as a contribution towards comprehensive sustainable development fields and as a gesture of loyalty to the homeland from which it was launched and developed. Therefore, STC adopted a number of social programs called "Al-Wafaa Programs" and included them in its strategic plans. Such programs gained broad-spectrum appreciation in the society and were lauded by many interested parties and officials in the region; a matter that assured STC excellence and its quality experience in this respect. STC is constantly seeking to share the social and human issues and concerns of the homeland in appreciation of STC towards the community individuals, as it was keen to share with them many key different national occasions. Such participation is a sign of STC excellence over other national companies. STC programs focused on many fields such as education, culture, religion, social relations, tourism and environment; the most important of which could be summarized in the following:

Health Programs
Al-Wafaa Health Program is one of the key social and human programs launched by STC under "Al-Wafaa Programs". The most important activities of the program focused on the establishment of many health centers in the remote villages in different areas of KSA and sponsorship of many health-related events and conferences such as ophthalmology and disabled patients care conference, care for kidney patients, drugs awareness campaign, highlighting the problem of Attention Deficit Hyperactivity Disorder, awareness of swine flu and blood donation campaigns for injured soldiers of the armed forces at the southern borders.

Educational Programs
Educational programs that include many educational activities and events are one of the key Al-Wafaa programs. STC adopted talented students programs which included more than 100 talented students. It also signed an agreement sponsoring the Saudi inventor Mohannad Abou Diyah, designed "How to be an Inventor" portfolio, sponsored distance learning exhibition and equipped resource rooms and classrooms for male and female students with hearing impairments. STC also implemented a set of training and rehabilitation programs for Saudi youth in vocational fields for the private sector enterprises, distributed about 5,000 fully-interactive training toolkits at reduced affordable prices to help in self-education, honored the distinguished students in the

Ministry of Education and sponsored scientific research chairs to support researchers in many different scientific areas serving the community.
All these programs aim at achieving a qualitative breakthrough for the youths to be able to create innovative technologies and produce new ideas.

Cultural Programs
STC launched many cultural activities within its cultural programs with the aim of raising the awareness of community individuals and enriching the knowledge of youths. The key activities and events adopted by the Company included the Mathematics Olympiad Competition in KSA, which is considered an outstanding competition in mathematics, implemented the program of developing mathematics and science teaching and learning for male and female teachers and supervisors in KSA, and the second national competition program for designing small enterprise action plans and sponsored the proceedings of many summer festivals in all parts of KSA. These activities implied many awareness messages as the Company sponsored “Businesswomen Empowerment in the Banking and Financial Sector” forum and “Positive Persons” TV show was aimed at building positive personalities in addition to “An Hour for Them” which is exclusively oriented to the people with special needs.

Social Programs
The social program is very important in Al-Wafaa programs. The program activities are manifested in many important events. The most important of these activities are the social forums that were attended by many specialized scholars and academics, the sponsorship of collective marriage ceremonies, which aims at providing assistance in marriage, and family guidance, for 1,000 men and women, sponsorship of the first marriage ceremony of the people with special needs (especially for people with motion disability), sponsorship of the ceremonies of women charitable associations, sponsorship of Eidul-Fitr celebrations and sponsorship of the World Day for People with Special Needs. STC also supported lodging centers and offered meals to the people affected by Jeddah floods and the events at KSA southern borders, extended season’s greetings for renal failure patients in Prince Salman Complex and patients in Sultan Bin Abdul Aziz City for Humanitarian Services, and sponsored the “Social Responsibility and Partnership between Public and Private Sectors” forum.

Religious Programs
Religious programs crown Al-Wafaa programs. They are granted due attention by the Company as they touch the beliefs of society, values and principles. They included sponsorship of “Al-Rahman Tables” for breaking fast during Ramadan which is considered the largest campaign for providing food for fasting people. STC also sponsored “The Best Nation” forum which is one of the key religious forums in KSA and sponsored the publication of religious useful and authorized books in addition to its attention to provide religious awareness for its staff by hosting many influential sheikhs and scholars; a matter that helped several non-Muslim employees to convert to Islam.

Participations
STC was keen to continue its positive and effective role in many activities through the sponsorship of many internal and external events, conferences, forums and exhibitions. Key STC participations during 2009 were the supervision of KSA booth in ITU, which took place in Geneva, Switzerland and is considered the key international event in the field of communications and information technology. STC was one of the main participants in the exhibition organized by the ITU.

E- Outstanding Achievements:

• The Custodian of the Two Holy Mosques honored STC for its major role in supporting sports activities.
• The Company was crowned with the BIZZ awards 2009 presented by WORLDCOB.
• The Chief Executive of STC recieved the Excellent Leader award in the communication industry in the Middle East during TMT Conference for finance and investment in the Middle East held in Doha.
• In Gulf Marketing Review magazine, STC was at the top of the best brand ranking all over KSA, the communication sector in the Region and all over the GCC state members.
• STC was awarded the Gold Lynx Dubai Prize as the best company in customer service.
• STC website www.stc.com.sa occupied an advanced position as per Alexa International ranking. It is one of the best five hundred sites all over the world and it excelled the largest competitors in the Middle East.
• STC was awarded Okaz Newspaper’s prize “the Silver for the Print” on the category of printed ads.

F. BOD Recommendations, Dividends and Bonus Distribution:

The Proposed Distribution of Dividends in 2009
The BOD proposed distributing dividends at the end of the 2009 fiscal year on a basis of SR 3 per share.

BOD Members Remuneration
Bonuses and remunerations paid to members of the BOD for their attendance of Board meetings and its committees totaled SR 519,000. The periodical and annual bonuses of the BOD members reached SR 1,580,000. The BOD recommends that SR 200,000 shall be issued to each member as an annual bonus for 2009 as Article 46 of STC Articles of Incorporation.
The five most senior Board members, including the president and the financial manager, received salaries and bonuses reaching SR 7,125,528 while their annual bonus reached SR 3,319,879.

Recommendations

STC BOD recommends to the General Assembly the following:

1- Approval of the BOD report for the fiscal year ending on 31/12/2009.

2- Approval of the consolidated Financial Statements of the Company and the auditor's report for the fiscal year ending on 31/12/2009.

3- Approval of the BOD proposal to distribute dividends for the fourth quarter of the fiscal year 2009, on a basis of SR 0.75 per share, in addition to what has been distributed for the first three quarters in 2009, amounting to SR 2.25 per share. Total dividends distributed for the fiscal year 2009 are thus SR 3 per share.

4- Approval of the selection of the Company auditors from among candidates by the Audit Committee to audit and review the annual and quarterly financial statements for the fiscal year 2010 and determine their fees.

5- The BOD recommendation on the permissibility of the continuity of the membership of Mr. Abdul Aziz Al-Omar in the Audit Committee and approval to exempt him from Para 2 of the Third Article of the controls regulating the work of the Audit Committee.

