ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012

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AUDITORS' REPORT

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

Scope of Audit

We have audited the accompanying consolidated balance sheet of Etihad Etisalat Company (a Saudi Joint Stock Company) (the "Company") as at December 31, 2012, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes 1 to 27 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting standards used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the accompanying consolidated financial statements, taken as a whole, present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2012, and the consolidated results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the bylaws of the Company as these relate to the preparation and presentation of the consolidated financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

Ehsan A. Makhdoum
License No. 358

Rabie Al-Awal 5, 1434
January 17, 2013

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2012

	Notes	2012 SR'000	2011 SR'000
ASSETS			
Current assets			
Cash and cash equivalents	3	**1,302,080**	1,689,539
Accounts receivable, net	4	**5,903,751**	6,323,362
Due from a related party	5	**6,112**	11,128
Inventories, net		**721,394**	469,794
Prepaid expenses and other assets	6	**2,493,179**	1,399,431
Total current assets		**10,426,516**	9,893,254
Non-current assets			
Property and equipment, net	7	**17,254,889**	16,412,112
Licenses' acquisition fees, net	8	**9,411,807**	9,665,424
Goodwill	9	**1,529,886**	1,529,886
Total non-current assets		**28,196,582**	27,607,422
TOTAL ASSETS		**38,623,098**	37,500,676
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term loans	10	**-**	1,200,514
Current portion of long-term loans	10 & 11	**752,546**	4,895,445
Accounts payable	12	**5,580,427**	7,808,208
Due to related parties	5	**132,308**	193,525
Accrued expenses and other liabilities	13	**3,609,368**	3,948,882
Total current liabilities		**10,074,649**	18,046,574
Non-current liabilities			
Long-term loans	10 & 11	**7,505,562**	976,948
Provision for end-of-service benefits		**137,111**	89,031
Total non-current liabilities		**7,642,673**	1,065,979
TOTAL LIABILITIES		**17,717,322**	19,112,553
SHAREHOLDERS' EQUITY			
Authorized, issued and outstanding share capital	1	**7,000,000**	7,000,000
Statutory reserve	15	**2,179,779**	1,578,014
Retained earnings		**11,725,997**	9,810,109
Total shareholders' equity		**20,905,776**	18,388,123
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**38,623,098**	37,500,676

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

Chief Financial Officer:
Thamer Mohammed Al Hosani

Managing Director and Chief Executive Officer:
Khaled Omar Al Kaf

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012

	Notes	2012 SR'000	2011 SR'000
Revenues	16	**23,642,133**	20,052,254
Cost of services and sales	17	**(11,608,327)**	(9,726, 182)
Gross profit		**12,033,806**	10,326,072
Operating expenses:			
Selling and marketing expenses	18	**(1,397,206)**	(1,172,606)
General and administrative expenses	19	**(2,045,771)**	(1,699,144)
Depreciation and amortization	7 & 8	**(2,398,949)**	(2,148,963)
Total operating expenses		**(5,841,926)**	(5,020,713)
Operating income		**6,191,880**	5,305,359
Finance expenses	10	**(169,166)**	(213,320)
Other income		**64,839**	45,721
Income before zakat		**6,087,553**	5,137,760
Zakat	14	**(69,900)**	(54,301)
NET INCOME		**6,017,653**	5,083,459
Basic earnings per share (in Saudi Riyals):			
From operating income	21	**8.85**	7.58
From net income	21	**8.60**	7.26

