
20 0 8

تأسس خلاصة التقرير السنوي

NIGERIA
Etisalat DB Telecom Private Limited
(Swan Telecom)

AFGHANISTAN

20 0 8

مـؤسسـة الإمـارات للإتصـالات - إتصـالات التـقـرـير السـنـي

20 0 8

التقرير السنوي
Revenue
Year on year growth in revenue

Profit
Year on year growth in profits

Group Revenue
Our Group revenue and net profit have both grown by 26% over the last four years (CAGR).

AED 1.45
Earnings Per Share

AED 3.66 Billion
Capital Expenditure

Sustainable
Consistent
Trusted
Chairman’s Statement

Presenting the Annual Report of 2008 to you gives me both pleasure and a sense of satisfaction considering the remarkable achievements in terms of financial and operational parameters. I take this opportunity to extend my utmost gratitude to all my colleagues who contributed to this success by their dedication and responsibilities they assumed within and outside the UAE, taking into consideration the exceptional economic environment that surrounded Etisalat’s activities during this year.

Despite the global market’s volatility amidst one of the worst global financial crises since the 1930s, we have been able to maintain, and in certain spheres improve on, our growth trajectory in terms of financial and operational parameters. We registered 22% growth in revenue and 19% in our profits against those of the last fiscal year, with our aggregated subscribers crossing 80 million across 17 countries. On a compounded annual growth rate (CAGR), our Group revenue and net profit have both grown by 26% over the last four years.

We are aware that this ongoing financial crisis may indirectly affect our growth in the mid term due to its impact on liquidity and purchasing power and through reduced growth in the commercial arena, both within the UAE and in our international markets. In order to mitigate and manage these risks, we have initiated certain operational steps and made commensurate alterations to our corporate strategy. We are aware of the enormous responsibility we carry on behalf of our shareholders, and shall continue to uphold the highest standards of corporate governance, as we have done so far, to safeguard their interests.

I would also like to take this opportunity to emphasise the Corporation’s sincere gratitude to the leadership and government of the UAE for their continued support of the Corporation, and also compliment them on the astute fiscal and structural macro-economic measures which have been introduced to ensure sustained prosperity and growth in the UAE.

The Corporation has always been selective in its investment approach and will now become even more so. However, we also view this turbulent time as an opportunity in various spheres, asset valuations being just one of them. Driven by our vision of becoming one of the top ten telecom operators in the world, we continued, albeit carefully, to enhance and consolidate our global footprint over 2008.

We entered India, one of the largest telecommunications markets in the world, in terms of growth and scale. Our commercial launch in India is planned for 2009. Our investment in India complements the other regional investments in Pakistan (PTCL), Afghanistan, and Indonesia, representing one of the fastest-growing markets in the telecommunication world. The Corporation today possesses a balanced portfolio with investments in West Asia, South Asia, and Africa, with a common denominator of high growth potential.

In reference to our now extensive international portfolio, we altered our strategy, gradually shifting from an acquirer mode to focusing more on operational excellence. In order to manage operations in 17 countries across two continents, we initiated a restructuring within the Corporation to create a corporate umbrella structure, which will work at monitoring and optimising performance and returns, inside and outside the UAE. An initial interim structure has started operating from the beginning of 2009. The key objective will be to optimise the synergies that now exist with a global footprint, and thus ensure that each of these entities reaps the benefits of being part of an extended Etisalat network.

The benefits of our operational focus have already started to filter in for the Corporation. In Nigeria, we launched commercial operations in October 2008 with a pre-launch subscription of close to 1 million lines. In Tanzania, Zantel is completing an ambitious network rollout in the Tanzanian mainland that will substantially enhance its population coverage, garnering substantially higher revenue and market share. The Corporation also consolidated its holding in Atlantique Telecom Group in West Africa by exercising its call option to acquire an additional 12% stake, taking our holding to 82%. This was backed by a material improvement in the profitability and market share. Etisalat Misr continued to consolidate its position, crossing the 6.8 million subscribers mark in 2008.

Meanwhile, in our home market of the UAE the Corporation continued its pursuit of ensuring that our subscribers have access to the most advanced technology available in the world, at an affordable cost. To do so, a segmented approach was adopted to make sure that particular needs of different demographic and income segments were considered. All these and many more initiatives within the UAE ensured that the Corporation remained the market leader by a wide margin, and the operator of choice.

The Corporation declared an interim dividend of AED 0.25 per share in July 2008. This was followed by a final dividend of AED 0.35 per share, making the total dividend AED 0.60 per share for 2008.

Understanding the importance of human resources, the Corporation has been steadily pursuing structured programmes to train and develop employees in whichever market they operate in. For instance Etisalat invested heavily in employee training. In addition, our commitment to develop local UAE talent remains a continuing objective. We demonstrated that commitment by continuing to support various educational institutions, nurturing and developing local talent wherever possible in all of our operations.

We now look at this new year of 2009 with a mix of confidence and interest, and expect the year to bring many challenges to our Corporation, in the shape of financial turbulence or reduced economic growth.

Finally, on behalf of the Board, I would like to sign off with an assurance to all our stakeholders that fundamentally our Corporation today is strong enough to face whatever challenges and opportunities 2009 may present.

With best wishes for 2009 and the years to come!!

Mohammad Hassan Omran
Chairman
23 February 2009
Compounded Annual Growth Rate (CAGR) Over Four Years

Aggregated Subscribers

80+ Million

26%
Board of Directors and Executive Committee

H.E. Mohammad Hassan Omran
Chairman
Chairman Executive Committee

H.E. Dr. Omar Mohammad Bin Sulaiman
Member
Member Executive Committee

H.E. Khalaf Bin Ahmed Al Otaiba
Vice Chairman

H.E. Abdul Rehman Al Rostomani
Member

H.E. Sheikh Ahmed Mohammad Sultan Bin Suroor Al Dhaheri
Member
Member Executive Committee

H.E. Eisa Bin Nasser Al Serkal
Member
Member Executive Committee
H.E. Saeed Mohamed Al Sharid
Member

H.E. Mubarak Rashed Al Mansoori
Member
Member Executive Committee

H.E. Hamad Mohammad Al Hurr Al Suweidi
Member

H.E. Soud Ahmad Abdulrahman Ba’alawy
Member

H.E. Omar Salf Bin Mohammad Al Huraiz
Member

Mr. Isam Meccawi Suliman Akrat
Corporation Secretary
Group Highlights

etisalat UAE
- e-vision
- Etisalat Software Solutions (Pvt.) Ltd. (Technologia)
- Smart Technology Services DWC - LLC
- UT Technologies LLC

etisalat International
- Atlantique Telecom
- Canar
- Emerging Markets Telecommunications Services Limited (Etisalat Nigeria)
- Etisalat Misr
- Zantel
- Etihad Etisalat (Mobily)
- Thuraya
- Etisalat Afghanistan
- Excelcomindo Pratama TBK (XL)
- Pakistan Telecommunication Company Limited (PTCL)
- Etisalat DB Telecom Private Limited (Swan Telecom)

etisalat Services
- Etisalat Facility Management
- e-Real Estate
- Etisalat Academy
- Ebtikar Card System
- Emirates Data Clearing House (EDCH)
- E-Marine
- Tamdeed Projects
- Etisalat Directory Services

Breakdown of Revenue - Group  (Year Ended December 31, 2008)

- Mobiles: 60%
- Internet: 8%
- Data services: 12%
- Telephones: 12%
- Interconnect: 4%
- Others: 4%
Our focus on continuously investing and nurturing the Etisalat brand was recognised by it being awarded ‘Superbrand’ status by Superbrand Council.

Our operational and infrastructural achievements in carrier services were recognised when Etisalat was named ‘World’s Best International Carrier’.
2008 has been a landmark year in more ways than one. A year that started with a lot of promise saw some truly astonishing, unexpected, and some thoroughly disturbing economic events unfold as it progressed, which made most of us in business management look for the best short- to mid-term strategies to ride over this uncertain economic phase.

Against this backdrop, it gives me immense pleasure to declare that Etisalat UAE has turned in an excellent performance once again, which would not have been possible without the tireless efforts of our employees, as well as their loyalty and dedication. The year saw our mobile subscribers total cross the 7 million mark, with revenue growing by 17% while profits grew by 18%. We registered a compounded annual growth rate of 23%, and 28% in terms of revenue and profits over the last four financial years from operations within the UAE. An important point to note is that the Corporation continued to grow in an open competitive environment and kept pace with the overall market growth, thus demonstrating the growth potential in the telecommunication sector, which continues to grow faster than the overall GDP growth in the UAE. This also underlines the fact that communication has joined the basic necessities club in the hierarchy of needs in our everyday lives. I would like to take this opportunity to congratulate all our stakeholders, including all my colleagues who contributed to this result. This success was largely made possible by our collective effort to re-look at internal processes in pursuing our key objective of continuously creating and delivering value to our customers. We are aware of the high expectations which our customers place on us, and our endeavours during the last year were focused on matching and, wherever possible, exceeding them.

In particular, we have been trying to reinvent our service delivery. Offerings like ‘Etisalat Select’ and ‘More’ were devised with a segmented strategy in mind, which worked well to create additional demand from our subscribers, who relished the value they offered. Understanding the inevitable evolution of technology in terms of convergence, we continued our efforts on internet broadband penetration and triple-play product line. The growth in these two segments lived up to their potential, which the Corporation is well geared to harvest.

Our commitment to nation-building remains steady. The Corporation signed an agreement with the Ministry of Education to bring high-speed internet connectivity, enabling UAE students to benefit from the use of multimedia and internet in their curriculum. It is a matter of pride for us to know that the Corporation contributed in a small way to ensure that students in the UAE can enjoy accessibility that is second to none in terms of web-based resources.

To underline our belief in the contribution that sports make in building the character of a nation, we committed ourselves to sponsor the UAE football league in the UAE for the next five years.

All companies in the Etisalat family stand to benefit from their association through exchanging ideas and accessing a common pool of resources. It is now our responsibility in the UAE to optimise the synergies that exist in having global footprints across 17 countries over two continents, by not only sharing our best practices in the UAE with our overseas entities but also adopting innovative ideas from different parts of the world.

One such initiative in 2008 was the roaming alliance between Etisalat UAE, Mobil in the KSA, and Etisalat Misr in Egypt, a unique value proposition for our subscribers, which is planned to be extended throughout the Etisalat Group’s network in the near future.

Change in the world of telecommunications is a constant factor with new business models, technology, and different technologies converging. We are excited about ongoing developments in the Information and Communication Technology (ICT) area, and seek to be amongst the first to embrace such technology to add further value for our customers, who we exist to serve.

An area of significant growth potential we foresee for the UAE marketplace is in mobile commerce. There have been some remarkable success stories already in some parts of the world. We in the UAE would like to not only replicate those successes, but perhaps exceed established benchmarks. Applications in mobile commerce present an excellent opportunity for us to capitalise, given that Etisalat is already a technology leader in this part of the world. To do so, we have initiated certain steps, including our tie-up with Emirates National Bank of Dubai (ENBD). Through this we aim to revolutionise banking technology in a pilot programme enabling customers to make day to day purchases and pay for them through their mobile phones. Further to this, the facilitation of money transfer through mobile phones to India opened up a completely new service and revenue stream for the Corporation. There could be more progress in this arena in 2009.

All these developments and many more were noticed and recognised by our customers and international media, who in turn expressed their appreciation through various awards and citations, for which we are grateful and humbled.

Our operational and infrastructural achievements in carrier services were recognised when Etisalat was named ‘World’s Best International Carrier’ by over 500 parties in the decision-making process. In November 2008, the Corporation received four accolades, including three from the ‘Telecom World Middle East Awards 2008’. Our focus on continuously investing and nurturing the Etisalat brand was recognised by it being awarded ‘Superbrand’ status by Superbrand Council.

These awards, and many more over the last 32 years of our existence, have set a continuously rising performance and expectation threshold for the Corporation, which will spur us to perform even better in the years ahead.

I would like to take this opportunity to reiterate the Corporation’s gratitude to the leadership of the UAE, who have always been supportive of our efforts and ensured that a conducive environment existed in the UAE for a corporation like Etisalat to thrive in.

As we enter 2009, we are alert and will keep a close eye on new developments as they unfold. We will not attempt to predict the future. However, having undertaken a multitude of strategies to optimise our internal efficiencies and capacities in order to cope with expected turbulence in the external environment, I would like to end on a positive note – that we in Etisalat are vigilant and confident about our prospects in 2009.

With best wishes!!

Mohammed Khalaf Al Qamzi
Chief Executive Officer
23 February 2009
The fiscal year 2008 was an extremely eventful one for all in the Group’s finance function. The dynamic nature of the telecommunications sector ensured that the operational and financial challenges made the Group innovate and explore new vistas. The challenge was further enhanced with the advent of financial crisis.

However, through prudent and farsighted financial policies the Group was able to maintain a healthy growth gradient over 2008. On a 4-year CAGR basis the Group registered a growth rate of 26% in terms of revenue, with year-to-year growth of 22% over 2007. This revenue growth was driven by continued penetration in the UAE and significant growth in overall revenue contribution from international operations.

In terms of profitability the Group repeated its previous year’s track record and recorded net profit growth of 19% against 2007. This underlined a sustained performance in terms of profitability, with the Group registering 4-year CAGR growth of 26%. The earnings per share (EPS) stood at AED 1.45 in 2008 as against AED 1.22 in 2007.

The commitment to provide the best technology to its subscribers drives the Group to continue investing heavily in technology. The Group’s capital expenditure during the year was AED 3,661 million, as against AED 3,460 million in 2007. The Group recorded an average capital intensity of 13% over the last 5 years. This amplifies the importance of technology in the Group’s investment strategy, which has been the key driver for generating healthy cash flows in each of its markets.

These investments were mostly funded by the Group’s internal resources. The Group continues to adhere to the strategy of looking at higher growth markets to invest its free cash. Driven by strong cash flows in some of its core markets, including the UAE, the Group decided to repay the remaining outstanding balance against the USD 3 billion facility in the UAE during 2008. The Group was also rated by three premier rating agencies (Moody’s, S&P, and Fitch) in the third quarter of 2008.

The Group’s clean, strong balance sheet and conservative yet subtly aggressive fiscal strategies were recognised by all three rating agencies, with the Group being accorded a ‘Stable’ rating. Moody’s awarded the Group an ‘Aa2’, S&P awarded ‘A+’, and Fitch awarded an ‘AA-’. This health check report will hopefully assist the Group in garnering suitable and competitive financing in 2009 to fuel expansion programmes, and also provide reassurance to management and shareholders.

Fluctuations in foreign currency rates during the year have created a new dimension to international financial management. During the year the Group entered into contracts which averted the risks in foreign currency fluctuations, as part of its risk management initiatives. The results of these initiatives during the year were tangible and significant.

Risk management in recent days has become part of the business lifecycle in order to optimise financial management. The Group is altering its functioning to suit the changes in the economic scenario, and was thus able to accept, adopt, and benchmark against the best industry practices.