6- Acquitting the BOD members with regard to the fiscal year ending on 31/12/2009.

Conclusion

The Company BOD praises Allah for His help, and expresses gratitude to the Custodian of the Two Holy Mosques, King Abdullah Bin Abdul Aziz, his Trustworthy Crown Prince and the Second Deputy Prime Minister in appreciation of their support, care and encouragement they generously granted STC in its quest to develop performance and improve services. The Board is also grateful to STC customers and stakeholders for their confidence and to the entire staff of the Company for their dedication and devotion in the performance of their work. The Board affirms the Company's incessant endeavors to develop its business in order to meet customers' needs, realize stakeholders' aspirations, serve social objectives, and underlines the Company's leading position in the telecom sector in the Kingdom.

Fourth: Consolidated Financial Statements

For the year ended December 31, 2009

PRICEWATERHOUSECOOPERS

P.O. Box 8282
Riyadh 11482
Saudi Arabia

BDO Dr. M. Al-Amri & Co

P.O. Box 8736
Riyadh 11492
Saudi Arabia

INDEPENDENT AUDITORS' REPORT

To the shareholders
Saudi Telecom Company
(A Saudi Joint Stock Company)
Riyadh, Saudi Arabia

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

We conducted our audit in accordance with generally accepted auditing standards 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 principles used and the financial estimates made by the management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the above mentioned consolidated financial statements as a whole:

- Present fairly, in all material respects, the consolidated financial position of the company as of December 31, 2009 and the result of its operations and its consolidated cash flows for the year then ended in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the company; and
- Comply with the requirements of Regulations for the Companies and the Company's Articles of Association as related to the preparation of these consolidated financial statements.

PricewaterhouseCoopers Al Juraid

Rashid S. Al-Rashoud
(License Number 366)

Dr. M. Al Amri & Co.

Gihad M. Al-Amri
(License Number 362)

February 21, 2010
Rabi1 07, 1431

Consolidated Balance Sheet as of December 31, 2009

(Saudi Riyals in thousands)

	Notes	2009	2008
ASSETS			
Current assets:			
Cash and cash equivalents	3	7,710,078	8,061,169
Accounts receivable, net	4	11,461,225	8,120,037
Prepayments and other current assets	5	3,491,858	2,765,190
Total current assets		22,663,161	18,946,396
Non-current assets:			
Property, plant and equipment, net	6	52,736,873	44,381,539
Intangible assets, net	7	29,221,786	31,695,114
Equity method and other investments	8	2,532,926	2,451,736
Other non-current assets	9	2,432,730	2,287,350
Total non-current assets		86,924,315	80,815,739
Total assets		**109,587,476**	**99,762,135**
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable	10	7,656,719	6,648,722
Other payables	11	4,818,569	4,334,601
Accrued expenses	12	6,205,099	5,762,320
Deferred revenues		2,081,262	2,248,478
Borrowings – current portion	13	8,579,020	3,904,714
Total current liabilities		29,340,669	22,898,835
Non-current liabilities:			
Borrowings – non-current portion	13	22,711,062	28,081,220
Employees' end of service benefits	14	2,843,869	2,738,025
Other payables		3,858,928	3,482,178
Total non-current liabilities		29,413,859	34,301,423
Total liabilities		58,754,528	57,200,258
Equity			
Shareholders' equity:			
Authorized, issued and outstanding shares	15	20,000,000	20,000,000
Statutory reserve	16	9,298,723	8,233,141
Retained earnings		13,552,367	9,783,301
Financial statements' translation differences		(816,265)	(378,464)
Total shareholders' equity		42,034,825	37,637,978
Minority interest		8,798,123	4,923,899
Total Equity		50,832,948	42,561,877
Total liabilities and equity		**109,587,476**	**99,762,135**

The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements

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

(Saudi Riyals in thousands)

	Notes	2009	2008
Operating Revenues	17	50,780,087	47,469,368
Operating Expenses			
Government charges	18	(5,664,399)	(5,541,955)
Access charges		(7,494,284)	(6,130,577)
Employee costs	19	(6,771,597)	(6,164,272)
Depreciation and amortization	6 , 7	(7,798,739)	(6,407,514)
Administrative and marketing expenses	20	(7,614,336)	(5,762,088)
Repairs and maintenance		(2,623,145)	(2,127,821)
Total operating expenses		(37,966,500)	(32,134,227)
Operating Income		12,813,587	15,335,141
Other Income and Expenses			
Cost of early retirement program		(810,914)	(675,000)
Finance cost	21	(1,385,300)	(1,432,201)
Commissions on Murabaha and deposits	3, 8	361,957	623,608
Other, net	22	1,151,038	(1,809,194)
Other income and expenses, net		(683,219)	(3,292,787)
Net Income before Minority interest, Zakat and Tax		12,130,368	12,042,354
Provision for Zakat	23	(334,513)	(375,513)
Provision for Tax	24	(642,042)	(456,829)
Net Income before Minority interest		11,153,813	11,210,012
Minority interest		(290,457)	(172,166)
Net Income		**10,863,356**	**11,037,846**
Basic earnings per share on Operating Income (in Saudi Riyals)		6.41	7.67
Basic losses per share on Other Operations (in Saudi Riyals)		(0.34)	(1.65)
Basic earnings per share on Net Income (in Saudi Riyals)		5.43	5.52

The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements

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

(Saudi Riyals in thousands)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	10,863,356	11,037,846
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,798,739	6,407,514
Doubtful debts expense	1,507,983	913,992
Earnings from investments accounted for under the equity method	(79,609)	(45,456)
Losses on sale/disposal of property, plant and equipment	112,818	419,551
Gains on sale of investments	(682,339)	-
Changes in:		
Accounts receivable	(4,849,171)	(4,061,041)
Prepayments and other current assets	(726,668)	(1,378,871)
Other non-current assets	(145,380)	1,928,765
Accounts payable	1,007,997	3,566,642
Other payables	766,648	1,046,521
Accrued expenses	442,779	175,598
Deferred revenues	(167,216)	332,157
Employees' end of service benefits	105,844	805,728
Net cash flows from operating activities	15,955,781	21,148,946
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(15,636,871)	(16,278,076)
Intangible assets, net	1,781,658	(19,234,731)
Equity method and other investments	-	(29,839)
Dividends received from investments accounted for under the equity method	23,288	16,384
Proceeds from sale of property, plant and equipment	289,550	57,839
Net cash used in investing activities	(13,542,375)	(35,468,423)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(5,942,869)	(8,551,934)
Borrowings, net	(695,852)	18,406,182
Minority interest	3,874,224	4,908,270
Net cash (used in) / provided by financing activities	(2,764,497)	14,762,518
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(351,091)	443,041
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	8,061,169	7,618,128
CASH AND CASH EQUIVALENTS AT END OF YEAR	**7,710,078**	**8,061,169**
Non-cash item: Financial statements' translation differences	(437,801)	(575,303)