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Thamer Mohammed Al Hosani

Managing Director and Chief Executive Officer:
Khaled Omar Al Kaf

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012 SR'000	2011 SR'000
OPERATING ACTIVITIES		
Income before zakat	**6,087,553**	5,137,760
Adjustments to reconcile income before zakat to net cash from operating activities:		
Depreciation	**1,835,679**	1,617,805
Amortization of licenses' acquisition fees	**563,270**	531,158
Provision for doubtful debts	**235,705**	187,806
Finance expenses	**169,166**	213,320
Operating income before changes in working capital	**8,891,373**	7,687,849
Changes in working capital:		
Accounts receivable	**183,906**	(763,048)
Due from a related party	**5,016**	11,383
Inventories	**(251,600)**	(173,218)
Prepaid expenses and other assets	**(1,093,748)**	(162,661)
Accounts payable	**(129,608)**	(300,270)
Due to related parties	**(61,217)**	(87,514)
Accrued expenses and other liabilities	**(355,988)**	659,797
Provision for end-of-service benefits, net	**48,080**	23,384
Zakat paid	**(53,426)**	(72,325)
Finance expenses paid	**(146,012)**	(150,279)
Net cash provided from operating activities	**7,036,776**	6,673,098
INVESTING ACTIVITIES		
Short-term investments	**-**	450,139
Purchase of property and equipment	**(4,860,245)**	(3,700,297)
Disposal of property and equipment, net	**83,616**	10,253
Acquisition of licenses, net	**(309,653)**	(168,303)
Net cash used in investing activities	**(5,086,282)**	(3,408,208)
FINANCING ACTIVITIES		
Proceed from short-term loans	**-**	600,000
Payment of short-term loans	**(1,203,273)**	-
Proceed from long-term loans	**7,415,000**	270,000
Payment of long-term loans	**(5,049,680)**	(1,831,700)
Cash dividends	**(3,500,000)**	(2,275,000)
Net cash used in financing activities	**(2,337,953)**	(3,236,700)
Net change in cash and cash equivalents	**(387,459)**	28,190
Cash and cash equivalents, beginning of the year	**1,689,539**	1,661,349
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**1,302,080**	1,689,539

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

Chief Financial Officer:
Thamer Mohammed Al Hosani

Managing Director and Chief Executive Officer:
Khaled Omar Al Kaf

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012

	Notes	Share capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
Balance at January 1, 2011		7,000,000	1,069,668	7,509,996	15,579,664
Cash dividends	20	-	-	(2,275,000)	(2,275,000)
Net income for the year		-	-	5,083,459	5,083,459
Transferred to statutory reserve	15	-	508,346	(508,346)	-
Balance at December 31, 2011		7,000,000	1,578,014	9,810,109	18,388,123
Cash dividends	20	-	-	**(3,500,000)**	**(3,500,000)**
Net income for the year		-	-	**6,017,653**	**6,017,653**
Transferred to statutory reserve	15	-	**601,765**	**(601,765)**	-
Balance at December 31, 2012		**7,000,000**	**2,179,779**	**11,725,997**	**20,905,776**

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

1. ORGANIZATION AND ACTIVITY

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

The Company's share capital amounting to SR 7 billion consists of 700 million shares of SR 10 each, paid in full as at December 31, 2012.

During year 2007, the Company invested in 99.99% of the share capital of a subsidiary company, Mobily InfoTech Limited incorporated in Bangalore, India which commenced its commercial activities during the year 2008. Early 2009, the remaining 0.01% of the subsidiary's share capital was acquired by National Company for Business Solutions, a subsidiary company.

During year 2008, the Company acquired 99% of the partners' shares in Bayanat Al-Oula for Network Services Company, a Saudi limited liability company. The acquisition included the company's rights, assets, obligations, commercial name as well as its current and future trademarks for a total price of SR 1.5 billion, resulting in a goodwill of SR 1.47 billion on the acquisition date.

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

During year 2008, the Company acquired 96% of the partners' shares in Zajil International Network for Telecommunication Company, a Saudi limited liability company. The acquisition included the Company's rights, assets, liabilities, obligations, commercial name as well as its current and future trademarks for a total price of SR 80 million, resulting in a goodwill of SR 63 million on the acquisition date.

The Company and its subsidiaries currently provide a variety of telecommunication services in the Kingdom of Saudi Arabia, which include wireless mobile telecommunication, data and internet services.

1. ORGANIZATION AND ACTIVITY (Continued)

The Company's main activity is to establish and operate mobile wireless telecommunications network, fiber optics networks and any extension thereof, manage, install and operate telephone networks, terminals and communication unit systems, in addition to sell and maintain mobile phones and communication unit systems in the Kingdom of Saudi Arabia. The Company commenced its commercial operations on May 25, 2005.

The main activities of the subsidiaries are as follow:

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation
The accompanying consolidated financial statements include the financial statements of the Company and its subsidiaries listed below, after elimination of significant inter-company balances and transactions, as well as gains (losses) arising from transactions with the subsidiaries. An investee company is classified as a subsidiary based on the degree of effective control exercised by the Company over these companies compared to other shareholders from the effective date on which control is transferred to the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company's equity share in the net income (losses) of the subsidiaries is computed at 100% based on direct investment in the share capital of the subsidiaries and indirect investment by certain subsidiaries as follows as at December 31, 2012:

Name	Country of incorporation	Ownership percentage	
		Direct	Indirect
Mobily Info Tech Limited Company	India	99.99%	0.01%
Bayanat Al-Oula for Network Services Company	Saudi Arabia	99.00%	1.00%
Zajil International Network for Telecommunication Company	Saudi Arabia	96.00%	4.00%
National Company for Business Solutions	Saudi Arabia	95.00%	5.00%

Accounting convention
The consolidated financial statements, expressed in Saudi Riyals, are prepared under the historical cost convention using the accrual basis of accounting and the going concern assumption.