As we now enter 2009 the Group’s Finance team faces some fresh challenges. The time required to adapt to diverse regulatory environments, local GAAPs (generally accepted accounting principles), and fiscal regimes will dictate how quickly the Group can replicate its financial discipline in the new investments it is acquiring or starting. Financing network rollouts and expansions, in addition to new acquisitions during 2009, will also pose a challenge given the current economic conditions. However, based on collective efforts, talented manpower and past track record, in addition to good and long-standing relationships with financial institutions, the Finance team is confident of providing the required support to the overall corporate strategy.

The Group would like to put on record its gratitude for the continuing support by associated banks, financial institutions, and credit rating agencies in an environment which continues to witness unprecedented turmoil.

**Financial Results**

Salem Ali Al Sharhan
Chief Financial Officer

26%

A sustained performance in terms of profitability, with the Group registering 4-year CAGR growth of 26%.

Through prudent and farsighted financial policies the Group was able to maintain a healthy growth gradient over 2008.
Based on collective efforts, talented manpower and past track record, in addition to good and long-standing relationships with financial institutions, the finance team is confident of providing the required support to the overall corporate strategy.

Aa2  A+  AA−

The Group’s clean, strong balance sheet and conservative yet subtly aggressive fiscal strategies were recognised by all three rating agencies, with the Group being accorded a ‘Stable’ rating. Moody’s awarded the Group an ‘Aa2’, S&P awarded ‘A+’, and Fitch awarded an ‘AA−’.
The introduction of mobile payments and mobile money remittance has proved to be popular conceptually, and parties have shown further interest in introducing mobile payments in the UAE market.

Breakdown of Revenue - UAE (Year Ended December 31, 2008)

- Mobiles: 60%
- Internet: 9%
- Data services: 13%
- Telephones: 13%
- Interconnect: 1%
- Others: 4%
### Mobile Subscribers (thousand subscribers)

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,603</td>
<td>4,584</td>
<td>5,520</td>
<td>6,372</td>
<td>7,215</td>
</tr>
</tbody>
</table>

### Fixed Line Subscribers (thousand subscribers)

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1188</td>
<td>1,237</td>
<td>1,285</td>
<td>1,325</td>
<td>1,358</td>
</tr>
</tbody>
</table>

### Internet Subscribers (thousand subscribers)

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>417</td>
<td>527</td>
<td>660</td>
<td>875</td>
<td>1,153</td>
</tr>
</tbody>
</table>

### National Calls (million minutes)

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,597</td>
<td>13,418</td>
<td>15,650</td>
<td>17,770</td>
<td>17,140</td>
</tr>
</tbody>
</table>

### International Calls (million minutes)

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,875</td>
<td>3,386</td>
<td>3,769</td>
<td>3,989</td>
<td>4,158</td>
</tr>
</tbody>
</table>
The commercial operations of all entities within the Etisalat group run on state-of-the-art technology, spanning Next Generation Networks, Wi-Fi, GSM, GPRS, CDMA to 3.5G, with traditional IT and telecommunications moving closer into each other’s domains as technology merges. The service portfolios offered exceed market expectations in many places, and innovations are introduced continuously in new services and products. As Etisalat expands into new ventures and the customer base growing faster than expected, it has proven to be yet again a successful path with the trust customers have placed in Etisalat as their communication provider, whether as an end-user, business or a major enterprise, wherever they are located.

Middle East

Etisalat UAE

Operations in the UAE have continued to grow, with mobile subscribers now exceeding 7 million and internet subscription registering growth of over 31% from 2007. The push of mobile data services entices content providers, for advanced carrier-grade services. The ability to use mobile devices to buy products and services is convenient, secure and simple. Given the large number of mobile subscribers within the UAE, Etisalat can ensure industry segments are provided a secure platform as well as the expertise to develop and expedite mobile commerce strategies.

The current Etisalat m-commerce portfolio includes Mobile Payment services to banks, traffic police and Zakat payments, money transfer services both within the UAE as well as abroad, mParking service, credit transfer, to mention a few.

In 2008 Etisalat Carrier & Wholesale Services (C&WS) was named the ‘Best Middle East Wholesale Provider’ by Capacity magazine. This award comes just one year after C&WS was transformed into a fully functional carrier & wholesale service provider focused on promoting the UAE as a hub for advanced carrier-grade services.

To further stimulate online commerce in the country, Etisalat unveiled a new ePayment Package for both the corporate segments as well as the Smaller and Medium Business segment, where transaction charges have been dropped in addition to simplifying procedures and reducing initial set up time. The move is aimed to encourage eCommerce further in the country and expand the portfolio of online channels for the consumers whilst maintaining high security and reliability for both the buyers and the sellers.

Taking further steps into the converged world of commerce, entertainment and telephony, Etisalat launched an online gaming platform at the Dubai World Expo in October. Targeting online gamers, this platform is the first of its kind in the region and will provide access to the latest games in both mobile and PC environments. The commercial launch is planned for 2009, which will enable both operators and ISPs to use this platform to enter the lucrative online gaming business throughout the region.

In the educational segment, the Ministry of Education chose and signed up with Etisalat in a nationwide project to connect all schools to high-speed internet, to ensure that all students in the country have full access to the internet at all times. The agreement comes as a part of the Ministry’s initiative to reform education and encourage communications and interaction between the public and private sectors. The purpose is also to raise efficiency in schools, and to enable students to take advantage of the web to broaden their education and creative thinking.

The rollout and implementation of Next Generation Networks for triple-play services continues with the commercial implementation in Abu Dhabi for full service, and with 2009 introducing very high targets for full rollout in the rest of the country. The 3.5G network deployment has continued over 2008, and now covers all major parts of the country.

Etisalat’s automated internet connection application ‘e-support’ provides quick and convenient internet connection ‘fixes’. The tool enables internet connection self-repairing capabilities, and keeps downtime to an absolute minimum. In addition the Customer Care Centre has started a number of new and improved services, and was awarded ‘Best Sales Improvement Program Award in the Middle East, 2008’. The continued expansion of points of sale resulted in an additional 100 new direct sales channels in prime locations, as well as the increasing number of indirect sales agents, thus ensuring customer service is available at the customer’s preferred location. All in all, Etisalat UAE ensures customer services are available on a 24-hour basis.
The service portfolios offered exceed market expectations in many places, and innovations are introduced continuously in new services and products.

A major new cable initiative further expanded the international network: IMEWE, the intercontinental terabyte system between India, the Middle East, and Europe, with Etisalat UAE as a major landing point for the system.
In 2008 Etisalat Carrier & Wholesale Services (C&WS) was named the ‘Best Middle East Wholesale Provider’ by Capacity magazine. This award comes just one year after C&WS was transformed into a fully functional carrier & wholesale service provider focused on promoting the UAE as a hub for advanced carrier-grade services. These services provide advanced international voice, data, internet, and roaming services to the group of companies.

For example, the eMobile portfolio gives Group companies the ability to tap into Etisalat’s extensive network of over 510 roaming destinations, providing them with a comprehensive set of roaming services, including signalling, voice, data, and BlackBerry roaming. EGlobe, one of the new services for 2008, provides high-quality global voice transit services through new Points of Presence in Amsterdam, Frankfurt, Singapore, London, and New York. Emix continues to lead the region as the premium IP transit service, with our internet backbone capacity surging from 129 x STM-1 to 233 x STM-1 in 2008.

Another major new cable initiative further expanded the international network: IMEWE, the intercontinental terabyte system between India, the Middle East, and Europe, with Etisalat UAE as a major landing point for the system.

Etihad Etisalat (Mobily),
Kingdom of Saudi Arabia

In accordance with the Saudi Royal Decree establishing Etihad Etisalat Company (EEC), the founding shareholders were required to reduce their shares in EEC by 20% within the first three years of incorporation. Accordingly, the Group reduced its equity interest in EEC from 35% to 26.25%.

This resulted in a healthy profit. Pursuant to this the Group subscribed to the rights issue, reinforcing its commitment to the company, thus bringing its stake up to 27.459%.

This faith was well rewarded, with EEC crossing the SAR 10 billion mark in annual revenue, despite a third telecom player entering the market in the Kingdom of Saudi Arabia (KSA).

In a strategic move the company acquired First Data Company for its fibre optic network, thereby enhancing its optic coverage from 33% to 66%. Similarly, it acquired Zajel Network, an internet service provider, to consolidate its position in this segment.

Thuraya

The year 2008 has seen significant progress in Thuraya’s geographic coverage and entry into new lucrative markets, as well as in the innovation of products and services offered by the company. It has been a year of realigning the business to meet global challenges and to enable the company to proactively pursue new revenue opportunities.

The successful launch of Thuraya-3 on 15 January 2008 marked the start of a year of widening horizons, both geographically and in terms of product development and distribution. The new satellite expanded Thuraya’s system coverage in Asia Pacific, enabling a much larger base of potential customers to use the company’s products and services worldwide.

In addition to the business potential the company anticipates from providing land solutions in Asia’s vastly populated markets, there is huge potential for Thuraya to serve the maritime sector that extends from the Atlantic Ocean to the Indian Ocean.

Africa

Atlantique Telecom (AT), West Africa

The Group acquired an additional 12% stake, bringing its consolidated holding to 82% in Atlantique Telecom (AT). Over 2008, AT’s sales push for new products, accompanied by effective marketing communication, saw a marked improvement in revenue and subscriber numbers, with the subscriber base increasing by three times over the last three fiscal years.
The Group is aware of the intense competition that exists in the West African market, with higher volumes dictating success. Hence it is essential to possess strong brand appeal with innovative and fresh value-driven offerings, which is the Group’s strategy.

Pricing was a key strategic focus for AT over 2008, with new tariffs being introduced to bolster growing segments, while phasing out dwindling segments like payphone. To ease distribution and cut costs, electronic vouchers were pushed through distribution channels, yielding encouraging results. In October, AT and Etisalat Carrier & Wholesale enabled AT customers to access the Group’s international roaming network in all areas of voice, data, and value-added services. By offering these services to the AT market, AT supports its customers both inside and outside their borders. AT launched an innovative product in ‘Moovsatellite’, tying up with another Group company, Thuraya. In order to leverage existing brand ‘Moov’, and to have unified branding across various subsidiaries, AT re-branded in Niger and Central African Republic.

Today, through its subsidiaries under AT, the Group has access to 70 million people in these countries, and currently covers 47% of them. AT plans to enhance this coverage further to 68% during 2009.

Canar, Sudan
Despite the limitation of operating only on the CDMA network, Canar significantly enhanced its revenue over 2008, increasing its market share in the CDMA fixed line segment. In order to optimally utilise its resources, Canar made material earnings from leased rentals through its extensive network from other operators.

Canar continued its growth in the wholesale market with international connectivity and corporate services. It provides connections through local fibre optic networks to the Flag/Falcon and EASSY submarine cable networks as the strategic international gateway for Sudan.

During 2009 Canar aims to enhance its CDMA voice and data services in western and southern cities. This will help the company to enhance its overall population and geographic coverage.

Etisalat Misr, Egypt
In Egypt, Etisalat Misr has firmly entrenched itself in two years as one of the technology leaders in a competitive marketplace. Its 2G network covers 96% of the population, while its 3G network covers 70%.

Since its 2007 rollout, the net revenue and subscriber base have increased significantly. Being the technology leader in Egypt, Etisalat Misr has established aggressive benchmark targets and consolidated its position, exceeding 6.8 million subscribers by the end of 2008.

Etisalat Misr is focusing on the broadband market and plans to establish its leadership in this segment. The Group identifies this as the growth segment and will continue to invest in order to enhance its overall market share in both voice and data segments.

Emerging Market Telecommunications Services Limited (Etisalat Nigeria), Nigeria
The Group launched commercial operations in Nigeria in October 2008 in seven key cities: Lagos, Ibadan, Ogbomosho, Port Harcourt, Kano, Kaduna, and Abuja. It currently provides GPRS-Edge enabled services with dual band (GSM-900 and DCS-800 MHz).

Nigeria is the most populous country in the continent, and also complements the Group’s existing investments in another seven countries in West Africa under Atlantique Telecom. Telephony penetration is expected to grow rapidly from approximately 37% at the end of 2008 to over 44% by the end of 2009, underlining the country’s growth potential.

Currently Etisalat Nigeria covers 22.4% of the population and is rapidly enhancing its network coverage.

The Group had garnered a significant number of subscribers in less than two months by the end of 2008. There are high expectations from this particular market and the Group is intent on providing the best value-based services to ensure that it is able to capture incremental market share in 2009.
Zantel, Tanzania
In a competitive environment Zantel has shown steady growth and in 2008 celebrated passing the 1 million customer mark. Market share also continues to rise, being 13% at the end of the year, up from 9% the previous year. The network rollout continues, and with recent expansion will soon cover approximately 75% of the target population. Following the network expansion is a comprehensive national retail programme consisting of customer service centres, retail outlets, and regionally-based distributors.

Tanzania has a population of approximately 40 million. However, as the economy grows, consumers are still looking for affordability from their mobile telecommunications service provider. To meet these expectations, Zantel's initial approach was to address this market through basic service with competitive pricing. As the economy grows, Zantel will continue to invest in its new network platform, which offers both significantly improved quality and many value-added services for the increasingly sophisticated consumers. These developments place Zantel in a unique position to be the market leader in Tanzania, as evidenced by it being the first operator to launch a mobile money transfer service branded 'Z Pesa', in addition to other banking services to be launched in future.

Asia

Etisalat Afghanistan

Etisalat Afghanistan’s strategy is to attain high subscriber additions, and to increase market share and reach in Afghanistan. Due to some attractive tariff offers as well as bundling promotions, it has been able to garner over a million subscribers, and is now concentrating on increasing revenue and profitability while keeping the high subscriber growth intact.

Afghanistan is expected to experience exponential growth in the coming years, with political stability. Against this backdrop mobile phone penetration is increasing rapidly. Afghanistan aims to achieve significant subscriber growth in 2009, taking the subscriber base to over 2 million by year end.

Etisalat Afghanistan added to its competitive advantages by being part of the Etisalat Operator roaming replicator service to over 510 destinations in the world.

Although Afghanistan still remains predominantly a voice market, looking at changing consumer behaviour Etisalat Afghanistan is planning to introduce exciting data services on GPRS as well as 3G.

Pakistan Telecommunication Company Limited (PTCL), Pakistan

2008 was a watershed year for PTCL. In order to optimise its operations, PTCL reduced the overall headcount through the Voluntary Separation Scheme (VSS). This assisted PTCL to rationalise its workforce, and it has also initiated many internal efficiency-enhancing measures, which are already showing results.

During the year major economic fundamentals changed for Pakistan with the trade deficit widening and an adverse balance of payments, mainly due to unprecedented increases in international oil and commodity prices. In addition, the Pak Rupee depreciated severely against the US Dollar and other major currencies, resulting in an unexpected adverse variance in financial charges and increased inflation. Due to the unprecedented adverse security situation, the government imposed new regulatory requirements which restricted free selling of SIMs in the market, and telecom operators were forced to disconnect subscribers who could not meet such stringent regulatory requirements.