The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements

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

(Saudi Riyals in thousands)

	Share Capital	Statutory Reserve	Retained Earnings	Financial Statements' Translation Differences	Minority Interest	Total Equity
Balance at December 31, 2007	**20,000,000**	**7,020,710**	**8,658,704**	**196,839**	**15,629**	**35,891,882**
Net income	–	–	11,037,846	–	–	11,037,846
Dividends	–	–	(8,500,000)	–	–	(8,500,000)
Transfer to statutory reserve	–	1,212,431	(1,212,431)	–	–	–
Financial statements' translation differences	–	–	–	(575,303)	–	(575,303)
Minority interest	–	–	–	–	4,908,270	4,908,270
Other	–	–	(200,818)	–	–	(200,818)
Balance at December 31, 2008	**20,000,000**	**8,233,141**	**9,783,301**	**(378,464)**	**4,923,899**	**42,561,877**
Net income	–	–	10,863,356	–	–	10,863,356
Dividends	–	–	(6,036,939)	–	–	(6,036,939)
Transfer to statutory reserve	–	1,065,582	(1,065,582)	–	–	-
Financial statements' translation differences	–	–	–	(437,801)	–	(437,801)
Minority interest	–	–	–	–	3,874,224	3,874,224
Other	–	–	8,231	–	–	8,231
Balance at December 31, 2009	**20,000,000**	**9,298,723**	**13,552,367**	**(816,265)**	**8,798,123**	**50,832,948**

The accompanying notes from 1 to 30 form an integral part of these consolidated financial statements

Respect

Notes to the Consolidated Financial Statements For the Year Ended December 31, 2009

1- GENERAL

Saudi Telecom Company (the "Company") was established as a Saudi Joint Stock Company pursuant to Royal Decree No. M/35, dated 24 Dhul Hijja 1418 H (April 21, 1998) which authorized the transfer of the telegraph and telephone division of the Ministry of Post, Telegraph and Telephone ("MoPTT") (hereinafter referred to as "Telecom Division") with its various components and technical and administrative facilities to the Company, and in accordance with the Council of Ministers' Resolution No. 213 dated 23 Dhul Hijja 1418 H (April 20, 1998) which approved the Company's Articles of Association (the "Articles"). The Company was wholly owned by the Government of the Kingdom of Saudi Arabia (the "Government"). Pursuant to the Council of Ministers' Resolution No. 171 dated 2 Rajab 1423 H (September 9, 2002), the Government sold 30% of its shares.

The Company commenced its operations as the provider of telecommunications services throughout the Kingdom of Saudi Arabia (the "Kingdom") on 6 Muharram 1419 H (May 2, 1998), and received its Commercial Registration No. 1010150269 as a Saudi Joint Stock Company on 4 Rabi Awal 1419 H (June 29, 1998). The Company's head office is located in Riyadh.

The Company has various investments in subsidiaries, associates and joint ventures, collectively known for the financial statements purposes as (the "Group"). The details of these investments are as follows:

Company Name	Ownership	Accounting Treatment
Arabian Internet and Communications Services Co. The Kingdom	100%	Full Consolidation
STC Bahrain (BSCC) – Bahrain	100%	Full Consolidation
Gulf Digital Media Holding (BSCC) – Bahrain (Investco)	51%	Full Consolidation
Tejari Saudi Arabia - The Kingdom	50%	Has been excluded
Kuwait Telecom Company Ltd. - Kuwait	26%	Full Consolidation
PT Natrindo Telepon Seluler ("NTS") - Indonesia	51%	Proportionate Consolidation
Oger Telecom Ltd. - U.A.E.	35%	Proportionate Consolidation
Binariang GSM SDN BHD ("Binariang") - Malaysia	25%	Proportionate Consolidation
Arab Submarine Cables Company Ltd. - The Kingdom	48.6%	Equity Method
Arab Satellite Communications Organization ("Arabsat") - The Kingdom	36.66%	Equity Method

The main activities of the Group comprise of the provision of a variety of telecommunications services which include mobile (second and third generations), fixed local national and international telephone services and data services such as data transmission, leased lines, internet services and e-commerce.

Arabian Internet and Communications Services Co. (AwalNet) – The Kingdom

The Arabian Internet and Communications Services Co. (a limited liability company)

was established in April 2002. The Company is engaged in providing internet services, operation of communications projects and transmission and processing of information.

STC Bahrain (BSCC) – Bahrain

STC Bahrain (BSC Closed) was established in the Kingdom of Bahrain in February 2009, and the Company owns 100% of its BHD 75 million share capital. This company operates in the field of mobile services, international telecommunications and other related services. Commercial operations have not commenced yet.

Gulf Digital Media Holding (BSCC) – Bahrain

This company was formed in June 2009. It is a holding company which owns stakes in companies operating in the field of content services and digital media. The Company owns 51% of its share capital.

Tejari Saudi Arabia – The Kingdom

Tejari Saudi Arabia (a limited liability company) was formed in November 2006 for the purpose of establishment, operation and management of electronic markets and platforms, and to provide all services related to e-commerce dealings.

The Company has decided to liquidate Tejari Saudi Arabia, and has accordingly excluded the cost of the investment amounting to SR 14 million as of December 31, 2009 (Refer to Note 22).

Kuwait Telecom Company Ltd. – Kuwait

In December 2007, the Company acquired 26% of the KD 50 million share capital of the Kuwait Telecom Company. This company operates in the field of mobile services, and has commenced commercial operations on December 4, 2008.

PT Natrindo Telepon Seluler "NTS" - Indonesia

NTS obtained the license to operate a third generation mobile network in Indonesia and it started the commercial provisioning of this service in the first quarter 2008. The Company acquired 51% of NTS in September 2007.

Oger Telecom Ltd. - U.A.E.

Oger Telecom Ltd. is a company registered in Dubai, the United Arab Emirates, having investments in companies operating in the telecommunications sector in Turkey and South Africa. The Company acquired 35% of Oger Telecom Ltd in April 2008.

During 2009, Oger Telecom Ltd. changed the functional currency of one of its subsidiary companies in Turkey to the US Dollar, due to changes in events and circumstances following the acquisition by STC Group of 35% of its share capital, with prospective application in accordance with the accounting standards.

Binariang GSM SDN BHD "Binariang" – Malaysia

Binariang is a Malaysian investment holding company that had owned 100% of Maxis, the then unlisted Malaysian holding group operating in the telecommunications sector in Malaysia. In November 2009, 30% of Maxis' shares were offered for public subscription and the company was subsequently listed in the Malaysian stock market. The percentage ownership of Binariang in Maxis has accordingly reduced to 70%. The public offering has resulted in gains for Binariang, and the Company's share in such gains is shown in Note (22).

Binariang has other investments in telecommunications companies in both of India and Indonesia, holding 74% of Aircel - India and 44% of NTS - Indonesia. The Company acquired 25% of Binariang in September 2007.