Use of estimates
The preparation of consolidated financial statements in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses for the year. Although these estimates are based on management's best available information and knowledge of current events at the consolidated financial statements date; however, actual final results may differ from those estimates.

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

Short-term investments
Short-term investments include Murabaha deals with original maturities of more than three months from its acquisition date.

Accounts receivable
Accounts receivable are stated at estimated net realizable value after establishing appropriate allowance for doubtful debts. Allowance for doubtful debts is calculated based on the aging of accounts receivable and based on the Company's previous experience in their collection.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Provisions
Provisions are recognized in the consolidated financial statements when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Licenses' acquisition fees
Licenses' acquisition fees are amortized according to their regulatory useful life and the amortization is charged to the consolidated statement of income. The capitalized license fees are reviewed at each fiscal year-end to determine if any permanent decline in their values exists. In case a permanent impairment is identified in the capitalized license fees, the permanent impairment loss is recorded in the consolidated statement of income.

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

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

Provision for end-of-service benefits
The provision for employees' end-of-service benefits is calculated in accordance with the Saudi Arabia labor law, as well as the Company's policies for employees and the regulations applicable in the countries invested in.

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

The tax relating to the subsidiary operating outside the Kingdom of Saudi Arabia is calculated in accordance with tax laws applicable in its country.

Foreign currency transactions
Transactions denominated in foreign currencies are translated to Saudi Riyals at the rates of exchange prevailing at the dates of the respective transactions. At consolidated balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyals at exchange rates prevailing on that date. Gains and losses resulting from changes in exchange rates are recognized in the consolidated statement of income.

For the purpose of consolidating the financial statements, the financial statements denominated in foreign currencies are translated into Saudi Riyals at the rates of exchange prevailing at the balance sheet date for assets and liabilities, and the average exchange rate for the year for revenues and expenses. Components of equity, other than retained earnings, are translated using the rates prevailing of the date of their occurrence. Translation adjustments, if significant, are recorded in a separate component of shareholders' equity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Expenses are recorded when incurred as period expenses unless it is possible to determine the relevant periods upon which expenses are allocated to the relevant periods.

Governmental charges
Governmental charges represent government contribution fees in trade earnings, license fees, frequency waves fees and costs charged to the Company against the rights to use telecommunications and data services in the Kingdom of Saudi Arabia as stipulated in the license agreements. These fees are recorded in the related periods during which they are used and are included under cost of services in the consolidated statement of income.

Financial instruments
Assets and liabilities related to financial instruments are recognized when the Company becomes a party to the contractual provisions of the instruments. The carrying value of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at the consolidated balance sheet date.

Interconnection costs
Interconnection costs represent connection charges to national and international telecommunication networks. Interconnection costs are recorded in the period when relevant calls are made and are included in the cost of services caption in the consolidated statement of income.

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

Revenues from sale of handsets equipment and accessories are recognized when the handset equipment and accessories are delivered to subscribers and customers.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments to hedge the exposure to certain portions of interest rate risks arising from financing activities. The Company designates these as cash flow hedges of interest rate risk. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provides written principles on the use of financial derivatives consistent with the Company's risk management strategy. The Company does not use derivative financial instruments for speculative purposes. Derivative financial instruments are initially measured at fair value on the contract date and are re-measured at fair value in the subsequent reporting dates. If the financial instruments do not qualify for hedge accounting in accordance with generally accepted accounting standards, the change in the fair value of the derivative financial instruments is recorded under finance expenses caption in the consolidated statement of income.