Despite the overall adverse global and countrywide economic scenario, the mobile operator Ufone managed to achieve revenue targets, with its aggressive marketing and improved sales and distribution strategy. The company aggressively controlled opex costs despite high inflation in the economy. It also resorted to some effective hedging policies, which assisted it to keep its financial costs and exchange losses within budgeted levels.
PT Excelcomindo Pratama Tbk. (XL), Indonesia

XL has built a nationwide network transmission infrastructure consisting of a fibre optic network, which covers all the major cities in Java, and a microwave transmission network outside Java backed by VSAT links. XL has also deployed a large capacity submarine fibre optic cable – the Batam-Rengit Cable System (BRCS) – as the main international network, linking Batam with Johor (Malaysia), and supported by a microwave transmission network connecting Batam with Singapore, and Batam with Penggarang (Malaysia). XL has also established submarine cable links between Java, Bali, Nusa Tenggara, Sulawesi, Sumatera, and Kalimantan. As of December 31, 2008, XL had installed approximately 11,549 kilometres of inland and submarine fibre optic cable.

In the future XL aims to outperform the market. It has demonstrated the strength of its strategy: offering consumers a good value proposition comprising affordable tariff and good quality. It has also demonstrated its capability for strategic execution, by maintaining its operating margins and improving capital efficiency, despite the reducing price levels. XL aims to continue to strengthen its market position while improving productivity and shareholder value.

Etisalat DB Telecom Private Limited (Swan Telecom), India

Etisalat India (Swan Telecom) has the Unified Access Service Licence (UASL) to operate in 13 of 22 telecom circles in India, and is in the process of acquiring licences in 2 more circles. The Group’s entry into Indian markets is the result of many months of effort to enter one of the world’s biggest and fastest-growing markets in an optimal manner. As in West Africa, entry into the Indian market is part of the Group’s strategy to create a regional base, with investments in Pakistan, Indonesia, and Afghanistan already on their way to maturity. With 1.1 billion people India is the world’s second-biggest nation, and its GDP has been growing over 7% in real terms for the last few years. India also has one of the highest percentages of young and productive people, with over 94% being below 65 years of age.

Mobile penetration currently stands at around 30%, which, compounded by a rapidly-growing economy, presents an extremely attractive market. In terms of telephony, India is one of the fastest-growing markets in the world with recent net addition run rate in mobile telephony crossing 8 million per month. Etisalat India will be launching the full suite of GSM-based mobile telephony services in these circles in 2009.

Etisalat Software Solutions Private Limited (Technologia)

ESSPL’s contribution to the Group’s ICT-related activities was significant during the year. Since its inception it has been able to garner orders from Group company Zantel for providing transformation management services. Additionally the company is developing innovative software applications for Group companies.

It is also working on an Interconnect billing platform, which should be ready in 2009. ESSPL has a strategic role to play in the Group’s ambitious ICT plans.

Swan Telecom

Entry to the world’s biggest and fastest-growing market

Swan Telecom
Network

Atlantique Telecom (AT), West Africa
moov.com

Etisalat Misr, Egypt
etisalat.com.eg

Canar, Sudan
canar.sd

Etisalat Nigeria, Nigeria
etisalat.com.ng

Zantel, Tanzania
zantel.com

Etihad Etisalat (Mobily), Kingdom of Saudi Arabia
mobily.com.sa
The introduction of ‘Reach Entertainment’ in the UAE as a public way of showcasing telecommunications and entertainment in joint partnership brings a change in mindset for all stakeholders of the communications industry. The move from a traditional relationship is thereby changed into one of a converged business environment, where networks are intertwined and interchangeable. At major sponsorships, Etisalat is also able to highlight its products and services in new ways as well as playing host to major events.

The decision has been taken to strengthen the identity across operations, and co-branding in Tanzania will continue to reinforce brand awareness in the African continent. In the West African operations, the Moov brand continues to grow and is now being reinforced in all seven entities. Etisalat brand recognition in all countries is high amongst the consumers as a brand that is energetic, fun, and full of promise. During 2009, efforts will continue to further strengthen the Etisalat brand with these attributes.

The regulatory environment

One of the biggest challenges in today's telecom business environment is reaching a level of certainty about regulatory policies. The rules and regulations applied in any market impact the operations in a major way, and Etisalat continues to engage with the regulators and endeavours to adapt to, as well as contribute in the agenda to improve market conditions and contribute to the development of the telecom sector in the UAE. The Group continues to seek policies that lessen the burden on the sector, and improve its efficiency and incentives to invest in those markets.

The Group recognises that only benign regulations can improve the industry’s efficiency and performance and hence make it more competitive, while ineffective regulations can paralyse the industry and reduce its competitiveness.

In the UAE Etisalat operates in an increasingly regulated market and engages in significant regulatory processes, which involve implementing regulated services and developing accounting separation and Long Run Incremental Costing models - LRIC.

In other markets, the Group seeks access to wholesale services and works with regulators on advancing regulatory incentives for its investments, in line with its commitments for network deployments and expansion.
Etisalat brand recognition in all countries is high amongst the consumers as a brand that is energetic, fun, and full of promise. During 2009, brand alignment will continue to further strengthen the Etisalat brand with these attributes.

- Simplicity
- Openness
- Energy
- Enabling
- Reliability
- Caring
- Optimism
Over 2008 Etisalat Group continued its journey of both expanding and consolidating its footprint in the international arena.

Driven by the core strategy of investing in high growth markets with synergies to our existing operations, the Group entered one of the fastest-growing markets – India – in 2008. In addition, it launched commercial operations in Africa’s biggest market – Nigeria.

The Group’s entry into Indian markets brings to fruition its effort over many months to enter one of the world’s biggest and fastest-growing markets in the optimal manner. As in West Africa, entry into the Indian market rounds up the Group’s strategy to create a regional base, with investments in Pakistan, Indonesia, and Afghanistan already on their way to maturity.

With the addition of India, the Group today has investments in 17 countries, where its services will be accessible to nearly 1.8 billion people after its commercial launch in India in 2009.

Parallel to the acquisitions, the Group has been focusing on exploiting the synergies that exist for all members of the Group. Integration work has been ongoing in areas such as joint branding platforms in entities like Etisalat Misr, Etisalat Nigeria and Afghanistan to position Etisalat’s services in these markets. A co-branding exercise to build strong brand association can be seen in Zantel, Tanzania, and will continue during 2009.

Procurement processes are now executed centrally on behalf of the whole Group, which will yield material cost savings. On the other hand, best practices and knowledge in the Group’s various entities are shared both vertically and horizontally. This gives the Group the flexibility to move around a large pool of key resources, especially for rollout in new markets.

Sharing market experiences and solutions from various entities through working more closely with one another resulted in re-defined roaming agreements between Etisalat in the UAE, Etisalat Misr in Egypt, and Mobily in the Kingdom of Saudi Arabia (KSA). These roaming agreements will benefit a large number of subscribers in the global Etisalat network, many of whom travel in and between these countries regularly.

Even with the enhanced family, the Group stands firm in its commitment to deliver the best available technology to its customers. In Egypt, in less than two years Etisalat Misr has firmly entrenched itself as the ‘technology leader’ in a competitive market-space. Increased operations and the 2007 rollout significantly increased the net revenue and subscriber base during 2008. Being the technology leader in Egypt, Etisalat Misr has established high benchmarks and consolidated its position by exceeding 6.8 million subscribers by the end of 2008.

Reinforcing the Group’s position in West African markets, Atlantique Telecom delivered a significantly enhanced performance in terms of both revenue and profitability. The Group enlarged its equity stake in Atlantique Telecom by an additional 12%, taking it to 82% during the year 2008.

As required by local Saudi Arabian legal requirements, the Group reduced its equity interest in Etihad Etisalat Company (EEC) from 35% to 26.25% during the year, earning a handsome profit. Pursuant to this the Group subscribed to EEC’s rights issue, reinforcing its commitment to the company and bringing its stake up to 27.459%. This faith was well rewarded, with EEC crossing the SAR 10 billion mark in annual revenue, despite the entry of the third telecom player in KSA.

Going into the future, the Group’s international strategy will continue to be two-pronged – nurturing its existing operations while at the same time looking at attractive opportunities, albeit in a selective manner.

Being the technology leader in Egypt, Etisalat Misr has established high benchmarks and consolidated its position by exceeding 6.8 million subscribers by the end of 2008.

As required by local Saudi Arabian legal requirements, the Group reduced its equity interest in Etihad Etisalat Company (EEC) from 35% to 26.25% during the year, earning a handsome profit.
As in West Africa, entry into the Indian market rounds up the Group’s strategy to create a regional base, with investments in Pakistan, Indonesia, and Afghanistan already on their way to maturity.

Parallel to the acquisitions, the Group has been focusing on exploiting the synergies that exist for all members of the Group. Integration work has been ongoing in areas such as joint branding platforms in entities like Etisalat Misr, Etisalat Nigeria and Afghanistan to position Etisalat’s services in these markets.
2008 was an exceptional year for Etisalat Group. The outstanding results achieved reflect the impact of the investments and innovations in Human Resources to capitalise on its talent pool and leverage on a performance-driven culture within the organisation. Its distinctive people policies and strategy of people involvement and engagement have enabled it to turn in an excellent performance again this year. The drive towards performance orientation has allowed us to deliver outstanding results and increase our customer base to record levels.

The ever-increasing speed of operations makes it imperative that employees adapt well to changing market requirements. Converged networks call for creativity and innovation. This reliability and dedication of its employees is the underlying driver for Etisalat Group’s continued success.

Across the 17 countries Etisalat Group operates in today, the dedication, hard work, and skills of its people ensure that the Group continues to grow consistently.

The world of telecommunication is a dynamic environment where the only constant is change. Continuous learning is an effective way of meeting the new challenges created by the changes in environment. A three-year organisational learning strategy has been developed to equip Etisalat Group with the necessary capabilities to meet these challenges. This is reinforced by the investments made in developing leadership potential through various programmes such as Future Leaders, Middle Managers, Young Professionals, and strategic development agendas.

As the overseas operations are in various stages of maturity, the HR work is varied at different levels in line with operational requirements. In all places, the function is dedicated in working towards creating the best possible work environment, providing competitive compensation as well as delivering further development opportunities for employees in accordance with their and the Group’s requirements – both in the short and long term.

HR has played a vital role in Etisalat’s expansion plans. As new licences are acquired across the globe, HR is an integral part of the teams formed to set up the initial business and create the best possible commercial environment for the company. This spans a wide area, not only technical and commercial, but also in acquiring the best talent possible and ensuring knowledge is transferred as the number of employees increases.

The Human Resources teams act as the social architects of the organisation, making every effort to build on achievements, set new benchmarks in innovative people strategy, and retain the position of Etisalat Group as an employer of choice for the best talent.
As new licences are acquired across the globe, HR is an integral part of the teams formed to set up the initial business and create the best possible commercial environment for the company. This spans a wide area, not only technical and commercial, but also in acquiring the best talent possible and ensuring knowledge is transferred as the number of employees increases.

Continuous learning is an effective way of meeting the new challenges created by the changes in environment. A three-year organisational learning strategy has been developed to equip Etisalat Group with the necessary capabilities to meet these challenges. This is reinforced by the investments made in developing leadership potential through various programmes such as Future Leaders, Middle Managers, Young Professionals, and strategic development agendas.
Corporate Social Responsibility

In the UAE and in each of Etisalat Group’s 17 international markets, a key management focus is the resolve to interact positively with society, not only through commercial services, but also as a respectable corporate citizen.

Each Etisalat Group entity carries out a variety of community-focused activities, which can be broadly grouped around the four major pillars of society: the environment; education; health and wellbeing (including sports); and supporting the poor or people with special needs.

Although the telecoms sector has a very limited impact on the environment, it is important that all organisations play a role in conserving natural resources. The environment and projects related to sustainability are becoming a major part of Etisalat Group’s social agenda as the effects of global warming are seen and felt.

Etisalat UAE is continuing to support the National Mobile Phone Recycling Initiative – Envirofone – which so far has collected over 200,000 phones and recycled over 52 tons of electronic waste. These materials have now been broken down into base components for recycling and safe waste disposal. The project is run under the patronage of the UAE Telecommunications Regulatory Authority, and is endorsed by the Federal Ministry of the Environment. Etisalat has taken custodianship of the programme and is now the exclusive sponsor.

Etisalat Misr is currently working on large CSR undertakings as part of Health and Education groups, and is part of an environmental undertaking in the campaign entitled ‘Water…Origin of Life’, which will help to provide uncontaminated water to people living in rural areas of Egypt.

Ethad Etisalat (Mobily) is a partner in the Saudi Scuba project, which aims to protect and preserve the coral reefs in the Western Province of the Kingdom of Saudi Arabia.

In 2008, the ownership of the Etisalat University College, UAE was transferred to the Khalifa University for Science, Technology and Research (KUSTAR). This ended a 19-year relationship which saw many talented engineers prepared for careers in telecommunications. Etisalat UAE continued to support the KUSTAR during 2008 with management and marketing support.

Other Etisalat Group subsidiaries are also heavily involved in education projects targeting different levels of society. For example, Excelcomindo (XL) in Indonesia is working on a large number of CSR projects in Indonesia. In co-operation with the Indonesian Heritage Foundation and Taman Baca, XL is helping to develop 20 alternative learning kindergartens, as well as building and developing schools in rural areas.

PTCL in Pakistan and Canar in Sudan have set up sponsorship and scholarships to support university students, targeting talented students. Other projects include the national campaign ‘Reading is for all’ in Egypt, and PTCL’s involvement in the Universal Service Fund in providing basic telephony and data services in remote rural areas, as well as the first village phone service, ‘Simu Ya Watu’ in Tanzania.

Such projects serve to educate, share, and bridge the digital divide, and Etisalat Group’s subsidiaries play a crucial role in fulfilling the corporate mission of ‘extending its customers’ reach’.

In the products and services portfolio, Etisalat Group has identified a number of services that can be adapted to serve the very specific requirements of people with special needs. These services are provided to individuals and social centres at specially discounted prices. Etisalat Group is also continually updating this portfolio with the latest technologies. Etisalat UAE presented some of the latest innovations at GITEX 2008, including software which reads the text on computer screens in English and Arabic.

As part of the Olympic Games, the Paralympics were held in Beijing. Etisalat Misr was the official sponsor of the Egyptian Paralympics Committee. The Egyptian team received a hero’s welcome on their return, when they arrived with four gold, four silver, and four bronze medals. The Middle East Northern Africa Regional Games, for people with special needs, was held as part of the national campaign to integrate people with special needs in November in Abu Dhabi.

PTCL undertook the lead sponsorship of World Telecom Day in Islamabad, and created a number of scholarships specifically targeting students with disabilities. All in all, these projects are seen to utilise technology in alternative ways, thereby assisting people with special needs. They help to include all people in the fabric of their society, as well as in the Etisalat Group’s sphere of users, customers, and employees.