Arab Submarine Cables Company Ltd. – The Kingdom
Arab Submarine Cables Company Ltd. was established in September 2002 for the purpose of constructing, leasing, managing and operating a submarine cable connecting the Kingdom and the Republic of Sudan for telecommunications between them and any other countries. The operations of the Arab Submarine Cables Company Ltd. started effective June 2003.

Arab Satellite Communications Organization "Arabsat" – The Kingdom
This organization was established in April 1976 by member states of the Arab League. Arabsat offers a number of services to member states, as well as to all public and private sectors within its coverage area, principally the Middle East.
Current services offered include regional telephony (voice, data, fax and telex), television broadcasting, regional radio broadcasting, restoration services and leasing of capacity on an annual or monthly basis.

SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements are prepared in accordance with accounting standards generally accepted in the Kingdom. The financial statements of the Group include the financial statements of the Company, its subsidiaries, associates and joint ventures for the year ended December 31, 2009.
Intra-Group balances and transactions and any unrealized gains arising from intra-group transactions, if material, are eliminated in preparing the consolidated financial statements.

The preparation of the financial statements in conformity with accounting standards generally accepted in the Kingdom requires the use of accounting estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses during the financial period.

The significant accounting policies are summarized below:

a) Period of the financial statements
The Group's financial year begins on January 1 and ends on December 31 of each Gregorian year.

b) Revenue recognition
Revenue is recognized, net of discounts, when services are rendered based on the access to, or usage of, the exchange network and facilities. Usage revenues are based upon fractions of traffic minutes processed, applying rates approved by the Communications and Information Technology Commission ("CITC").

- Charges billed in advance are deferred and recognized over the period in which the services are rendered.
- Unbilled revenue is recognized in the period to which it relates.
- Revenue is recognized upon collection when collectability is highly uncertain.

c) Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, balances with banks and all highly liquid investments with maturity of 90 days or less from the acquisition date.

d) Accounts receivable
Accounts receivable are shown at their net realizable values, which represent billings and unbilled usage revenues net of allowances for doubtful debts.

e) Allowance for doubtful debts
The Group reviews its accounts receivable for the purpose of creating the required allowances against doubtful debts. When creating the allowance, consideration is given to the type of service rendered (mobile, landline, telex, international settlements… etc), customer category, age of the receivable, the Group's previous experience in debt collection and the general economic situation.

f) Inventories
- Inventories, which are principally cables, spare parts and consumables, are stated at weighted average cost, net of allowances. Inventory items that are considered an integral part of the network assets, such as emergency spares which cannot be removed from the exchange, are recorded within property, plant and equipment. Inventory items held by contractors responsible for upgrading and expanding the network are recorded within 'capital work-in-progress'.

- The Company creates an allowance for obsolete and slow-moving inventories, based on a study of the usage of the major inventory categories. When such an exercise is impractical, the allowance is based on groups or categories of inventory items, taking into consideration the items which may require significant reductions in their values.

g) Property, plant and equipment and depreciation
1- Prior to May 2, 1998, the Telecom Division did not maintain sufficiently detailed historical information to record property, plant and equipment based on historical cost. Consequently all property, plant and equipment transferred by the Telecom Division on May 2, 1998 has been recorded based on a valuation performed by the Company with the assistance of independent international and local valuation experts. The principal bases used for valuation are as follows:

- Land	Appraised value
- Buildings, plant and equipment	Depreciated replacement cost

2- Other than what is mentioned in (1) above, property, plant and equipment acquired by the Group are recorded at historical cost.
3- Cost of the network comprises all expenditures up to the customer connection point, including contractors' charges, direct materials and labor costs up to the date the relevant assets are placed in service.

4- Property, plant and equipment, excluding land, are depreciated on a straight line basis over the following estimated useful lives:

	Years
Buildings	20 – 50
Telecommunications plant and equipment	03 – 25
Other assets	02 – 08

5- Repairs and maintenance costs are expensed as incurred, except to the extent that they increase productivity or extend the useful life of an asset, in which case they are capitalized.

6- Gains and losses resulting from the disposal/sale of property, plant and equipment are determined by comparing the proceeds with the book values of disposed-off /sold assets, and the gains or losses are included in the consolidated statement of income.

7- Leases of property, plant and equipment where the Group assumes substantially all benefits and risks of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value and the present value of the minimum lease payments. Each lease payment is to be allocated between the finance charge which is expensed in the current period and the reduction in the liability under the finance lease.
Assets leased under finance leases are depreciated over their estimated useful lives.

h- Software costs

• Costs of operating systems and application software purchased from vendors are capitalized if they meet the capitalization criteria, which include productivity enhancement or a noticeable increase in the useful life of the asset. These costs are amortized over the estimated period for which the benefits will be received.
• Internally developed operating systems, software costs are capitalized if they meet the capitalization criteria, which include the dedication of a defined internal work group to develop the software and the ability to readily identify related costs. These costs are amortized over the estimated period for which the benefits will be received.
• Internally developed application software costs are recognized as expense when incurred. Where the costs of operating systems software cannot be identified separately from the associated hardware costs, the operating systems software costs are recorded as part of the hardware.
• Subsequent additions, modifications or upgrades of software programs, whether operating or application packages, are expensed as incurred.
• Software training and data-conversion costs are expensed as incurred.

i- Intangible assets

Goodwill

• Goodwill arises on the acquisition of stakes in subsidiaries and joint ventures. It represents the excess of the cost of the acquisition over the Group' share in the fair value of the net assets of the subsidiary or the joint venture at the date of acquisition. When the excess is negative it is recognized immediately in the consolidated statement of income.
• Goodwill is recorded at cost and is to be reduced by impairment losses (if any).

Spectrum rights and Second/Third Generation licenses

These intangible assets are recorded upon acquisition at cost and are amortized starting from the date of service provisioning on a straight line basis over their useful lives or statutory durations, whichever is shorter.

j- Impairment of non-current assets

The Group reviews periodically non-current assets to determine whether they are impaired, whenever events or changes in circumstances indicate that. When such indications are present the recoverable amount of the asset should be estimated. If the recoverable amount of the asset cannot be determined individually, then the cash generating unit to which the asset relates is to be used instead. The excess of the carrying amount of the asset over its recoverable amount is treated as impairment in its value to be recognized in the consolidated statement of income of the period in which it occurs. When it becomes evident that the circumstances which resulted in the impairment no longer exist, the impairment amount (except for goodwill) will be reversed and recorded as income in the consolidated statement of income of the period in which such reversal is determined. Reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in previous financial periods.

k- Investments

Subsidiaries

Entities controlled by the Company are classified as subsidiaries. Control is defined as the power to use, or direct the use, of another entity` assets in order to gain economic benefits. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date control commences until the date it ceases.