3. CASH AND CASH EQUIVALENTS

	2012 SR'000	2011 SR'000
Cash on hand and at banks	802,080	1,439,539
Short-term Murabaha	500,000	250,000
	1,302,080	1,689,539

4. ACCOUNTS RECEIVABLE, NET

	2012 SR'000	2011 SR'000
Accounts receivable	6,334,012	6,616,432
Less: Provision for doubtful debts	(430,261)	(293,070)
	5,903,751	6,323,362

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

	2012 SR'000	2011 SR'000
Balance at January 1	293,070	284,408
Charge for the year	235,705	187,806
Bad debts written off	(98,514)	(179,144)
Balance at December 31	430,261	293,070

5. RELATED PARTIES TRANSACTIONS

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

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

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

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

	2012 SR'000	2011 SR'000
Net interconnection services and roaming	**57,200**	49,305
Management fees (Note 19)	**37,513**	37,521
Other management expenses	**77,384**	118,756
Telecommunications services	**22,893**	29,704

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

	2012 SR'000	2011 SR'000
Emirates Telecommunication Corporation and its subsidiaries	**6,112**	11,128

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

	2012 SR'000	2011 SR'000
Emirates Telecommunication Corporation and its subsidiaries	**123,773**	180,986
Emirates Data Clearing House	**8,535**	12,539
	132,308	193,525

6. PREPAID EXPENSES AND OTHER ASSETS

	2012 SR'000	2011 SR'000
Advance payments to suppliers of network equipment	**1,251,888**	241,878
Prepaid expenses	**374,070**	278,753
Accrued revenues	**338,079**	410,586
Advance payments to trade suppliers	**89,782**	31,114
Other	**439,360**	437,100
	2,493,179	1,399,431

7. PROPERTY AND EQUIPMENT, NET

	Land SR'000	Buildings SR'000	Leasehold improvements SR'000	Tele-communication network equipment SR'000	Computer equipment and software SR'000	Office equipment and furniture SR'000	Vehicles SR'000	Capital work in progress SR'000	Total SR'000
Cost:									
January 1, 2012	224,751	184,771	603,261	16,796,859	1,621,374	403,631	1,633	2,272,607	22,108,887
Additions	**50,610**	-	**35,199**	**1,417,924**	**285,738**	**21,177**	**1,118**	**950,306**	**2,762,072**
Disposals	-	-	**(3,747)**	**(150,025)**	**(40)**	**(3)**	**(962)**	-	**(154,777)**
Transfers	-	**32,876**	**13,885**	**1,912,783**	**103,578**	**1,931**	-	**(2,065,053)**	-
December 31, 2012	**275,361**	**217,647**	**648,598**	**19,977,541**	**2,010,650**	**426,736**	**1,789**	**1,157,860**	**24,716,182**
Accumulated depreciation:									
January 1, 2012	-	21,766	258,728	4,244,909	876,750	293,166	1,456	-	5,696,775
Depreciation for the year	-	**8,194**	**57,393**	**1,449,472**	**280,180**	**40,338**	**102**	-	**1,835,679**
Disposals	-	-	**(2,258)**	**(68,018)**	**(19)**	**(3)**	**(863)**	-	**(71,161)**
December 31, 2012	-	**29,960**	**313,863**	**5,626,363**	**1,156,911**	**333,501**	**695**	-	**7,461,293**
Net book value									
December 31, 2012	**275,361**	**187,687**	**334,735**	**14,351,178**	**853,739**	**93,235**	**1,094**	**1,157,860**	**17,254,889**
December 31, 2011	224,751	163,005	344,533	12,551,950	744,624	110,465	177	2,272,607	16,412,112

8. LICENSES' ACQUISITION FEES, NET

	Mobile Telecommunication services license SR'000	3G services license SR'000	Other SR'000	Total licenses' acquisition fees SR'000
Cost at January 1, 2012	12,210,000	753,750	511,106	13,474,856
Additions	-	-	317,283	317,283
Disposals	-	-	(8,048)	(8,048)
Cost at December 31, 2012	**12,210,000**	**753,750**	**820,341**	**13,784,091**
Less:				
Accumulated amortization at January 1, 2012	3,523,094	216,859	69,479	3,809,432
Amortization for the year	482,606	29,827	50,837	563,270
Disposals	-	-	(418)	(418)
Accumulated amortization at December 31, 2012	4,005,700	246,686	119,898	4,372,284
Balance at December 31, 2012	8,204,300	507,064	700,443	9,411,807
Balance at December 31, 2011	8,686,906	536,891	441,627	9,665,424

9. GOODWILL

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

	2012 SR'000	2011 SR'000
Bayanat Al-Oula for Network Services Company	1,466,865	1,466,865
Zajil International Network for Telecommunication Company	63,021	63,021
	1,529,886	1,529,886