Sports sponsorships are undertaken as commercial partnerships, which help foster a spirit of competition. Etisalat UAE’s major sponsorships include the Etisalat UAE Football League, the Abu Dhabi Golf Championship 2008, and the Dubai Horse Racing Carnival 2008.

In the Kingdom of Saudi Arabia, a special ‘Little League Soccer Tournament’ involving over 5000 students was held to promote and identify new talent. Twenty of the most talented student players were sent to Barcelona Football Academy to benefit from world-class coaching. Zantel chose to sponsor 12 teams within the Zanzibar Football Association. In the UAE, Etisalat is the main sponsor for the Football Federation, in an agreement over five years.

In Afghanistan Etisalat is involved in setting up sports tournaments, mainly in cricket, and assisting in opening sports venues across the country as alternative sources of interest and enjoyment for the people of Afghanistan.

Health is another cornerstone of Etisalat’s CSR activities, where projects vary from country to country depending on local needs. Worthy of mention is the Canar’s support to ‘Roll Back Malaria’ project. Malaria is a huge problem in Sudan and also in the rest of Africa. Canar partnered with the ongoing national campaign in combating this disease.

Farza Bin Obood
Chief Corporate Affairs Officer

As part of the Olympic Games, the Paralympics were held in Beijing. Etisalat Misr was the official sponsor of the Egyptian Paralympics Committee. The Egyptian team received a hero’s welcome on their return, when they arrived with four gold, four silver, and four bronze medals.

Each Etisalat Group entity carries out a variety of community-focused activities, which can be broadly grouped around the four major pillars of society: the Environment; Education; Health and Wellbeing (including sports); and supporting the poor or people with special needs.

Etisalat Misr is currently working on large CSR undertakings as part of Health and Education groups, and is part of an environmental undertaking in the campaign entitled ‘Water…Origin of Life’, which will help to provide uncontaminated water to people living in rural areas of Egypt.
Each Etisalat Group entity carries out a variety of community-focused activities, which can be broadly grouped around the four major pillars of society: the environment; education; health and wellbeing (including sports); and supporting the poor or people with special needs.

Etisalat UAE is continuing to support the National Mobile Phone Recycling Initiative - Envirofone - which so far has collected over 200,000 phones and recycled over 52 tons of electronic waste. These materials have now been broken down into basic components for recycling and safe waste disposal.
During 2008, business units under the stewardship of Etisalat Services continued to evolve and position themselves further in their dynamic marketplaces. By turning into autonomous companies, the entities have been able to expand into new markets as well as enhance the service portfolio both vertically and horizontally. During 2008, this has enabled units to also undertake new orders and service contracts from regional telecommunications companies, both within the Etisalat Group and outside in the open market arena.

Etisalat Services, the holding company of the surround services and support entities, successfully attained financial demerger from Etisalat during 2008. The financial demerger implies independent financial systems and processes in each business unit, thus allowing Etisalat Services group to freely evolve, implement, and monitor its business strategies.

The Etisalat Academy strengthened its position in delivering extended training programmes domestically as well as overseas. The continued path for the Academy is to be recognised as the first choice destination for training and development. During the year new recognised professional certification programmes were launched, along with prestigious regional conferences and seminars conducted on latest telecom trends to ensure the success of the strategy.

E-Marine is emerging as one of the market leaders in the region in submarine cable installation, maintenance and repair services. It continued its growth by securing new contracts for cable laying, and currently manages 30,000 km of submarine cable from the Red Sea, Gulf to Indian Ocean, and Emirates Data Clearing House – EDCH, the data clearing house, initiated bold steps to achieve remarkable growth through a transformation project which will enable EDCH to gain further sizeable market share within a few years’ time. This will serve to strengthen the position of EDCH even further in serving a very sizeable number of customers across the globe.

Ebtikar Card Systems expanded its production capacity through a revamp in its production standards and introduced several new products during the year – one being paper-based pre-paid cards, which proved a success with their customers.

E-Real Estate and Etisalat-Facility Management introduced themselves to the wider audience by participating in Cityscape exhibitions in Abu Dhabi and Dubai. Etisalat-Facility Management is aiming to achieve growth by acquiring new contracts and exploring strategic acquisitions outside the telecommunications domain.

In 2009, Etisalat Services and its subsidiaries are looking forward to achieving growth in the ever-increasing competitive market through bold initiatives coupled with vigilant strategic planning. The units are building on their strength in capabilities and areas of expertise. Etisalat Services Holdings intends to see even greater achievements during 2009.

Tamdeed Projects
Tamdeed Projects, formerly known as Special Projects, is positioning itself to be the preferred provider of fibre optic network solutions. Currently it provides end-to-end deployment of fibre optics, combining in-house expertise in design, project management and cabling with utilisation of competent sub-contractors. The unit is taking a major part in Etisalat’s Fibre to the Home (FTTH) implementation and migration plan, with a new large-scale project signed in December 2008.

Future plans include providing preventive and emergency maintenance of fibre optic networks, and establishing a specialised structure cabling solutions unit for commercial buildings.

E-Real Estate
Etisalat’s Real Estate unit, responsible for Etisalat buildings and sites, ensures full optimisation and effective utilisation of properties. During 2008, construction of the prestigious Al Kifaf building in Dubai was completed under the supervision of e-Real Estate, and tenancy contracts were signed with Dubai International Financial Centre and the Ministry of Economy.

Participating in the Cityscape Abu Dhabi and Dubai gave the business an opportunity to showcase its expertise and available space in buildings to new tenants.
ETISALAT SERVICES, THE HOLDING COMPANY OF THE SURROUND SERVICES AND SUPPORT ENTITIES, SUCCESSFULLY ATTAINED FINANCIAL DEMAERGER FROM ETISALAT DURING 2008, THE FINANCIAL DEMAERGER IMPLIED INDEPENDENT FINANCIAL SYSTEMS AND PROCESSES IN EACH BUSINESS UNIT, THUS ALLOWING ETISALAT SERVICES GROUP TO FREELY EVOLVE, IMPLEMENT, AND MONITOR ITS BUSINESS STRATEGIES.

E-Marine is emerging as one of the market leaders in the region in submarine cable installation, maintenance and repair services. It continued its growth by securing new contracts for cable laying, and currently manages 30,000 km of submarine cable from the Red Sea, Gulf to Indian Ocean.
E-Marine
E-Marine offers its services in the field of Marine Project Management, Consultancy, Marine Route Survey, Cable Freight Management & Storage, and Chartering. In addition to the telecommunication field, E-Marine provides a complete range of solutions to the offshore industry.

E-Marine has highly qualified and motivated teams to provide customised solutions locally, regionally and globally to their customers. This was strongly demonstrated at the beginning of 2008, when two sea cables were damaged in the Indian Ocean, causing major disruptions not only in the UAE but across the region. E-Marine, called in for emergency repair, managed to repair the cables very quickly, restoring full service in record time for all the regional operators.

Ebtikar Card Systems
Smart Card manufacturer Ebtikar Card Systems provides solutions to international telecommunication operators, enabling delivery of airtime and value-added services to the end-users. Its factory in Ajman produces a wide variety of scratch cards, phone cards, and GSM SIM cards for a diverse and expanding customer base. Niche market player in the ‘Business To Business’ telecommunications environment, Ebtikar Card Systems is leveraging its close relationship with Etisalat Group and its manufacturing location to excel in customised solutions.

During 2008 Ebtikar Card Systems revamped production and security standards according to best international practices. As a result, SIM card production capacity increased to reach 30 million, offering best-in-class security features.

As part of offering alternatives to customers, Ebtikar Card Systems benefited strongly from the commercial launch of paper scratch cards, which allow an eco-friendly alternative for customers to replace plastic (PVC, ABS) cards with paper. This new product has been combined with an internal additional black layer to maintain high-level security features. Less than 10 months after the launch, this product represents almost 40% of scratch card revenue. As the only smart card manufacturer delivering these cards in the Middle East, Ebtikar Card Systems demonstrated full dedication to its growing customer needs and GSM regional development.

Etisalat Academy
The Academy is at the forefront in delivering knowledge on the latest developments in technology and business applications, serving not only Etisalat in the UAE, but also across the Group entities. This is in addition to numerous programmes delivered to Qtel, Omantel, and Oman Mobile.

The Academy worked in partnership on several annual regional conferences and seminars, such as the ‘7th Middle East Human Resources Conference – Maximising People Effectiveness’, under the patronage of the Minister of Economy; the ‘6th Middle East IT Security Conference; MEITSEC – 2008’, under the patronage of Telecommunications Regulatory Authority – UAE; the ‘Telecom Industry Overview & Regulatory Issues Conference’, in collaboration with Neotelis – Canada; and the ‘Broadband & Digital Content Regional Conference’ in collaboration with other major telecom manufacturing giants. As well as participation from the operators themselves, the delegates represented were from various industries across the region.
After the initiative was endorsed by the Clinton Global Initiative, Etisalat Academy extended the outreach of its international exclusive representation for 'easylearning' to Pakistan on a national level. It also supported its value-added initiative 'easylearning-Connect', which provides participants the chance to earn rewarding income once they gain the employment skills portfolio available through easylearning. The Academy represents the initiative exclusively and is in charge of its wholesales to customers throughout the region.

**Etisalat Directory Services**

Directory Services Unit is the newest addition to the Etisalat Services Holding group.

The unit was established to take over the publication of the annual Etisalat directories, which Etisalat has produced for over 30 years. The unit continued to produce all related telecom directories, such as Yellow Pages and White Pages, in all available media channels – print, CD-ROM, internet, and mobile phones.

**Etisalat Facility Management**

2008 was a vibrant year for Etisalat Facility Management (EFM). Several achievements during 2008 aimed towards a sustainable business model, internally to Etisalat and externally to third party clients. One of the important milestones achieved in 2008 was the successful implementation and full utilisation of the IBM-Maximo software and PDA Technology, which presents a solid platform for asset management and added value for the clients.

Service provider contracts were rationalised during 2008, and strategic alliances were formed with selected service providers to ensure a strong supply chain at all times.

A major positioning campaign took place in 2008, when EFM introduced its service portfolio to stakeholders and prospective customers in the real estate, governmental, and semi-governmental sectors in the UAE.

Growth continued successfully in the vertical market where EFM provided consultancy services locally and internationally to Etisalat and other clients in Afghanistan, Pakistan, and Nigeria. The coming year will see EFM further expanding by acquiring competitors in the market, as well as securing new projects within the current facility portfolio.

**Emirates Data Clearing House – EDC**

EDCH was established in 1994 as a business unit within Etisalat. It serves as a single source of support for all of its Global Systems for Mobile (GSM) Roaming Settlement services, and is today a well-established member of the GSM Association, actively participating in setting international roaming standards.

As one of three clearing houses in the world, EDC has grown to support 61 GSM operators in 41 countries for their roaming facilities. EDC services include, but are not limited to: Data Clearing, Duplicate Check, Data Transfer, Returned Account Procedure (RAP), Inter Operator Tariff (IOT) Check, CDR Conversion, GPRS Support, Fraud Management, Electronic Invoice Data (EID), Test SIM Card Management, Roaming Calculator, NRTRDE (Near Real Time Roaming Data Exchange), RAEX-Roaming Agreement Exchange, Financial Clearing & Settlement Services, Online & Business Intelligence System, Roaming Agreement Negotiations, Training, 24x7 Support, Customised Services, etc.

EDCH is well equipped with advanced IT infrastructure and international links. It is therefore able to leverage the demand for technology-enabled telecom and fraud management solutions, which are necessary to support the expanding international footprints of large GSM companies such as Etisalat, Zain Group, Wataniya Group, and many others.
Corporate Governance

The General Assembly
The General Assembly is composed of all shareholders of the Corporation. The General Assembly is entrusted with approving the Board's Annual Report on the Corporation's activities and financial position during the previous financial year. The Assembly is also entrusted with approving the external auditor's report, discussing and approving the balance sheet and the profit and loss account for the previous financial year, appointing auditors, and approving the Board's recommendations regarding the allocation of profit. The General Assembly exercises all competencies and powers of the Corporation within the limits of the law and the Articles of Association.

The Board of Directors
The Emirates Telecommunications Corporation (Etisalat) is managed by a Board of Directors presided over by the Chairman and consists of eleven members including the Chairman. Seven of these represent the Federal Government of the United Arab Emirates and the remaining four members are elected for a three-year term by the non-government shareholders. The Board of Directors carries out the Corporation's business and, for that purpose, exercises all the Corporation's powers except those reserved by Law or Articles of Association to the General Assembly of the Corporation.

The Executive Committee
The Executive Committee is appointed by the Board of Directors in accordance with Article 20 of the Articles of Association. It is empowered to take decisions on behalf of the Board and/or to make certain recommendations to it, as the case may be, concerning particular matters. The Executive Committee's function and powers include organisational matters of the Corporation (such as overseeing statutory, organisational and employment matters and corporate performance); planning and development (overseeing development plans and projects, and approval of the budget prior to submission to the Board); operations (reviews efficiency of service, and lays down policies concerning investment of surplus funds); projects (sets the term for project agreements, approves relevant tenders over AED 50 million, and approves project overruns and variations over AED 10 million); procurement (approves purchases over AED 50 million); and investments (including international investments and expansion projects).

The Audit Committee
The Audit Committee is established as a subcommittee of the Board of Directors. It comprises three members, two of whom are Board members, as well as an external non-Board member, and meets at least four times a year. The purpose of the Audit Committee is to monitor the Corporation's overall financial performance and the integrity of its financial statements. It assesses the adequacy and application of internal control policies and procedures, and oversees the Corporation's financial risks. It also oversees and monitors the effectiveness of the internal audit function, and monitors the performance and independence of the external auditors, recommending their appointment or removal to the Board. In fulfilling its role, the Committee maintains free and open communications with the directors, the independent auditors, the internal auditors, and the financial management of the Corporation.

The Compensation Committee
The Compensation Committee is a subcommittee of the Board of Directors. It is composed of four members, three of whom are Board members, as well as a non-Board member. The Committee's primary responsibility is to provide comprehensive direction on all compensation and benefit matters for Etisalat's staff. It works to ensure that its employment packages are externally competitive and internally equitable to support the Corporation's strategy to attract, retain and motivate a competent and result-oriented workforce.

The Operating Units of the Corporation
Etisalat adopts a corporate organisation structure based on three autonomous Operating Units. These consist of the Etisalat UAE Unit (which is entrusted with the provision of the Licensed Telecom Services in the United Arab Emirates); the International Investment Unit (which spearheads the Corporation's international expansion and operational business); and Etisalat Services Unit (a wholly owned holding company entrusted with providing certain non-core, non-telecom services to the Corporation, as well as to third parties).