Investments in Joint Ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control. That is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of all the parties sharing control.
Contractual arrangements that involve a separate entity in which each venture has an interest are referred to as jointly controlled entities.
In the consolidated financial statements, the Group reports its interests in jointly controlled entities using proportionate consolidation, whereby the Company's share of the assets, liabilities, income and expenses of jointly controlled entities is combined on a line-by-line basis with the equivalent items in the Company's financial statements.
Goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill.

Investments Accounted for Under the Equity Method

Associates are those corporations or other entities on which the Group exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associate but not the power to exercise control over those polices.

The Company accounts for investments in entities in which it has a significant influence under the equity method. Under the equity method, the Company records the investment on acquisition at cost, which is adjusted subsequently by the Company's share in the net income (loss) of the investee, the investee's distributed dividends and any changes in the investee's equity, to reflect the Company's share in the investee's net assets. These investments are reflected in the consolidated balance sheet as non-current assets, and the Company's share in the net income (loss) of the investee is presented in the consolidated statement of income.

Other Investments

• Available for sale marketable securities are carried at fair value, which is based on market value when available. However, if fair value cannot be determined, due to non-availability of an active exchange market or other indexes through which market value can reasonably be determined, cost will be considered as the alternative fair value. Unrealized gains and losses are shown as a separate component within equity in the consolidated balance sheet. Losses resulting from permanent declines in fair values below costs are recorded in the consolidated statement of income in the period in which the declines occur.

• Investments held to maturity are recorded at cost and adjusted for amortization of premiums and accretion of discounts, if any. Losses resulting from permanent declines in fair values below costs are recorded in the consolidated statement of income in the period in which the declines occur.

• Gains and loses resulting from sales of available for sale securities are recorded in the period of sale, and previously recorded unrealized gains and losses are reversed.

l- Zakat

The Company calculates and reports the Zakat provision in its financial statements in accordance with Zakat rules and principles, and the instructions of the Department of Zakat and Income Taxes in the Kingdom. Adjustments arising from final Zakat assessments are recorded in the period in which such assessments are approved.

m- Taxes

Taxes relating to entities invested in outside the Kingdom are calculated in accordance with tax laws applicable in their countries.

Deferred tax assets

Deferred tax assets of foreign entities are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences of the foreign entities can be utilized. This involves judgement regarding the future financial performance of the particular entity in which the deferred tax asset has been recognised.

n- Employees' end of service benefits

The provision for employees' end of service benefits represents amounts due and payable to the employees upon the termination of their contracts, in accordance with the terms and conditions of the laws applicable in the Kingdom and the countries invested in.

o- Foreign currency transactions and translation of financial statements

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These consolidated financial statements are presented in Saudi Riyals.

Transactions and Balances

Balances of monetary assets and liabilities denominated in foreign currencies of specific amounts are translated using rates of exchange prevailing at the consolidated balance sheet date.

Gains and losses arising on the settlement of foreign currency transactions, and unrealized gains and losses resulting from the translation to Saudi Riyals of foreign currency denominated monetary balances are recorded in the consolidated statement of income.

Entities of the Group (translation of financial statements)

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

• Items of shareholders' equity (except retained earnings) are translated at the rate prevailing on the acquisition date.

• Retained earnings are translated as follows: retained earnings translated at the end of last year plus net income for the year as per the translated income statement less declared dividends translated at the rate prevailing on the date of declaration.

• Income statement items are translated using the weighted average rate for the period. Material gains and losses are translated at the rate prevailing on the date of their occurrence.

• All resulting exchange differences, if material, are recognised as a separate component of shareholders' equity.

When those entities are partially sold out or disposed of, exchange differences that were recorded in shareholders' equity should be recognized in the statement of income as part of the gains or losses on sale.

p) Contingent liabilities

A contingent liability is a possible obligation which may arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability. In this case the Group does not recognize the contingent liabilities but discloses them in the consolidated financial statements.

q) Government charges

Government charges are the costs incurred by the Group for the right to provide the telecommunications services, including use of the frequency spectrum. Government charges are accrued in the relevant periods.

r) Access charges

Access charges represent the costs to connect to foreign and domestic carriers' networks related to telecommunications services for the Group. Access charges are recognized in the periods of relevant calls.

s) Administrative and marketing expenses

Administrative and marketing expenses are expensed as incurred when it is not possible to determine the relevant benefiting periods. Otherwise, they will be charged to the relevant periods.

t) Earnings per share

Earnings per share are calculated by dividing operating income and other operations before eliminating minority interest, and net income for the financial period, by the weighted average number of shares outstanding during the period.

3- CASH AND CASH EQUIVALENTS

The Company invests a part of surplus cash in Murabaha deals with maturity periods of 90 days or less with several local banks. The average rate of commission on these deals during the year was 0.96% (2008: 3.6%). Total commission earned on these deals during the year was SR 35.5 million (2008: SR 126.9 million).

The Group's share in commissions earned by subsidiaries and joint ventures on short-term deposits was SR 324.1 million (2008: SR 490.3 million).

At the end of the year, cash and cash equivalents consisted of the following:

(Thousands of Saudi Riyals)	2009	2008
Collection accounts	3,922,421	270,201
Short-term Murabaha deals	1,614,182	4,111,139
Short-term deposits	1,612,473	3,518,169
Disbursement accounts	561,002	161,660
	7,710,078	8,061,169

4- ACCOUNTS RECEIVABLE, NET

(a) Accounts receivable on December 31 consisted of the following:

(Thousands of Saudi Riyals)	2009	2008
Billed receivables	11,227,515	7,519,484
Unbilled receivables	2,423,457	2,326,781
	13,650,972	9,846,265
Allowance for doubtful debts	(2,189,747)	(1,726,228)
	11,461,225	8,120,037

Movement in the allowance for doubtful debts during the year was as follows:

(Thousands of Saudi Riyals)	2009	2008
Balance at January 1	1,726,228	1,717,621
Additions (Note 20)	1,507,983	913,992
	3,234,211	2,631,613
Bad debts written-off	(1,044,464)	(905,385)
Balance at December 31	2,189,747	1,726,228

(b) Since inception, the Company recognizes revenues from services rendered to particular customers upon collection where collectability is highly uncertain. The Company is currently pursuing the collection of these revenues. Uncollected revenues from such customers for the year 2009 amounted to SR 101 million (2008: SR 115 million), with an annual average of SR 189 million for the ten years preceding 2009.

(c) The Company has agreements with outside network operators whereby amounts receivable from and payable to the same operator are subject to offsetting. At December 31, the net amounts included in accounts receivable and accounts payable were as follows:

(Thousands of Saudi Riyals)	2009	2008
Accounts receivable, net	4,184,337	2,339,352
Accounts payable, net	4,722,120	3,350,564

(d) In accordance with paragraph (7) of the Council of Ministers' Resolution No. 171 referred to in Note (1), the Company settles the amounts due to the Government as government charges against accumulated receivable balances due from Government for usage of the Company's telecom services.

5- PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets consisted of the following:

(Thousands of Saudi Riyals)	2009	2008
Inventories	710,276	778,199
Advances to suppliers	624,860	450,087
Prepaid rent	387,666	236,816
Prepaid tax	334,200	196,254
Short-term investments	298,698	-
Frequency evacuation project	292,843	292,843
Accrued commissions and receivables	152,333	183,778
Other	690,982	627,213
	3,491,858	2,765,190

The frequency evacuation project, which is agreed upon with official parties, is to evacuate the frequencies used for the benefit of the CITC and to build an alternative network by the Company. In 2005, the project costs of SR 250 million were deducted from the balance payable to the Government and reflected under "Other payables". The signing of the final report and the project handing-over has been finalized, and the closure of project accounts is expected during the first quarter of 2010 (Refer to Note 11).

"Other" comprises different items, the main ones being: Deferred expenses, prepaid insurance and refundable deposits.


Initiative

6- PROPERTY, PLANT AND EQUIPMENT, NET

(Thousands of Saudi Riyals)	Land & Buildings	Telecommunications Plant & Equipment	Other Assets	Capital Work in Progress	Total 2009	Total 2008
Gross book value						
At January 1	13,441,953	65,956,759	4,624,792	4,594,466	88,617,970	71,976,887
Additions	16,492	171,625	94,750	5,699,889	5,982,756	5,805,963
Transfers	513,712	5,720,204	208,951	(6,442,867)	-	-
Group's share in total PPE costs of investees	98,697	6,217,773	1,431,077	(44,978)	7,702,569	12,670,433
Disposals	(174,507)	(289,899)	(74,998)	-	(539,404)	(1,835,313)
At December 31	13,896,347	77,776,462	6,284,572	3,806,510	101,763,891	88,617,970
Accumulated depreciation						
At January 1	5,385,164	35,521,721	3,329,546	-	44,236,431	37,607,590
Charge	480,144	6,028,818	370,207	-	6,879,169	5,825,427
Group's share in remaining movement of accumulated depreciation of investees	(9,932)	(1,854,448)	151,042	-	(1,713,338)	2,177,919
Disposals	(42,416)	(261,972)	(70,856)	-	(375,244)	(1,374,505)
At December 31	5,812,960	39,434,119	3,779,939	-	49,027,018	44,236,431
Net book value	8,083,387	38,342,343	2,504,633	3,806,510	52,736,873	44,381,539

(a) Land and buildings above include land of SR 2,260 million as of December 31, 2009 (December 31, 2008: SR 2,404 million).

(b) In accordance with the Royal Decree referred to in Note (1), the ownership of assets had been transferred to the Company as of May 2, 1998. However, the transfer of legal ownership of certain land parcels is still in progress. Land parcels for which legal ownership has been transferred into the Company' name amounted to SR 1,896 million as of December 31, 2009. The transfer of the ownership of the remaining land parcels with a value of SR 241 million is still in progress.

(c) Movements in cost and accumulated depreciation of investees include the results of the fair value study of the investment in Ojer Telecom Ltd, which was concluded in the first quarter 2009.

7- INTANGIBLE ASSETS, NET

Intangible assets include the goodwill arising on the acquisition of the Group's shares in Oger Telecom Ltd, Binariang and NTS, in addition to the Company's share in the goodwill recorded in the financial statements of Oger Telecom Ltd and Binariang on the acquisition date.

The Company has used the fair values of net assets at the date of acquisition for the calculation of goodwill arising on its acquisition of 35% of Oger Telecom Ltd. based on valuation reports determining that value, which were finalized by the end of the first quarter 2009. The amounts recorded as goodwill were accordingly reallocated.

Intangible assets consist of the following:

(Thousands of Saudi Riyals)	2009	2008
Licenses	15,313,139	14,473,536
Goodwill arising on the consolidation of financial statements	5,137,389	5,477,165
Trade marks and customer relations	4,319,416	4,064,683
Goodwill arising on the acquisition of 25% in Binariang	1,753,114	1,753,114
Goodwill arising on the acquisition of 35% in Oger Telecom Ltd.	826,396	4,147,340
Goodwill arising on the acquisition of 51% in NTS	713,191	856,726
Others	1,159,141	922,550
	29,221,786	31,695,114

Amortization of intangible assets was as follows:

	2009	2008
(Thousands of Saudi Riyals)	919,570	582,087

8- EQUITY METHOD AND OTHER INVESTMENTS

These investments consist of the following:

(Thousands of Saudi Riyals)	Ownership	2009	Ownership	2008
Investments accounted for under the equity method:				
Arab Satellite Communications Organization ("Arabsat")	36.66%	1,088,478	36.66%	983,007
Arab Submarine Cables Company Ltd.	48.6%	53,597	47.1%	53,104
		1,142,075		1,036,111
Investments in Sukuk		1,240,851		1,265,625
Other investments:				
Held to maturity:				
Investment in Sabic's Sukuk		150,000		150,000
Total investments		2,532,926		2,451,736

Investments in Sukuk
Represents the group's share in the investment in sukuk, which was made by one of the Group's entities in December 2007. Maturity is 10 years, and commission margin is equivalent to the Kuala Lumpur Inter-Bank Offered Rate ("KLIBOR") plus 0.45%. This financing is a part of related party transactions within the Group.

Investment in Sabic's Sukuk
The Sukuk were acquired from the Saudi Basic Industries Corporation "Sabic" in July 2006 for SR 150 million, with maturity of 5 years up to July 2011, and a commission rate equal to the Saudi Inter-Bank Offered Rate ("SIBOR") plus 0.40%. Commission earned from these Sukuk during the year amounted to SR 2.4 million (2008: SR 6.4 million).

9- OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following:

(Thousands of Saudi Riyals)	2009	2008
Employee housing loans	717,751	615,491
Deferred taxes	543,651	27,197
Deferred costs	453,234	568,461
Investment property	398,476	427,196
Other	319,618	649,005
	2,432,730	2,287,350

"Other" comprises different items, the main ones being: Advanced commissions and fees, and amounts due from related parties.

10- ACCOUNTS PAYABLE

Accounts payable consist of the following:

(Thousands of Saudi Riyals)	2009	2008
Outside network operators` settlements (Refer to Note 4-c)	3,882,180	3,249,287
Trade	2,653,173	2,257,873
Government charges (Refer to Note 4-d)	684,878	926,429
Capital expenditures	409,609	200,981
Due to related parties	26,879	14,152
	7,656,719	6,648,722

11- OTHER PAYABLES

Other payables consist of the following:

(Thousands of Saudi Riyals)	2009	2008
Provision for Zakat and Tax (Refer to Notes 23 & 24)	1,089,616	816,044
Suppliers' retentions	996,099	1,164,888
Withholding tax provision	931,455	754,934
Customers' refundable deposits and other provisions	639,088	635,955
Frequency evacuation project (Refer to Note 5)	250,000	250,000
Settlement of seconded employees' entitlements	119,052	119,052
Other	793,259	593,728
	4,818,569	4,334,601

"Other" comprises different items, the main ones being:
Social insurance, sports clubs sponsoring and non-trade payables.