10. SHORT AND LONG-TERM LOANS

During the first quarter of year 2012, the Company signed a sharia-compliant long-term refinancing facility agreement with local banks for a total amount of SR 10 billion. The proceeds were used to settle the outstanding balances of loans previously obtained by Etihad Etisalat Company (Mobily) which amounted to SR 5.8 billion as at December 31, 2011 (SR 1.2 billion for short-term loans and SR 4.6 billion for long-term loans). The remaining balance of the said facility will be used to finance the Company's capital expenditures and working capital requirements. The outstanding balance of the loan amounted to SR 7.35 billion as at December 31, 2012. During 2012, an amount of SR 150 million was paid.

10. SHORT AND LONG-TERM LOANS (Continued)

The above long-term loan period is seven years and is repayable through semi-annual scheduled installments, with the first installment was settled in August 2012. The last installment is due on February 12, 2019.

During the first quarter of 2010, the subsidiary, Bayanat Al-Oula for Network Services Company, signed a long-term sharia-compliant financing agreement with a local bank amounting to SR 370 million which was used to settle the outstanding short-term loans and notes payable as at December 31, 2009. The outstanding balance of the loan amounted to SR 185 million as at December 31, 2012 (December 31, 2011: SR 308 million). During 2012, an amount of SR 123 million was paid.

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

On October 19, 2009, the subsidiary, Bayanat Al-Oula for Network Services Company, signed a sharia-compliant financing agreement with a local bank to finance its capital expenditure requirements for a total amount of SR 900 million. The outstanding loan balance amounted to SR 800 million as at December 31, 2012 (December 31, 2011: SR 900 million). During 2012, an amount of SR 100 million was paid.

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

11. DERIVATIVES

During the year 2008, the Company entered into interest rate hedging agreements with several local and international banks to hedge the cash flow risks from the fluctuations of loans Murabaha rates resulting from the financing activities for a notional amount of US$ 333 million (equivalent to SR 1.25 billion). The hedging agreements are based on the swap of fixed rates against floating rates between the Company and the banks. The change in the fair value of the derivative financial instruments is recorded under finance expenses caption in the consolidated statement of income. These contracts were terminated on December 31, 2012.

12. ACCOUNTS PAYABLE

	2012 **SR'000**	2011 SR'000
Capital expenditures payable	**2,424,979**	4,523,169
Trade payable	**3,155,448**	3,285,039
	5,580,427	7,808,208

13. ACCRUED EXPENSES AND OTHER LIABILITIES

	2012 SR'000	2011 SR'000
Accrued expenses for telecommunication companies	630,164	1,326,039
Deferred revenues	617,721	587,678
Government's share in trade earnings	556,493	518,278
Accrued selling and marketing expenses	319,918	196,734
Zakat (Note 14)	80,310	63,836
License fees	39,349	36,485
Other	1,365,413	1,219,832
	3,609,368	3,948,882

14. ZAKAT

The Company and its subsidiaries in the Kingdom of Saudi Arabia filed their financial statements and zakat returns and paid the zakat dues to the Department of Zakat and Income Tax (DZIT) on an individual basis until year 2008. Starting from year 2009, the Company files a consolidated zakat return for the Company and its subsidiaries.

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

	2012 SR'000	2011 SR'000
Share capital	7,000,000	7,000,000
Adjusted net income	5,031,906	3,912,324
Due to related parties	63,133	97,230
Provisions – beginning of the year	774,429	794,978
Liabilities against financing of property and equipment	2,424,979	4,523,169
Short and long-term loans	7,072,907	5,872,392
Adjusted accumulated earnings – beginning of the year	2,698,227	2,735,612
Less:		
Property and equipment	(18,680,020)	(18,733,800)
Advance payments to suppliers of property and equipment	(1,251,888)	(241,878)
Goodwill	(1,529,886)	(1,529,886)
Capital work in progress	(1,157,860)	(2,272,607)

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

14. ZAKAT (Continued)

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

	2012 SR'000	2011 SR'000
Balance at January 1	**63,836**	81,860
Provision for the year	**69,900**	54,301
Payments during the year	**(53,426)**	(72,325)
Balance at December 31	**80,310**	63,836

The Company received the final assessment for year 2005. The Company filed its financial statements and zakat returns for all the years until year 2011 and paid the zakat dues accordingly. The Company received the final zakat assessments for the years 2006, 2007, 2008 and 2009 which showed additional charges that were objected by the Company's management. The management believes that adequate provisions were provided to meet any liability that might arise against any probable settlement to the DZIT.