The Operating Units exercise their respective activities and responsibilities and set their key corporate policies, prepare plans, and oversee financial and administrative matters. They report on their progress and affairs to the Executive Committee and the Board of Directors on a regular basis.
Independent Auditors’ Report to the Shareholders 36
Consolidated Statement of Income 37
Consolidated Balance Sheet 38
Consolidated Statement of Changes in Shareholders’ Equity 39
Consolidated Statement of Cash Flows 40
Notes to the Consolidated Financial Statements 41
Notice of Meeting 55
Independent Auditors’ Report to the Shareholders

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Emirates Telecommunications Corporation ("the Corporation") and its subsidiaries (together the "Group") which comprise the consolidated balance sheet as at 31 December 2008 and the consolidated statement of income, consolidated statement of changes in shareholders’ equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the accounting policies set out in note 2 of these financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors’ Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the accompanying consolidated financial statements have been prepared, in all material respects, in accordance with the accounting policies set out in note 2 of the consolidated financial statements.

Report on Other Legal and Regulatory Requirements
We have obtained all the information and explanations considered necessary for the purposes of our audit. The Corporation has maintained proper books of account and has carried out physical verification of stores in accordance with properly established procedures and the financial information included in the Chairman’s statement is consistent with the books of account of the Corporation. Nothing has come to our attention, which causes us to believe that the Corporation has breached any of the applicable provisions of the UAE Federal Act No. (1) of 1991 as amended by Decretal Federal Code No. 3 of 2003, or its Articles of Association, which would materially affect its activities or financial position at 31 December 2008.

DELOITTE & TOUCHE
Abu Dhabi, United Arab Emirates
Saba Y. Sindaha (Reg. No. 410)

36

PRICEWATERHOUSECOOPERS
Abu Dhabi, United Arab Emirates
Jacques E. Fakhoury (Reg. No. 379)

23 February 2009
## Consolidated Statement of Income

for the year ended 31 December 2008

<table>
<thead>
<tr>
<th>Notes</th>
<th>2008 AED’000</th>
<th>2007 AED’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>3 26,119,134</td>
<td>21,339,852</td>
</tr>
<tr>
<td>Operating profit before royalty</td>
<td></td>
<td>15,212,204</td>
</tr>
<tr>
<td>Royalty</td>
<td>4 (8,664,984)</td>
<td>(7,296,644)</td>
</tr>
<tr>
<td>Operating profit after royalty</td>
<td></td>
<td>6,547,220</td>
</tr>
<tr>
<td>Finance costs</td>
<td>4 (413,564)</td>
<td>(503,139)</td>
</tr>
<tr>
<td>Deferred and current taxes</td>
<td></td>
<td>(176,730)</td>
</tr>
<tr>
<td>Other income</td>
<td>4 2,209,490</td>
<td>736,310</td>
</tr>
<tr>
<td><strong>Profit for the year</strong></td>
<td>4 8,166,416</td>
<td>6,720,426</td>
</tr>
<tr>
<td>Minority interest</td>
<td>498,568</td>
<td>576,218</td>
</tr>
<tr>
<td><strong>Profit for the year attributable to equity holders of the Corporation</strong></td>
<td></td>
<td>8,664,984</td>
</tr>
<tr>
<td>Unappropriated profit brought forward</td>
<td></td>
<td>25,725</td>
</tr>
<tr>
<td>Effect of change from associates to subsidiaries</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>Appropriations:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>24 3,593,700</td>
<td>(2,994,750)</td>
</tr>
<tr>
<td>Transfer to development reserve</td>
<td></td>
<td>(1,000,000)</td>
</tr>
<tr>
<td>Transfer to asset replacement reserve</td>
<td></td>
<td>(1,000,000)</td>
</tr>
<tr>
<td>Transfer to statutory reserve</td>
<td>13 -</td>
<td>(3,273)</td>
</tr>
<tr>
<td>Transfer to general reserve</td>
<td></td>
<td>(3,000,000)</td>
</tr>
<tr>
<td><strong>Unappropriated profit carried forward</strong></td>
<td></td>
<td>97,009</td>
</tr>
<tr>
<td><strong>Basic and diluted earnings per share</strong></td>
<td>23</td>
<td>AED 1.45</td>
</tr>
</tbody>
</table>

Mohammad Hassan Omran  
Chairman

Khalaf Bin Ahmed Al Otaiba  
Vice Chairman

The accompanying notes form an integral part of these consolidated financial statements.  
The Independent Auditors’ Report is set out on page 36.
# Consolidated Balance Sheet

at 31 December 2008

<table>
<thead>
<tr>
<th>Notes</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AED’000</td>
<td>AED’000</td>
</tr>
</tbody>
</table>

## ASSETS

### Non-current assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td>14,108,228</td>
<td>11,875,953</td>
</tr>
<tr>
<td>Intangibles</td>
<td>2,825,583</td>
<td>1,686,847</td>
</tr>
<tr>
<td>Licenses</td>
<td>12,642,732</td>
<td>12,199,498</td>
</tr>
<tr>
<td>Investments in joint ventures and associates</td>
<td>15,169,656</td>
<td>13,407,470</td>
</tr>
<tr>
<td>Other investments</td>
<td>471,366</td>
<td>365,210</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>56,944</td>
<td>12,124</td>
</tr>
<tr>
<td>Loan to an associate</td>
<td>10,287</td>
<td>-</td>
</tr>
</tbody>
</table>

Total non-current assets                           | 45,284,796    | 39,547,102    |

### Current assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stores</td>
<td>202,845</td>
<td>175,207</td>
</tr>
<tr>
<td>Debtors and prepayments</td>
<td>2,917,051</td>
<td>2,046,838</td>
</tr>
<tr>
<td>Due from associates</td>
<td>495,380</td>
<td>210,470</td>
</tr>
<tr>
<td>Amounts due from other telecommunications administrations</td>
<td>1,876,938</td>
<td>1,035,477</td>
</tr>
<tr>
<td>Bank and cash balances</td>
<td>11,294,868</td>
<td>9,432,564</td>
</tr>
</tbody>
</table>

Total current assets                               | 16,787,082    | 12,900,556    |

## LIABILITIES

### Current liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creditors and accruals</td>
<td>16,330,169</td>
<td>13,230,521</td>
</tr>
<tr>
<td>Amounts due to other telecommunications administrations</td>
<td>1,637,545</td>
<td>1,299,178</td>
</tr>
<tr>
<td>Amounts payable on acquisition of investments and licenses</td>
<td>2,063,249</td>
<td>1,045,734</td>
</tr>
<tr>
<td>Bank borrowings</td>
<td>722,305</td>
<td>343,000</td>
</tr>
<tr>
<td>Proposed dividend</td>
<td>2,096,325</td>
<td>1,746,937</td>
</tr>
</tbody>
</table>

Total current liabilities                          | 22,849,593    | 17,665,370    |

### Net current liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net current liabilities</td>
<td>6,062,511</td>
<td>4,764,814</td>
</tr>
</tbody>
</table>

## Non-current liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank borrowings</td>
<td>1,648,311</td>
<td>3,140,921</td>
</tr>
<tr>
<td>Advances from investment partners</td>
<td>608,863</td>
<td>608,863</td>
</tr>
<tr>
<td>Loans from investment partners</td>
<td>387,246</td>
<td>1,642,955</td>
</tr>
<tr>
<td>Amounts payable on acquisition of investments and licenses</td>
<td>1,044,028</td>
<td>2,057,634</td>
</tr>
<tr>
<td>Provision for staff terminal benefits</td>
<td>786,723</td>
<td>533,808</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>306,074</td>
<td>146,895</td>
</tr>
<tr>
<td>Non-current portion of creditors</td>
<td>840,080</td>
<td>756,220</td>
</tr>
</tbody>
</table>

Total non-current liabilities                      | 5,621,325     | 8,887,296     |

### Net assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets</td>
<td>33,600,960</td>
<td>25,894,992</td>
</tr>
</tbody>
</table>

## EQUITY

### Shareholders’ equity

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>5,989,500</td>
<td>4,991,250</td>
</tr>
<tr>
<td>Reserves</td>
<td>22,754,138</td>
<td>18,876,586</td>
</tr>
<tr>
<td>Gain on dilution of interest in an associate-net</td>
<td>203,861</td>
<td>163,425</td>
</tr>
<tr>
<td>Unappropriated profit</td>
<td>97,009</td>
<td>25,725</td>
</tr>
</tbody>
</table>

Total shareholders' equity                        | 29,044,508    | 24,056,986    |

### Minority interest

<table>
<thead>
<tr>
<th>Description</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minority interest</td>
<td>4,556,452</td>
<td>1,838,006</td>
</tr>
</tbody>
</table>

Total equity                                      | 33,600,960    | 25,894,992    |

Mohammad Hassan Omran
Chairman

Khalaf Bin Ahmed Al Otaiba
Vice Chairman

The accompanying notes form an integral part of these consolidated financial statements.
The Independent Auditors' Report is set out on page 36.
## Consolidated Statement of Changes in Shareholders' Equity

for the year ended 31 December 2008

<table>
<thead>
<tr>
<th>Attributable to equity holders of the Corporation</th>
<th>Gain on dilution of interest in an associate</th>
<th>Unappropriated profit</th>
<th>Total shareholders' equity</th>
<th>Minority interest</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes</td>
<td>Share capital</td>
<td>Development</td>
<td>Asset replacement</td>
<td>Statutory</td>
<td>Translation</td>
</tr>
<tr>
<td></td>
<td>AED'000</td>
<td>AED'000</td>
<td>AED'000</td>
<td>AED'000</td>
<td>AED'000</td>
</tr>
<tr>
<td><strong>At 1 January 2007</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4,537,500</td>
<td>4,100,000</td>
<td>4,200,000</td>
<td>135</td>
<td>159,719</td>
</tr>
</tbody>
</table>

Profit for the year | - | - | - | - | - | - | - | - | - | 7,296,644 | 7,296,644 | (576,218) | 6,720,426 |

Effect of change from associates to subsidiaries | - | - | - | - | - | (147,924) | (147,924) | - | 487,209 | 339,285 | 144,095 | 483,380 |

Transfers to reserves | - | 900,000 | 924,000 | - | - | 3,003,273 | 4827,273 | - | (4,827,273) | - | - | - |

Bonus issue of 453.75 million fully paid shares of AED 1 each | 12 | 453,750 | - | - | - | - | (453,750) | (453,750) | - | - | - | - |

Dividends | - | - | - | - | - | - | - | - | - | (2,994,750) | (2,994,750) | - | (2,994,750) |

Exchange differences on translation of overseas operations | - | - | - | - | - | 229,110 | 229,110 | - | - | 229,110 | 62,349 | 291,459 |

Transfer to statutory reserve | 13 | - | - | - | 3,273 | - | 3,273 | - | (3,273) | - | - | - |

**At 31 December 2008** | 5,989,500 | 6,000,000 | 6,124,000 | 3,408 | 264,631 | 10,362,099 | 22,754,138 | 203,861 | 97,009 | 29,044,508 | 4,556,452 | 33,600,960 |

Profit for the year | - | - | - | - | - | - | - | - | - | 8,664,984 | 8,664,984 | (498,568) | 8,166,416 |

Gain on increase in investment in an associate | 8 | - | - | - | - | - | - | - | - | 40,436 | 40,436 | - | 40,436 |

Acquisition of minority interest | - | - | - | - | - | - | - | - | - | 35,246 | 35,246 | - | 35,246 |

Dividend to minority interest | - | - | - | - | - | - | - | - | - | (2,250) | (2,250) | - | (2,250) |

Transfers to reserves | - | 1,000,000 | 1,000,000 | - | - | 3,000,000 | 5,000,000 | - | (5,000,000) | - | - | - |

Bonus issue of 998.25 million fully paid shares of AED 1 each | 12 | 998,250 | - | - | - | - | (998,250) | (998,250) | - | - | - | - |

Dividends | - | - | - | - | - | - | - | - | - | (3,593,700) | (3,593,700) | - | (3,593,700) |

Exchange differences on translation of overseas operations | - | - | - | - | - | (124,198) | (124,198) | - | - | (124,198) | (61,856) | (186,054) |

**At 31 December 2008** | 5,989,500 | 6,000,000 | 6,124,000 | 3,408 | 264,631 | 10,362,099 | 22,754,138 | 203,861 | 97,009 | 29,044,508 | 4,556,452 | 33,600,960 |

The accompanying notes form an integral part of these consolidated financial statements. The Independent Auditors' Report is set out on page 36.
### Consolidated Statement of Cash Flows

for the year ended 31 December 2008

<table>
<thead>
<tr>
<th>Notes</th>
<th>2008 AED'000</th>
<th>2007 AED'000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>6,547,220</td>
<td>6,609,551</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>4,6</td>
<td>1,708,289</td>
</tr>
<tr>
<td>Amortisation of licenses</td>
<td>7</td>
<td>809,283</td>
</tr>
<tr>
<td>Profit on sale of assets</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Net transfer to staff terminal benefits</td>
<td></td>
<td>252,915</td>
</tr>
<tr>
<td>Dividend income from other investments</td>
<td>8</td>
<td>(23,497)</td>
</tr>
<tr>
<td>Deferred taxes, net</td>
<td></td>
<td>(62,371)</td>
</tr>
<tr>
<td>Share of results of joint ventures and associates</td>
<td>8</td>
<td>(472,694)</td>
</tr>
<tr>
<td><strong>Operating cash flows before movement in working capital</strong></td>
<td></td>
<td>8,759,145</td>
</tr>
<tr>
<td>Changes in working capital:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stores</td>
<td></td>
<td>(27,638)</td>
</tr>
<tr>
<td>Debtors and prepayments</td>
<td></td>
<td>(494,944)</td>
</tr>
<tr>
<td>Amounts due from/to other telecommunications administrations</td>
<td></td>
<td>(503,094)</td>
</tr>
<tr>
<td>Creditors and accruals</td>
<td></td>
<td>3,119,591</td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td></td>
<td>10,853,060</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from disposal of an investment</td>
<td></td>
<td>2,324,994</td>
</tr>
<tr>
<td>Investments made during the year</td>
<td></td>
<td>(2,128,196)</td>
</tr>
<tr>
<td>Dividends received</td>
<td></td>
<td>136,371</td>
</tr>
<tr>
<td>Purchases of fixed assets, net</td>
<td></td>
<td>(3,661,196)</td>
</tr>
<tr>
<td>Acquisition of subsidiaries</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>License fees paid</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Interest income received</td>
<td></td>
<td>425,804</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td></td>
<td>(2,902,223)</td>
</tr>
<tr>
<td><strong>Cash flows from financing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due (to) from associates</td>
<td></td>
<td>(256,616)</td>
</tr>
<tr>
<td>Loans instalments repaid by associates</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Advances/loans from investment partners</td>
<td></td>
<td>180,665</td>
</tr>
<tr>
<td>Repayments of bank borrowings, net</td>
<td></td>
<td>(2,164,545)</td>
</tr>
<tr>
<td>Amounts contributed by minority shareholders</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Finance costs paid</td>
<td></td>
<td>(413,564)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td></td>
<td>(3,244,312)</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td></td>
<td>(5,898,372)</td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in cash and cash equivalents</strong></td>
<td></td>
<td>2,052,465</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td></td>
<td>9,432,564</td>
</tr>
<tr>
<td>Exchange differences on translation of overseas operations</td>
<td></td>
<td>(190,161)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at the end of the year</strong></td>
<td></td>
<td>11,294,888</td>
</tr>
</tbody>
</table>

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

The Independent Auditors’ Report is set out on page 36.
Notes to the Consolidated Financial Statements
for the year ended 31 December 2008

1 Incorporation and activities
The Emirates Telecommunications Corporation Group ("the Group") comprises the holding company Emirates Telecommunications Corporation ("the Corporation") and its subsidiaries. The Corporation was incorporated in the United Arab Emirates with limited liability in 1976 by UAE Federal Government decree No. 78, which was revised by the UAE Federal Act No. (1) of 1991 and further amended by Decretal Federal Code No. 3 of 2003 concerning the regulation of the telecommunications sector in the UAE. The Corporation is owned by the UAE Government and UAE nationals.
The address of the Corporation's registered office is P.O. Box 3838, Abu Dhabi, United Arab Emirates. The Corporation's shares are listed on the Abu Dhabi Securities Exchange.
The principal activity of the Group is to provide telecommunications services, media and related equipment including provision of related contracting and consultancy services to international telecommunications companies and consortia. These activities are carried out through the Corporation (which holds a full service license from the UAE Telecommunications Regulatory Authority valid until 2025), its subsidiaries, joint ventures and associates referred to in Notes 8 and 20.