12- ACCRUED EXPENSES

Accrued expenses consist of the following:

(Thousands of Saudi Riyals)	2009	2008
Capital expenditures	2,511,149	2,800,160
Trade	2,130,186	1,391,938
Employee accruals	1,103,033	1,046,653
Other	460,731	523,569
	6,205,099	5,762,320

13 BORROWINGS

They are composed of:

(Thousands of Saudi Riyals)	2009	2008
Current portion	8,579,020	3,904,714
Non-current portion	22,711,062	28,081,220
	31,290,082	31,985,934

Oger Telecom Ltd.
As of December 31, 2009, the Group's share in the investees' borrowings and bank facilities amounted to SR 8,851 million.

Binariang
As of December 31, 2009, the Group`s share was SR 3,473 million in the Sukuk, and SR 5,321 million in the bank facilities. The Sukuk were utilized in financing the acquisition of outstanding shares of Maxis, the Malaysian holding group.

NTS
As of December 31, 2009, the Group`s share in the Murabaha financing facilities was SR 464 million.

The Company
During the third quarter 2007, the Company obtained financing facilities in the forms of Murabaha deals from several local banks. Maturity is 60 months, the amounts utilized of the facilities as of December 31, 2009 amounted to SR 6,000 million.
In April 2008, the Company obtained financing facilities in the forms of Murabaha deals from several local banks. Maturity is 120 months, the amounts utilized of the facilities as of December 31, 2009 amounted to SR 9,500 million.
During the fourth quarter 2008, the Company started repayment of due installments of the financing facilities. Amounts settled as of December 31, 2009 amounted to SR 2,319 million, of which SR 2,037 million were settled during the year ended December 31, 2009.

14- EMPLOYEES' END OF SERVICE BENEFITS

The movement in employees' end of service benefits during the year was as follows:

(Thousands of Saudi Riyals)	2009	2008
Balance at January 1	2,738,025	2,902,503
Charges (Note 19)	424,267	423,080
Settlements	(318,423)	(587,558)
Balance at December 31	2,843,869	2,738,025

The provision is calculated on the basis of vested benefits to which the employees are entitled should they leave at the balance sheet date, using the employees' latest salaries and allowances and years of service. The Group's companies use benefits programs which comply with the laws applicable in their countries.

15- SHARE CAPITAL

At December 31, 2008, the Company's capital amounts to SR 20,000 million, divided into 2,000 million fully paid shares at par value of SR 10 each. As of December 31, 2009 and 2008, the Government owned 70% of the Company's shares.

16- STATUTORY RESERVE

As per the Company's Articles of Association, 10% of annual net income is appropriated as statutory reserve until such reserve equals 50% of issued share capital. This reserve is not available for distribution to the Company's shareholders. During the year 2009 the Company appropriated an amount of SR 1,066 million (2008: SR 1,212 million). The statutory reserve on December 31, 2009 amounted to SR 9,299 million, which represents 46.5% of share capital (December 31, 2008: SR 8,233 million, which represents 41.2% of share capital).

17- OPERATING REVENUES

Operating revenues consist of the following:

(Thousands of Saudi Riyals)	2009	2008
Usage charges	36,359,130	36,686,535
Subscription fees	12,482,543	9,881,541
Activation fees	422,954	454,049
Other	1,515,460	447,243
	50,780,087	47,469,368

18- GOVERNMENT CHARGES

The Government charges for the year were follows:

(Thousands of Saudi Riyals)	2009	2008
Commercial service provisioning	4,744,136	4,654,208
License fees	372,021	365,416
Frequency spectrum	548,242	522,331
	5,664,399	5,541,955

Loyalty

19- EMPLOYEE COSTS

Employee costs consist of the following:

(Thousands of Saudi Riyals)	2009	2008
Salaries and allowances	4,436,365	3,972,226
Incentives and rewards	716,106	634,139
Social insurance	510,377	442,652
End of service benefits	424,267	423,080
Medical insurance	172,043	176,486
Other	512,439	515,689
	6,771,597	6,164,272

20- ADMINISTRATIVE AND MARKETING EXPENSES

Administrative and marketing expenses consist of the following:

(Thousands of Saudi Riyals)	2009	2008
Advertising expenses and sales commissions	2,267,336	1,850,813
Doubtful debts expense (Note 4)	1,507,983	913,992
Rent of equipment, property and motor vehicles	709,499	567,269
Utilities	507,688	338,704
Consultancy	417,150	367,865
Sales promotion and incentives	367,573	232,685
Printing of telephone cards and stationery	327,013	299,812
Other	1,510,094	1,190,948
	7,614,336	5,762,088

"Other" comprises different items, the main ones being: Postage and courier, security and safety expenses, and collection commissions.

21- FINANCE COST

Composed of:

(Thousands of Saudi Riyals)	2009	2008
The Company	221,863	474,705
Other Group's companies	1,163,437	957,496
	1,385,300	1,432,201

22- OTHER INCOME AND EXPENSES, NET

Other income and expenses consist of the following:

(Thousands of Saudi Riyals)	2009	2008
Miscellaneous revenue	1,464,907	621,250
Gains/(Losses) on foreign currency exchange fluctuations	642,153	(1,415,497)
Losses on sale/disposal of property, plant and equipment	(112,818)	(419,551)
Miscellaneous expenses.	(843,204)	(595,396)
	1,151,038	(1,809,194)

Miscellaneous revenue includes the Group's share in the gains of selling 30% of Maxis amounting to about SR 687 million. The net sale proceeds of about SR 12,375 million will be invested in the subsidiary companies of Binariang. The losses of excluding the investment in Tejari Saudi Arabia of about SR 4 million are included in miscellaneous expenses.

23- ZAKAT

(a) Zakat base for the Company

(Thousands of Saudi Riyals)	2009	2008
Share capital – beginning of the year	20,000,000	20,000,000
Additions:		
Retained earnings – beginning of the year	11,071,370	8,659,488
Statutory reserve – beginning of the year	8,233,141	7,020,710
Provisions – beginning of the year	4,479,769	3,858,603
Adjusted net income	13,274,741	14,915,716
Total additions	37,059,021	34,454,517
Deductions:		
Net property, plant & equipment, capital work in progress and intangible assets (limited to shareholders' equity before Zakat)	(37,545,655)	(36,784,489)
Dividends paid	(5,942,869)	(8,551,934)
Investments	(21,868,171)	(20,883,579)
Non-current deferred costs	(410,177)	(518,392)
Total deductions	(65,766,872)	(66,738,394)
Zakat base	(8,707,851)	(12,283,877)

Since the Zakat base is less than the adjusted net income, the Zakat rate of 2.5% is applied to adjusted net income to determine the Zakat charge.