2 Significant accounting policies
The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below:

a) Basis of preparation
The consolidated financial statements are prepared under the historical cost convention and in accordance with the accounting policies set out herein.

b) Consolidation
Subsidiaries are those entities in which the Group, directly or indirectly, has an interest of more than one half of the voting rights and exercises control over the operations, have been fully consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are excluded from consolidation from the date that control ceases. Intercompany transactions, balances and any unrealised gains/losses between group entities have been eliminated in the consolidated financial statements.
The Group applies a policy of treating transactions with minorities as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated statement of income.
Details of the key subsidiaries are provided in Note 20.

c) Joint ventures and associates
Joint ventures and associates are those companies which the Group jointly controls or over which it exercises significant influence but which it does not control. Investments in joint ventures and associates are accounted for using the equity method of accounting and are initially recognised at cost. Provision is made for impairment in value, which is other than temporary in nature, such provision being determined and made for each investment individually. Disposals of interests in joint ventures and associates are recognised on a settlement date basis when the relevant transaction is completed and the sales proceeds are received.

d) Fixed assets and depreciation
Fixed assets are stated at cost, less accumulated depreciation and impairment. Cost comprises landed cost of equipment and materials, including freight and insurance, charges from contractors for installations and building works and direct labour costs incurred in the installation of exchanges and underground plant.
The cost of fixed assets is depreciated from the date an asset becomes operational by equal annual instalments over the estimated useful lives of the assets as follows:

Buildings:
Permanent - the lower of 20 - 50 years or the period of the land lease.
Temporary - the lower of 4 years and the period of the land lease.
2 Significant accounting policies (continued)

d) Fixed assets and depreciation (continued)

<table>
<thead>
<tr>
<th>Plant and equipment:</th>
<th>Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Submarine - fibre optic cables</td>
<td>20</td>
</tr>
<tr>
<td>- coaxial cables</td>
<td>10</td>
</tr>
<tr>
<td>Cable ships</td>
<td>15</td>
</tr>
<tr>
<td>Coaxial and fibre optic cables</td>
<td>15</td>
</tr>
<tr>
<td>Line plant</td>
<td>15</td>
</tr>
<tr>
<td>Exchanges</td>
<td>5 - 10</td>
</tr>
<tr>
<td>Switches</td>
<td>5 - 10</td>
</tr>
<tr>
<td>Radios/Towers</td>
<td>10 - 15</td>
</tr>
<tr>
<td>Earth stations/VSAT</td>
<td>5 - 10</td>
</tr>
<tr>
<td>Multiplex equipment</td>
<td>10</td>
</tr>
<tr>
<td>Power plant</td>
<td>5</td>
</tr>
<tr>
<td>Subscribers’ apparatus (cellular)</td>
<td>3 - 8</td>
</tr>
<tr>
<td>General plant</td>
<td>2 - 5</td>
</tr>
</tbody>
</table>

Other assets:

- Motor vehicles                                  3 - 5
- Computers                                       4 - 5
- Furniture and fittings                          4 -10
- Household furniture                             4

Accelerated depreciation is provided on assets, which are likely to cease to be operational earlier than the expiry of the estimated useful lives shown above.

Repairs and maintenance expenses are charged to the consolidated statement of income when the expenditure is incurred.

e) Business combinations

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred and assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

If reliable estimates of fair values are not available at the acquisition date, the difference between the total consideration paid and the Group’s share of the net book values of assets acquired and liabilities assumed is classified within intangible assets as goodwill pending valuation and identification of separately identifiable tangible and intangible assets.

f) Intangibles

Intangible assets acquired in a business combination are stated at their fair values at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight line method to allocate the cost of the intangible assets other than goodwill, over their estimated useful lives.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group’s share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is carried at cost less any accumulated impairment losses.

g) Licenses

Acquired telecommunication licenses are shown at historical cost and are amortised on a straight line basis over their estimated useful lives when the related networks are available for use. The estimated useful lives range between 10 and 25 years.

An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).
Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

2 Significant accounting policies (continued)

h) Other investments
Other long term investments are stated at cost less provision for impairment in value, if any. Such provision, is only made when there
is impairment in value, which is other than temporary in nature and is being determined and made for each investment individually.

i) Foreign currencies
Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets
and liabilities are translated into UAE Dirhams at rates prevailing at the balance sheet date. Gains and losses arising on settlement and retranslation
of foreign currency balances are recognised in the consolidated statement of income.

On consolidation the assets and liabilities of the Group’s overseas operations are translated at exchange rates prevailing on the balance sheet date.
Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange
differences arising, if any are classified as a separate component of equity. Such translation differences are recognised as income or as expenses
in the period in which the operation is disposed of.

j) Stores
Stores are measured at the lower of cost and net realisable value. Provision is made, where appropriate, for deterioration and obsolescence.
Cost is determined in accordance with the weighted average cost method.

k) Deferred taxes
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities
and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using relevant tax rates and laws that have
been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the
deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that
it is probable that sufficient taxable profits will be available in the future against which deductible temporary differences can be utilised.

l) Borrowings
Borrowings are initially recognised at the gross value of proceeds received whilst transaction costs are expensed in the period in which the
borrowings are arranged. Borrowings are classified under current liabilities unless there is evidence of the Group’s intention to defer settlement
for at least 12 months after the balance sheet date and such deferral is probable, or contractually agreed.

m) Revenue
Revenue, in respect of telecommunication services, is accounted for in the period when the services are provided and is stated after adjusting
for amounts payable to and receivable from other telecommunications administrations and is net of discounts and rebates allowed.

Equipment rental charges are recognised as income over the period to which the charges relate.

Contract revenue is recognised under the percentage of completion method. Profit on contracts is recognised only when the outcome of the
contracts can be reliably estimated. Provision is made for foreseeable losses estimated to complete contracts.

n) Other income
Other income primarily comprises interest income which is recognised on a time proportion basis, taking account of the principal outstanding
and the effective rate over the period to maturity.

o) Finance costs
Interest expense is recognised on a time proportion basis, taking account of the principle outstanding and the applicable rate over the
borrowing period.

p) Cash and cash equivalents
For purposes of the consolidated statement of cash flows, all bank and cash balances with a maturity of less than six months at the balance sheet
date are considered to be cash and cash equivalents.

3 Revenue
Revenue is stated net of discounts and rebates allowed and after deducting net outpayments to other telecommunications administrations of
AED 814 million (2007: AED 607 million) and discounts of AED 1,296 million (2007: AED 990 million). Revenues include contract revenue amounting
to AED 176.5 million (2007: AED 107.9 million).
4 Profit for the year

<table>
<thead>
<tr>
<th></th>
<th>2008 AED'000</th>
<th>2007 AED'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year is stated after charging:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff costs</td>
<td>3,806,783</td>
<td>2,615,226</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,708,289</td>
<td>1,368,182</td>
</tr>
<tr>
<td>Amortisation</td>
<td>809,283</td>
<td>593,756</td>
</tr>
<tr>
<td>Contract costs</td>
<td>92,053</td>
<td>73,197</td>
</tr>
<tr>
<td>Royalty</td>
<td>8,664,984</td>
<td>7,296,644</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>4,295,728</td>
<td>2,519,022</td>
</tr>
<tr>
<td>Regulatory expenses</td>
<td>667,488</td>
<td>644,316</td>
</tr>
<tr>
<td>Finance costs</td>
<td>413,564</td>
<td>503,139</td>
</tr>
<tr>
<td>Deferred and current taxes</td>
<td>176,730</td>
<td>122,296</td>
</tr>
<tr>
<td>And after crediting:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on disposal of shares in an associate (Note 8)</td>
<td>1,783,686</td>
<td>-</td>
</tr>
<tr>
<td>Share of results of joint ventures and associates (Note 8)</td>
<td>472,694</td>
<td>380,042</td>
</tr>
<tr>
<td>Interest income</td>
<td>425,804</td>
<td>736,310</td>
</tr>
</tbody>
</table>

In accordance with the Cabinet decision No. 558/1 for the year 1991, the Corporation was required to pay a royalty, equivalent to 40% of its annual net profit before such royalty, to the UAE Government for use of Federal facilities. With effect from 1 June 1998, Cabinet decision No. 325/28M for 1998 increased the royalty payable to 50%.

Royalty includes royalty on gain on disposal of shares in an associate (Note 8).

5 Intangibles

In April 2005, the Group had acquired 50% (494,661 shares) of the equity of Atlantique Telecom ("AT") for a consideration of AED 432.090 million (Euro 90 million).

On 11 April 2007, the Group acquired an additional 20% (197,864 shares) of the equity of AT resulting in a total controlling equity interest of 70% (692,525 shares). The total consideration for the 20% acquisition amounted to AED 418,836 million (US$ 114 million).

On 12 May 2008, the Group acquired 12% additional shares (118,719 shares) of the equity of AT resulting in a total equity interest of 82% (811,244 shares). The total consideration for the 12% acquisition amounted to AED 251,281 million (US$ 68.4 million). Out of the total shares owned by the Corporation, 205,711 shares are subject to a lien in favour of Islamic Development Bank, Saudi Arabia to secure certain borrowings by AT.

On 26 January 1999, the Group had acquired an initial equity interest in Zanzibar Telecom Limited ("Zantel") for a consideration of AED 8.818 million (US$ 2.4 million).

On 23 July 2007, the Group acquired an additional 17% (122,400 shares) of the equity of Zantel resulting in a controlling majority interest. The total consideration for the 17% acquisition amounted to AED 55.294 million (US$ 15.05 million).

On 26 September 2007, the Group resolved to convert its shareholder loan of AED 392.7 million to equity and also injected AED 191 million as additional equity into Canar Telecommunications Company Limited ("Canar") raising its equity holding from 37% to 82%. The Group therefore holds a controlling majority interest in Canar.

On 17 December 2008, the Group acquired 44.728% (112,994,228 shares) of the equity of Swan Telecom Private Limited, in India. The total consideration for the acquisition amounted to AED 2,518,249 million.

The difference between the Group’s share of assets acquired and liabilities assumed individually in each entity and the total consideration paid has been classified within intangible assets as goodwill pending valuation and identification of separately identifiable tangible and intangible assets which will then be amortised in accordance with the applicable accounting policies. Also included under intangibles is goodwill in the Group’s overseas subsidiaries amounting to AED 273.816 million (2007: AED 186.276 million).
Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

6 Fixed assets

<table>
<thead>
<tr>
<th></th>
<th>Buildings AED'000</th>
<th>Plant and equipment AED'000</th>
<th>Motor vehicles, computers &amp; furniture AED'000</th>
<th>Assets under construction AED'000</th>
<th>Total AED'000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2007</td>
<td>2,944,267</td>
<td>14,419,077</td>
<td>1,088,665</td>
<td>1,293,016</td>
<td>19,745,025</td>
</tr>
<tr>
<td>Additions</td>
<td>116,941</td>
<td>2,444,315</td>
<td>447,905</td>
<td>2,055,409</td>
<td>5,064,570</td>
</tr>
<tr>
<td>Transfers</td>
<td>32,552</td>
<td>800,855</td>
<td>92,072</td>
<td>(925,479)</td>
<td></td>
</tr>
<tr>
<td>Disposals</td>
<td>(2,356)</td>
<td>(106,300)</td>
<td>(28,181)</td>
<td>-</td>
<td>(136,837)</td>
</tr>
<tr>
<td>At 31 December 2007</td>
<td>3,091,404</td>
<td>17,557,947</td>
<td>1,600,461</td>
<td>2,422,946</td>
<td>24,672,758</td>
</tr>
<tr>
<td>Additions/acquisitions</td>
<td>7,621</td>
<td>1,251,972</td>
<td>83,350</td>
<td>2,600,425</td>
<td>3,943,368</td>
</tr>
<tr>
<td>Transfers</td>
<td>449,029</td>
<td>1,179,991</td>
<td>95,240</td>
<td>(1,724,260)</td>
<td>-</td>
</tr>
<tr>
<td>Disposals</td>
<td>(11,720)</td>
<td>(240,902)</td>
<td>(23,589)</td>
<td>(13,308)</td>
<td>(289,519)</td>
</tr>
<tr>
<td>At 31 December 2008</td>
<td>3,536,334</td>
<td>19,749,008</td>
<td>1,755,462</td>
<td>3,285,803</td>
<td>28,326,607</td>
</tr>
</tbody>
</table>

**Accumulated depreciation**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2007 AED'000</th>
<th>2008 AED'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2007</td>
<td>1,469,763</td>
<td>9,102,836</td>
<td>916,032</td>
<td>-</td>
</tr>
<tr>
<td>Additions</td>
<td>12,318</td>
<td>308,466</td>
<td>156,305</td>
<td>-</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>137,375</td>
<td>1,106,019</td>
<td>124,788</td>
<td>-</td>
</tr>
<tr>
<td>Disposals</td>
<td>(2,329)</td>
<td>(104,445)</td>
<td>(27,905)</td>
<td>-</td>
</tr>
<tr>
<td>At 31 December 2007</td>
<td>1,617,127</td>
<td>10,412,876</td>
<td>1,169,220</td>
<td>-</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>161,473</td>
<td>1,389,764</td>
<td>157,052</td>
<td>-</td>
</tr>
<tr>
<td>Disposals</td>
<td>(11,438)</td>
<td>(8,083)</td>
<td>(23,214)</td>
<td>-</td>
</tr>
<tr>
<td>At 31 December 2008</td>
<td>1,767,162</td>
<td>11,794,557</td>
<td>1,303,058</td>
<td>-</td>
</tr>
</tbody>
</table>

**Net book amount at 31 December 2008**

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2007 AED'000</th>
<th>2008 AED'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2007</td>
<td>12,199,498</td>
<td>11,230,398</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Additions through acquisition</td>
<td>1,332,858</td>
<td>1,562,856</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>(80,341)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Amortisation</td>
<td>(809,283)</td>
<td>(593,756)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>At 31 December</td>
<td>12,642,732</td>
<td>12,199,498</td>
<td>11,230,398</td>
<td>-</td>
</tr>
</tbody>
</table>

Depreciation during the year 2007 includes amounts acquired on business combinations. (Note 5)

7 Licenses

The above amounts include telecommunication licenses in India, Egypt and Afghanistan as well as those relating to Atlantique Telecom, Etisalat Benin, Zantel and Canar.

The estimated useful life of the telecommunication license in Etisalat Misr was revised from 20 years to 25 years effective 1 January 2008.
## 8 Investments

<table>
<thead>
<tr>
<th></th>
<th>2008 AED’000</th>
<th>2007 AED’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint ventures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Associates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net book amount at January</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect of change from associates to subsidiaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions during the year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of interest in associate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on increase in investment in an associate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of results</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other investments with subsidiaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net book amount at 31 December</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Dividend income from other investments during the year was AED 23.5 million (2007: AED 48.8 million).

Net book amount is represented by the following investments:

### a) Joint ventures

#### i. UT Technologies LLC

<table>
<thead>
<tr>
<th></th>
<th>2008 AED’000</th>
<th>2007 AED’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>56,665</td>
<td>50,000</td>
</tr>
</tbody>
</table>

The Corporation and Seven Emirates for Investment and International Trade LLC entered into a Memorandum of Association to set up UT Technologies LLC. The objectives of the company include installing infrastructure and managing home network systems.

#### ii. Smart Technology Services DWC – LLC

<table>
<thead>
<tr>
<th></th>
<th>2008 AED’000</th>
<th>2007 AED’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>45,336</td>
<td></td>
</tr>
</tbody>
</table>

On 3 May 2007, the Corporation entered into an agreement with Dubai Aviation Corporation to establish a joint venture company to offer a range of non-regulated ICT services and to own an Open Access Network within Dubai World Central. On 23 September 2008, the Corporation contributed an amount of AED 55 million towards its 50% equity interest in Smart Technology Services DWC – LLC. The joint venture was incorporated in Dubai as a DWC – free zone company on 25 September 2008.

### b) Associates

#### i. Pakistan Telecommunication Company Limited (“PTCL”)

<table>
<thead>
<tr>
<th></th>
<th>2008 AED’000</th>
<th>2007 AED’000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>9,405,296</td>
<td>9,268,903</td>
</tr>
</tbody>
</table>

During 2006, the Corporation, through its majority owned subsidiary Etisalat International Pakistan LLC (“EIP”), acquired the entire 1.226 billion Class B shares of PTCL for a total consideration of US$ 2,598,960,000 (AED 9,548,579,040). These Class B shares represent 26% of PTCL’s issued capital and, in accordance with PTCL’s Articles of Association, provide the Corporation with 53% of the voting rights. Under the terms of the Shareholders Agreement between EIP and the Government of Pakistan, EIP has the right to appoint five of the nine Board of Directors of PTCL in addition to the appointment of certain key management personnel. Due to certain control impediments, including but not limited to restrictions on the Corporation’s financial and operating decision making ability, PTCL has been accounted for as an associate using the equity method. Management believes that some or all of these control impediments may be alleviated in the future which may result in the consolidation of PTCL.
Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

8 Investments (continued)
b) Associates (continued)
i. Pakistan Telecommunication Company Limited ("PTCL") (continued)

The following is a summary of PTCL’s most recent publicly available key financial information:

<table>
<thead>
<tr>
<th></th>
<th>Quarter ended 30 Sept 2008 AED’000 (unaudited)</th>
<th>Year ended 30 June 2008 AED’000 (audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>9,759,151</td>
<td>10,890,251</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>4,598,764</td>
<td>5,077,367</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,261,387</td>
<td>4,924,253</td>
</tr>
<tr>
<td>Net profit/(loss)</td>
<td>174,459</td>
<td>(123,951)</td>
</tr>
</tbody>
</table>

ii. Etihad Etisalat Company ("EEC")

The Corporation is one of seven founding shareholders of a Saudi Arabian joint stock company which was incorporated on 14 December 2004. EEC owns and operates a mobile cellular network in the Kingdom of Saudi Arabia using GSM and 3G networks.

According to the requirements of the Communications and Information Technology Commission ("CITC") in Saudi Arabia, the Corporation as the operator of EEC must maintain a 15% equity interest in EEC for the duration of the management agreement (Note 21).

In accordance with the Saudi Royal Decree establishing EEC, the founding shareholders were required to reduce the shares in EEC by 20% within the first three years of its incorporation. Accordingly, the Corporation reduced its equity interest in EEC from 35% to 26.25%. The transaction was completed and the proceeds from disposal were received by the Corporation on 3 April 2008. Gain on disposal of these shares amounting to AED 1,784 million was recognised by the Corporation during the year and is included in other income.

In October 2008, the Corporation subscribed to the rights issue of 2 shares for every 5 shares held (52,500,000 shares). Further, the Corporation subscribed to 8,466,050 shares (AED 233.24 million) from the unsubscribed portion of the rights issue, increasing the Corporation’s holding to 27.459% at the end of the year.

Gain from the increase in investment made during the year amounted to AED 58.628 million.

The market value of the Corporation’s investment in EEC at 31 December 2008 was AED 5,823 million (2007: AED 12,798 million).

iii. Thuraya Satellite Telecommunications Company PJSC ("Thuraya")

The Corporation holds a 28.042% (2007: 27.427%) interest in Thuraya which is incorporated in the UAE as a private joint stock company.

During 2006, Thuraya increased its share capital from US$ 500 million to US$ 629.4 million through a private placement. The Corporation’s share in Thuraya’s equity was consequently diluted from 34.525% to 27.427%. A gain on dilution of investment amounting to AED 163.4 million is reflected in the consolidated statement of changes in shareholders’ equity in 2006.

On 2 March 2008, Thuraya converted the Corporation’s share of guarantee fees amounting to AED 89.84 million into fully paid equity shares at AED 2.25 per share. Accordingly the Corporation’s shareholding in Thuraya increased from 27.427% to 28.042%.
On 12 December 2007, the Group acquired 15.97% of the issued equity shares in PEPT, a GSM operator in Indonesia, for consideration of AED 1,610 million.

Although the Corporation holds 15.97% of the paid-up capital of PEPT, it exercises significant influence by virtue of its representation on the Board of Directors of this Company. Accordingly, PEPT is accounted for as an associate.

On 11 February 2008, the Group acquired a 40% equity interest in MDC-NG B.V., a company registered in the Netherlands. The primary business of MDC-NG B.V. is to hold the investment in EMTS, an entity incorporated in Nigeria. Consideration of AED 969.94 million was paid which relates to the purchase of shares in MDC-NG B.V. and assignment of the right to receive 40% of the loan provided by Mubadala Holdings Cyprus Limited to MDC – NG B.V amounting to AED 1,176 million. EMTS has been granted a Unified Access Service License by the Nigerian Communications Commission. The capital structure of EMTS has not yet been finalised at the balance sheet date. Upon finalisation this may result in the reclassification of a portion of this investment in an associate to long term advances or loans.

c) Other investments

During the year, the Corporation received 100,000 bonus shares (1 share for every 10 shares) on the initial investment in one million shares of Qatar Telecom QSC. In May 2008, the Corporation subscribed to the rights issue of 1 share for every 3 shares held (366,666 shares for AED 59 million). Total number of shares with the Corporation at the end of the year was 1,466,666 shares.

The market value of the investment at 31 December 2008 was AED 173 million (2007: AED 235 million).

This represents the Corporation’s investment in 29.24 million shares (4% holding) (2007: 29.24 million shares, 4% holding) in Sudan Telecommunications Company Limited, Sudan.

The market value of the investment as at 31 December 2008 was AED 152.3 million (2007: AED 238.6 million).

This represents the Corporation’s investment of US$ 35 million in certificates (Sukuk Al-Ijara) issued by the Government of Dubai, Department of Civil Aviation. These certificates bear an annual rental in relation to six month US$ LIBOR plus 0.45% and mature in November 2009. The approximate market value of these certificates at 31 December 2008 was AED 122.1 million (2007: AED 129.6 million).
8 Investments (continued)
c) Other investments (continued)

<table>
<thead>
<tr>
<th></th>
<th>2008 AED'000</th>
<th>2007 AED'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>iv. Wings FZCO</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>91,850</td>
<td>91,850</td>
</tr>
</tbody>
</table>

This represents the Corporation’s investment of US$ 25 million in Trust Certificates (Sukuk Al-Musharaka) issued by Wings FZCO, a limited liability company incorporated in Dubai Airport Free Zone. These certificates bear a return based on US$ LIBOR plus 0.75% and mature in June 2012. The first distribution was made in June 2006 based on 12 months US$ LIBOR.

Further distributions are made every six months based on six months US$ LIBOR. The Sukuk Al-Musharaka is guaranteed by the Emirates Group. The approximate market value of these certificates at 31 December 2008 was AED 68.9 million (2007: AED 91.6 million).

<table>
<thead>
<tr>
<th></th>
<th>2008 AED'000</th>
<th>2007 AED'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>v. Bank of Khartoum (Formerly Emirates-Sudan Bank)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>9,277</td>
<td>9,277</td>
</tr>
</tbody>
</table>

This represents the Corporation’s investment in 2.5 million shares in Emirates Sudan Bank. On 1 February 2008, Emirates Sudan Bank merged with Bank of Khartoum. 3.179 million shares in Bank of Khartoum were offered in exchange of 2.5 million shares of Emirates Sudan Bank.

The approximate market value of the investment at 31 December 2008 was AED 7.56 million (2007: AED 10 million).

<table>
<thead>
<tr>
<th></th>
<th>2008 AED'000</th>
<th>2007 AED'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>vi. New ICO Global Communications (Holdings) Limited</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Corporation had held a 7.34% interest in ICO Global Communications (Holdings) Limited ("ICO"), which filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code in August 1999. Upon gaining exit from Chapter 11 in May 2000, ICO was re-established as New ICO Global Communications (Holdings) Limited ("New ICO") under the laws of Delaware, USA. New ICO has been listed on the NASDAQ stock market in New York. However, due to uncertainty over its future plans, the full provision against this investment has been retained. The Corporation holds 596,864 Class A shares (0.3033% interest) in New ICO. The approximate market value of the investment at 31 December 2008 was AED 2.5 million.

Other investments held by the Corporation’s subsidiaries include Telegcel Faso (see note below) amounting to AED 43,537 million (2007: AED Nil) and an investment by Etisalat Misr amounting to AED 3.072 million (2007: AED Nil) respectively.

Due to a conflict between a subsidiary of AT (Telecel Faso) and its minority shareholder, AT has temporarily lost control over the subsidiary based on the decision made by the jurisdiction authorities. Accordingly this has been deconsolidated from the date, AT ceased to exercise control. The matter is currently under arbitration.

9 Stores

<table>
<thead>
<tr>
<th></th>
<th>2008 AED'000</th>
<th>2007 AED'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subscriber equipments</td>
<td>82,834</td>
<td>34,832</td>
</tr>
<tr>
<td>Maintenance and sundry stores</td>
<td>120,011</td>
<td>140,375</td>
</tr>
<tr>
<td></td>
<td>202,845</td>
<td>175,207</td>
</tr>
</tbody>
</table>
Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

10 Debtors and prepayments

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AED’000</td>
<td>AED’000</td>
</tr>
<tr>
<td>Trade debtors</td>
<td>2,219,488</td>
<td>1,633,702</td>
</tr>
<tr>
<td>Other debtors and prepayments</td>
<td>697,563</td>
<td>412,737</td>
</tr>
<tr>
<td>Contract debtors and retentions</td>
<td>-</td>
<td>399</td>
</tr>
<tr>
<td></td>
<td>2,917,051</td>
<td>2,046,838</td>
</tr>
</tbody>
</table>

11 Bank and cash balances

Bank and cash balances mainly comprise short term deposits, denominated primarily in UAE Dirham, with financial institutions and banks. Interest is earned on these deposits at prevailing market rates. Bank and cash balances include an amount of AED 2,616.113 million (2007: AED 416.250 million) representing bank and cash balances of the Corporation’s subsidiaries maintained overseas.

12 Share capital

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AED’000</td>
<td>AED’000</td>
</tr>
<tr>
<td>Authorised:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8,000,000,000 ordinary shares of AED 1 each</td>
<td>8,000,000</td>
<td>8,000,000</td>
</tr>
<tr>
<td>Issued and fully paid:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5,989,500,000 ordinary shares of AED 1 each (2007: 4,991,250,000 ordinary shares of AED 1 each)</td>
<td>5,989,500</td>
<td>4,991,250</td>
</tr>
<tr>
<td>Balance at 1 January</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonus issue of 998.250 million fully paid shares of AED 1 each. On 24 March 2008, the shareholders at the Extra-ordinary General Meeting approved the issue of one bonus share for every five shares held (2007: 453.750 million shares issued, one bonus share for every ten shares held)</td>
<td>4,991,250</td>
<td>4,537,500</td>
</tr>
<tr>
<td>Balance at 31 December</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5,989,500</td>
<td>4,991,250</td>
</tr>
</tbody>
</table>

13 Statutory reserve

In accordance with the UAE Federal Law No. (8) of 1984, as amended, and the respective Memorandum of Association of Etisalat International Pakistan LLC (“EIP”) and E-Marine PJSC, 10% of their respective annual profits should be transferred to a non-distributable statutory reserve. The Corporation’s share of the reserve has accordingly been disclosed in the consolidated statement of changes in shareholders’ equity.

14 Loans from investment partners

This amount includes the minority share of a shareholders’ loan advanced to Etisalat Misr amounting to AED 387.25 million (2007: AED 1,587.96 million). This loan carries interest at a fixed rate of 10% per annum. In 2007, the shareholders of Etisalat Misr resolved to extend the loan repayment to 2011 and accordingly this is now classified as a non-current liability.

At the Extra-ordinary General Meeting of Etisalat Misr held on 26 August 2008, the Shareholders of Etisalat Misr resolved to convert into equity 75% of the shareholders’ loan together with interest as at 31 July 2008. This has resulted in converting the Corporation’s portion of this loan amounting to AED 2.8 billion to equity. The conversion will include a premium of 25% of the nominal value of the shares at the time of issuance and is subject to final approval of the concerned authorities.
15 Bank borrowings

On 17 July 2006, the Corporation entered into an agreement for a line of credit from a consortium of 22 banks amounting to US$ 3 billion. The Corporation repaid the remaining outstanding loan balance under this facility amounting to AED 2.755 billion on 14 July 2008. This decision was based on the Corporation’s projected cash requirements and cost of borrowings.

Etisalat Misr signed an agreement for syndicated interest bearing loans on 13 December 2007, for a long term loan facility amounting to AED 1.4 billion (portion A), a revolving credit facility amounting to AED 0.7 billion (portion B) and a long-term loan facility amounting to USD 300 million (AED 1,102 million) (portion C).