(b) Zakat provision

(Thousands of Saudi Riyals)	2009	2008
Balance at January 1	535,887	323,794
Charge for the year	334,513	375,513
Amounts paid during the year	(88,695)	(163,420)
Balance at December 31	781,705	535,887

Final zakat assessments have been obtained for the years since inception through 2003. The final Zakat assessments for 2004, 2005 and 2006 have not yet been finalized pending decisions on the Company's objections to certain items, totaling about SR 138.4 million. Zakat declarations for 2007 and 2008 have been submitted, but final Zakat assessments on them have not been issued yet. The Company has received a Zakat certificate with validity up to 16/5/1431H (30/4/2010).

(c) Subsidiaries and joint ventures
Effective this year will commence the application of the Ministerial Decree No.1005 dated 28/4/1428 H mandating the submission of one Zakat declaration for the Company and its directly or indirectly fully-owned subsidiaries, whether within or outside the Kingdom.

24- TAX PROVISION

The amount shown in the income statement represents the Group's share of taxes chargeable on subsidiaries and joint ventures in accordance with tax laws applicable in their countries. The balance of the provision on December 31, 2009 amounted to SR 307.9 million (December 31, 2008: SR 280.1 million).

25- RELATED PARTY TRANSACTIONS

Government Entities
The Company provides various voice, data and other services to the Government.

Revenues and expenses related to Government entities in 2009 (including Government charges discussed in Note 18 above) amounted to SR 1,239 million and SR 5,027 million, respectively (2008: SR 1,059 million and SR 5,337 million, respectively).

Amounts receivable from and payable to Government entities at December 31, 2009 totaled SR 260 million and SR 488 million, respectively (2008: SR 181 million and SR 656 million, respectively).

Investments Accounted for Under the Equity Method
During the year, the Company incurred charges of approximately SR 13 million in favour of Arabsat (2008: SR 16 million), while expenses incurred in favour of the Arab Submarine Cables Co. approximated SR 6 million (2008: SR 6 million).

Investments in Joint Ventures
Transactions with joint ventures during the year were not material, with the exception of the investment in Sukuk amounting to SR 1,705 million (Refer to Note 8 & 13).

26- COMMITMENTS AND CONTINGENCIES

Commitments
(a) The Group enters into commitments during the ordinary course of business for major capital expenditures, primarily in connection with its network expansion programs. Outstanding capital expenditure commitments approximated SR 3,347 million on December 31, 2009.
(b) Certain land and buildings, for use in the Company's operations, are leased under operating lease commitments expiring at various future dates. During the year 2009, total rent expense under operating leases amounted to SR 598 million (2008: SR 473 million).

Contingencies
The Group, in the normal course of business, is subject to proceedings, lawsuits and other claims. However, these matters are not expected to have a material impact neither on the Group's financial position nor on the results of its operations as reflected in the consolidated financial statements.

27- FINANCIAL INSTRUMENTS

Fair Value
It is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Management does not believe that the fair values of the Group financial assets and liabilities differ materially from their carrying values.

Commission Rate Risk
This comprises various risks related to the effect of changes in commission rates on the Group's financial position and cash flows. The Group manages its cash flows by controlling the timing between cash inflows and outflows. Surplus cash is invested to increase the Company's commission income through holding balances in short-term and long-term bank deposits, but the related commission rate risk is not considered to be significant.

Currency Risk
It is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Management monitors fluctuations in foreign currency exchange rates and records its effects in the consolidated financial statements.

Credit Risk
It is the risk that other parties will fail to discharge their obligations and cause the Group to incur a financial loss. Financial instruments that subject the Group to concentrations of credit risk consist primarily of cash balances and accounts receivable. The Group deposits its cash balances with a number of major high credit-rated financial institutions and has a policy of limiting its balances deposited with each institution. The Group

does not believe that there is a significant risk of non-performance by these financial institutions. The Group does not consider itself exposed to a concentration of credit risk with respect to accounts receivable due to its diverse customer base (residential, professional, large business and public entities) operating in various industries and located in many regions.

Liquidity Risk

It is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity is managed by periodically ensuring its availability in amounts sufficient to meet any future commitments. The Group does not consider itself exposed to significant risks in relation to liquidity.

28- SEGMENT INFORMATION

The Group has identified its operating segments by the type of service.

The main operating segments of the Group comprise:

• GSM, for which the main services are: mobile, third generation services, prepaid cards, international roaming and messages.

• PSTN, for which the main services are: fixed line, card telephones, interconnect and international calls.

• DATA, for which the main services are: leased data transmission circuits, DSL and internet.

• Un-allocated, containing items which could not be linked with the main operating segments of the Group.

The following table shows the segmental information for the year:

(Thousands of Saudi Riyals)	GSM	PSTN	DATA	Un-allocated	TOTAL
Operating revenues	34,088,015	9,286,127	7,247,552	158,393	50,780,087
Interconnect revenues	1,954,109	6,436,629	595,874	-	8,986,612
Interconnect expenses	(5,989,930)	(1,600,558)	(1,396,124)	-	(8,986,612)
Net operating revenues	30,052,194	14,122,198	6,447,302	158,393	50,780,087
Depreciation and amortization	3,459,603	3,712,344	486,468	140,324	7,798,739
Net income	9,129,198	(471,988)	1,882,198	323,948	10,863,356
Total assets	42,992,628	38,393,497	5,781,234	22,420,117	109,587,476
Total liabilities	20,955,081	15,895,708	1,245,200	20,658,539	58,754,528

The segmental information for the year ended December 31, 2008 was as follows:

(Thousands of Saudi Riyals)	GSM	PSTN	DATA	Un-allocated	TOTAL
Operating revenues	32,643,526	9,070,011	5,689,993	65,838	47,469,368
Interconnect revenues	1,414,253	7,340,015	371,567	-	9,125,835
Interconnect expenses	(5,925,078)	(1,350,639)	(1,850,118)	-	(9,125,835)
Net operating revenues	28,132,701	15,059,387	4,211,442	65,838	47,469,368
Depreciation and amortization	2,850,537	3,249,148	287,825	20,004	6,407,514
Net income	11,530,436	377,405	1,041,546	(1,911,541)	11,037,846
Total assets	37,750,591	36,856,022	3,815,708	21,339,814	99,762,135
Total liabilities	19,769,837	13,741,086	1,018,688	22,670,647	57,200,258

For comparative purposes, 2008 interconnection revenues and expenses have been re-calculated to conform with the methodology used for preparing 2009 segmental information.

29- SUBSEQUENT EVENTS

The Board of Directors, in its meeting held on Tuesday 4 Safar 1431 H (January 19, 2010), proposed interim dividends for the fourth quarter 2009 amounting to SR 1,500 million, at the rate of SR 0.75 per share, resulting in a total dividend for 2009 of SR 3.00 per share (2008: SR 3.75 per share).

30- RECLASSIFICATION

Certain comparatives of the year ended December 31, 2008 have been reclassified to conform to the classifications used for the year ended December 31, 2009.

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