The syndicated loan is repayable in full within thirty seven months from the date of signing the agreement. The syndicated loan bears interest at mid-corridor plus 0.5% for the Egyptian Pound portion and LIBOR plus 0.75% for the US Dollar portion.

Etisalat Misr utilised an amount of AED 468.1 million from portion A and AED 1,102 million from portion C and is included in non-current borrowings.

The syndicated loan is secured by a commercial mortgage over Etisalat Misr’s fixed assets, a pledge over its bank accounts, real estate mortgage and an insurance assignment.

Included in bank borrowings, is an amount of AED 475 million representing the current bank borrowings in AT. AT has a Euro 100 million (AED 475 million) loan which was drawn in two equal instalments of Euro 50 million each in May and November 2008. The loan bears an interest rate of EURIBOR + 4%. The balance of the borrowings is made up of a number of loans and overdrafts whose interest rates are in the range between 10% to 14.5% per annum. Bank borrowings are secured by a charge on the fixed assets of the company.

Included in bank borrowings, is an amount of AED 654.8 million representing the current bank borrowings in AT. AT has a Euro 100 million (AED 475 million) loan which was drawn in two equal instalments of Euro 50 million each in May and November 2008. The loan bears an interest rate of EURIBOR + 4%. The balance of the borrowings is made up of a number of loans and overdrafts whose interest rates are in the range between 10% to 14.5% per annum. Bank borrowings are secured by a charge on the fixed assets of the company.

Included in bank borrowings, is an amount of AED 70 million and AED 64.5 million representing the non-current and current bank borrowings respectively in Zantel. The amount is made up of a number of loans. Loans obtained at fixed rates carry interest at 14.5% per annum (reducing balance), whereas the loans obtained at variable rates carry interest ranging from US LIBOR plus 2.75% and 5.5% per annum. Bank borrowings are secured by a fixed and floating charge over the company’s property, plant and equipment, both present and future, including a charge over the escrow accounts.

Included in the bank borrowings, is an amount of AED 8.2 million and AED 2.8 million representing non-current and current bank borrowings, respectively, relating to E-Marine PJSC. The loan carries interest at EIBOR plus 0.65% per annum, subject to a minimum rate of 5% per annum.

16 Advances from investment partners

This amount represents advances paid net of repayment by the minority shareholder of EIP towards the acquisition of the 26% stake in PTCL (Note 8). The amount is interest free and does not have any fixed repayment terms.

17 Amounts payable on acquisition of investments and licenses

According to the terms of the Shareholders Agreement between EIP and the Government of Pakistan (GOP) payments of AED 6,612 million have been made to GOP with the balance of AED 2,937 million to be paid in 6 equal semi-annual installments of AED 489.4 million each. The amount payable within 12 months of the balance sheet includes two overdue installments payable to GOP.

The amount payable within 12 months of the balance sheet date also includes AED 21.7 million representing current portion payable against a telecommunications license in the Republic of Benin (Note 7) and AED 83.7 million against balance payable for additional investment in AT (Note 5).

The amount payable after 12 months of the balance sheet date includes an amount of AED 65.14 million payable for the license in the Republic of Benin (Note 7).

<table>
<thead>
<tr>
<th></th>
<th>2008 AED’000</th>
<th>2007 AED’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount payable within 12 months of the balance sheet date</td>
<td>2,063,249</td>
<td>1,045,734</td>
</tr>
<tr>
<td>Amount payable after 12 months of the balance sheet date</td>
<td>1,044,028</td>
<td>2,057,634</td>
</tr>
<tr>
<td></td>
<td>3,107,277</td>
<td>3,103,368</td>
</tr>
</tbody>
</table>
Notes to the Consolidated Financial Statements (continued)
for the year ended 31 December 2008

18 Provision for staff terminal benefits
Provision is made for staff terminal benefits on the basis of the UAE Labour Law, except for UAE National staff who are members of the UAE Federal Pension Scheme into which the Group makes a contribution.

19 Creditors and accruals

<table>
<thead>
<tr>
<th></th>
<th>2008 AED'000</th>
<th>2007 AED'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Royalty</td>
<td>8,664,984</td>
<td>7,296,644</td>
</tr>
<tr>
<td>Creditors, accruals and</td>
<td>7,665,185</td>
<td>5,933,877</td>
</tr>
<tr>
<td>deferred revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>16,330,169</td>
<td>13,230,521</td>
</tr>
</tbody>
</table>

20 Key subsidiaries

a) Emirates Telecommunications and Marine Services FZE ("the Establishment") was incorporated in the Jebel Ali Free Zone, Dubai on 27 June 1998 and is a wholly owned subsidiary of the Group. The Establishment commenced operations effective 27th June 1998.

b) Emirates Cable TV and Multimedia LLC ("E-Vision") was incorporated in the United Arab Emirates on 11 July 1999 and is a wholly owned subsidiary of the Group. E-Vision commenced commercial operations on 15 April 2000 and is engaged in the provision of cable television and home entertainment services in the United Arab Emirates.

c) Etisalat International Pakistan LLC ("EIP") was incorporated in the United Arab Emirates on 27 June 2005 and is 90% owned by the Corporation. The primary business of EIP is to hold the investment in PTCL.

d) Etisalat International Egypt LLC ("EIE") was incorporated in the United Arab Emirates on 6 August 2006 and is wholly owned by the Group. EIE in turn owns 66% of Etisalat Misr, the holder of the third GSM license in Egypt.

e) Etisalat International Afghanistan Limited ("EIA") was incorporated as an offshore company with limited liability in Jebel Ali Free Zone on 31 October 2006 and is wholly owned by the Corporation. The primary business of EIA is to hold the investment in Etisalat Afghanistan.

f) E-Marine PJSC was incorporated in the United Arab Emirates on 28 June 2006 and is a wholly owned subsidiary of the Group. The company is primarily engaged in the business of submarine cable installation, maintenance, repair, storage and related activities.

g) EDCH FZE ("EDCH") was incorporated in Jebel Ali Free Zone, Dubai on 15 October 2006 and is a wholly owned subsidiary of the Group. It is engaged in the provision of data management services, data analysis, data collection, data facilitation and account management services.

h) Etisalat Services FZE was incorporated in Jebel Ali Free Zone, Dubai on 20 September 2006 and is a wholly owned subsidiary of the Corporation. Its principal activity is to provide telecommunication industry management services.

i) Etisalat Services Holding LLC ("ESH") was incorporated in Abu Dhabi on 13 December 2006 and is a wholly owned subsidiary of the Group. The principal activities of ESH are to participate in commercial and industrial real estate, education, infrastructure and energy projects.

j) Etisalat Software Solutions (Private) Limited ("ESSPL") – "technologia" was incorporated in Bangalore, India on 13 March 2007 and is a wholly owned subsidiary of the Corporation. ESSPL was established for the purpose of providing information technology solutions for the Group.

k) Etisalat International Atlantique Limited ("EIAL") was incorporated as an offshore company with limited liability in Jebel Ali Free Zone, Dubai on 10 April 2007 and is a wholly owned subsidiary of the Corporation. The primary business of EIAL is to hold the investment in AT.

AT, through its subsidiaries, has GSM mobile operations in six West African countries, namely, Benin, Gabon, Niger, Togo, Central African Republic and the Ivory Coast (Note 5).

l) Etisalat International Zantel Limited ("EIZL") was incorporated as an offshore company with limited liability in Jebel Ali Free Zone, Dubai on 25 April 2007 and is a wholly owned subsidiary of the Corporation. The principal business of EIZL is to hold the investment in Zantel. Zantel is a private company incorporated in Zanzibar, United Republic of Tanzania, providing telecommunication services (Note 5).
20 Key subsidiaries (continued)

m) Canar is a private limited liability company registered and incorporated in the Republic of Sudan on 23 April 2005. The Corporation is one of ten founding shareholders of Canar and holds a 82% equity shareholding. Canar owns and operates a nationwide fixed line network for the provision of fixed telephony and data services in Sudan (Note 5).

n) Etisalat International Nigeria Limited (“EINL”) was incorporated as an offshore company with limited liability in the Jebel Ali Free Zone on 5 April 2007 and is a wholly owned subsidiary of the Corporation. The principal business of EINL is to hold the investment in Emerging Markets Telecommunications Services (“EMTS”).

EMTS is a company incorporated in Nigeria and holds a Unified Access Telecommunication license for providing telecommunication services issued by the Nigerian Communications Commission.

o) Etisalat International India Limited (“EIIL”) was incorporated as an offshore company with limited liability in Jabel Ali Free Zone, Dubai on 15 September 2008 and is wholly owned subsidiary of the Corporation. The principal business of EIIL is to hold investment in Swan Telecom Private Limited. Although the Group holds 44.728% of the paid up capital, of Swan Telecom Private Limited it exercises control over the operations and accordingly this is treated as a subsidiary of the Group.

p) Etisalat International Benin Limited (“EIB”) was incorporated in the Jebel Ali Free Zone on 3 October 2007 and is a wholly owned subsidiary of the Corporation. The principal business of EIB is to hold the investment in Etisalat Benin.

21 Related party transactions

Related parties include associates of the Corporation. Pricing policies and terms of these transactions are approved by the Corporation’s management. The Corporation entered into the following significant related party transactions with associates:

i. Etihad Etisalat Company (EEC)
Pursuant to CITC’s licensing requirements, EEC (then under incorporation) entered into a management agreement (“the Agreement”) with the Corporation as its operator from 14 August 2004. The Corporation receives an annual management fee of AED 36.7 million (US$ 10 million) for services provided under the Agreement. The term of the Agreement is for a period of seven years and can be automatically renewed for successive periods of five years unless the Corporation serves a 12 months notice of termination or EEC serves a 6 months notice of termination prior to the expiry of the applicable period. Advances to EEC were fully repaid in 2007 and accordingly, no interest was received during the year, (2007: AED 16 million).

ii. Thuraya Satellite Telecommunications Company PJSC
The Corporation has provided a primary gateway facility to Thuraya including maintenance and support services. A total amount of AED 21.28 million (2007: AED 20.4 million) was charged to Thuraya for the use of this facility.

iii. Pakistan Telecommunication Company Limited
Pursuant to the Shareholders Agreement entered into between EIP and the Government of Pakistan dated 12 April 2006, the Corporation entered into an agreement for the provision of technical services and know-how (“the Agreement”) with PTCL with effect from 10 October 2006. Under the terms of the Agreement, the Corporation is entitled to an annual service fee of 3.5% of the gross consolidated revenue of PTCL for that year. The Agreement is valid for a period of 5 years and limits the fee to US$ 50 million per annum. During the current year service fee income of AED 142.74 million (2007: AED 151 million) was recognised in the consolidated statement of income.

22 Commitments and contingent liabilities

The Board of Directors has approved future capital projects and investments to the extent of AED 6,142 million (2007: AED 5,836 million), of which AED 1,803 million (2007: AED 517 million) had been committed at 31 December 2008.

23 Basic and diluted earnings per share

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit for the year (AED’000)</td>
<td>8,664,984</td>
<td>7,296,644</td>
</tr>
<tr>
<td>Number of shares (in ’000)</td>
<td>5,989,500</td>
<td>5,989,500</td>
</tr>
<tr>
<td>Earnings per share (AED)</td>
<td>1.45</td>
<td>1.22</td>
</tr>
</tbody>
</table>

Earnings per share for 2007 was adjusted for bonus shares issued in 2008 as approved by the shareholders at the Extraordinary General Meeting held on 24 March 2008 (Note 12).

24 Dividends

A final dividend of AED 0.35 per share was declared by the Board of Directors on 25 February 2008 and approved by the Shareholders in the Annual General Meeting held on 24 March 2008, making the total dividend to be AED 0.60 per share for the year ended 31 December 2007.

On 16 July 2008 the Board of Directors declared the first interim dividend for the year 2008 at the rate of AED 0.25 per share and was paid out to shareholders registered in the shareholder’s register at the close of business on 27 July 2008. A final dividend of AED 0.35 per share was declared by the Board of Directors on 23 February 2009, making the total dividend to be AED 0.60 per share for the year ended 31 December 2008.

25 Events after the balance sheet date

On 13 January 2009, the Group has won the third mobile network license for 2G and 3G in the Islamic Republic of Iran in consortium with Tamin Telecom. The upfront license fee is EURO 300 million.

26 Approval of financial statements

The consolidated financial statements were approved by the board of directors and authorised for issue on 23 February 2009.

27 Comparatives

Certain comparative figures have been reclassified to conform to the current year presentation.
Notice of Meeting

Notice is hereby given that the General Annual Shareholders' Meeting will be held on Monday 23rd March 2009, at 5.00 p.m., in Etisalat Head Office Building, Abu Dhabi, and will be followed directly by an Extraordinary Meeting to be held in the same date and place for the purpose of transacting the following ordinary and special business.

GENERAL ANNUAL SHAREHOLDERS' MEETING
1. To note the minutes of the Annual Shareholders' Meeting held on 24 March 2008.
2. To listen to the report of the Board of Directors on the Corporation's activities and financial position and to consider and adopt the Corporation's audited consolidated financial statements for the year ended 31 December 2008 as well as the external Auditors’ report.
3. To look into the Board of Directors' recommendation on the distribution of dividends.
4. To absolve Members of the Board of Directors of liability in respect of the year ending 31 December 2008.
5. To absolve the External Auditors of liability in respect of the year ending 31 December 2008.
6. To appoint the auditors for the current financial year.
7. To elect four directors to represent the shareholders of the private sector.

Extraordinary General Assembly Meeting
1. To approve and declare the issue of bonus shares recommended by the Board of Directors and in this respect to pass the following Resolution:

   “Resolved that pursuant to Article 40.2 of Chapter Eleven of the Corporation’s Articles of Association a sum of AED 598,950,000 (Five hundred ninety eight million and nine hundred fifty thousand Dirham) out of General Reserve as on 31 December 2008 be capitalized and distributed by issuing 598,950,000 fully paid shares of AED 1 each as bonus shares in the ratio of One share for every 10 registered shares held ranking pari passu with the existing shares of the Corporation.

   It will be noted that bonus shares so distributed shall not qualify for dividends for the year 2008.

   Further resolved that in the event of any member holding shares which are not an exact multiple of 10, the Board of Directors be and is hereby authorised to sell on his behalf such fractional entitlement and to distribute the sale proceeds thereof in proportion to their respective entitlement.

   Further resolved that the Board of Directors be and is hereby authorised and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be required for the issue and distribution of 598,950,000 shares.”

2. Subject to approval by the General Assembly, Bonus Shares shall be allocated to the Shareholders registered in the Shareholders Register by the close of day on Thursday 2nd April 2009.

By Order of the Board
Corporation Secretary

Notes:
(i) A shareholder entitled to attend and vote at the annual shareholders’ meeting is entitled to appoint a proxy to attend and vote on his/her behalf. Such a proxy need not be a shareholder of the Corporation.
(ii) Proxy forms may be obtained from Etisalat offices during official working hours.
(iii) Nominations for the directorship will remain open till 3.00 p.m. of Sunday 22nd March 2009.
(iv) Shareholders are requested to notify any change in address.