The subsidiary, Bayanat Al-Oula for Network Services Company, filed its financial statements and zakat returns up to year 2008 and paid the zakat dues accordingly. The Company did not receive any final assessments to date.

The subsidiary, Zajil International Network for Telecommunication Company, filed its financial statements and zakat returns up to year 2008 and paid the zakat dues accordingly. The Company received the final zakat assessment for year 2006.

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

15. STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's bylaws, the Company establishes at every financial year end a statutory reserve by the appropriation of 10% of the annual net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

16. REVENUES

	2012 SR'000	2011 SR'000
Usage	**17,093,107**	15,684,626
Activation and subscription fees	**1,231,966**	1,138,349
Other	**5,317,060**	3,229,279
	23,642,133	20,052,254

17. COST OF SERVICES AND SALES

	2012 SR'000	2011 SR'000
Cost of utilized inventories	5,342,500	3,194,748
Networks access charges	3,871,573	3,960,036
Government contribution fees in trade earnings	1,148,475	1,346,501
Rental and maintenance of network equipment expenses	839,874	829,121
Frequency waves fees	128,923	115,339
National transmission and interconnection links	118,930	105,954
License fees	79,734	92,465
Other	78,318	82,018
	11,608,327	9,726,182

18. SELLING AND MARKETING EXPENSES

	2012 SR'000	2011 SR'000
Advertisement, promotion and sales commissions	625,221	569,505
Other	771,985	603,101
	1,397,206	1,172,606

Other selling and marketing expenses include salaries, wages, and benefits related to sales and marketing employees.

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2012 SR'000	2011 SR'000
Salaries, wages and employees' benefits	795,303	772,456
Provision for doubtful debts (Note 4)	235,705	187,806
Consulting and professional services	120,352	136,487
Rents	104,687	95,801
Management fees to Emirates Telecommunication Corporation (Note 5)	37,513	37,521
Travel and transportation	36,142	30,348
Board of Directors' remunerations and allowances	8,164	10,536
Other	707,905	428,189
	2,045,771	1,699,144

20. DIVIDENDS

Based on the mandate of the Company's Ordinary General Assembly, the Company's Board of Directors in its meeting held on October 18, 2012 (corresponding to Zul Hijah 2, 1433 H) resolved to distribute interim cash dividends for the third quarter of year 2012 of SR 1 for each outstanding share, in addition to the interim cash dividends that were distributed of SR 1 for each outstanding share for the first and second quarters of year 2012, respectively.

20. DIVIDENDS (Continued)

The Company's General Assembly in its meeting held on March 11, 2012 (corresponding to Rabie Al Thani 18, 1433 H) approved the Company's Board of Directors' recommendation to distribute cash dividends for the second half of the year ended December 31, 2011 of SR 2 for each outstanding share in addition to the interim cash dividends that were distributed of SR 1.25 for each outstanding share for the first half of the year ended December 31, 2011 to reach a total distribution for year 2011 of SR 3.25 for each outstanding share.

21. EARNINGS PER SHARE

Basic earnings per share from operating income and from net income for the year is calculated by dividing operating income and net income for the year by the outstanding number of ordinary shares as at December 31, 2012 and amounting to 700 million shares.

22. RISK MANAGEMENT

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

Credit risk
Financial assets that are mainly subject to concentration of credit risk consist primarily of Cash and cash equivalents, short-term investments, accounts receivable and other assets. The Cash and cash equivalents and short-term investments are deposited with high credit rated banks, and consequently the credit risk is limited. The Company does not consider itself exposed to concentration of credit risk with respect to accounts receivable due to its diverse and large subscribers' base.

Foreign exchange risk
The management closely and continuously monitors the exchange rate fluctuations. Based on its experience, the management does not believe it is necessary to hedge the effect of foreign exchange risks. Financial commitments are established to minimize foreign exchanges risks when management believes it is deemed necessary.

Murabaha rate risk
The Company does not have any significant murabaha rate risk. Cost of murabaha with banks and short/long-term loans are determined based on prevailing market rates. Financial commitments are established to minimize the risk when management believes it is deemed necessary (Note 11).

22. RISK MANAGEMENT (Continued)

Liquidity risk

The management closely and continuously monitors liquidity risk by performing regular review of available funds as well as present and future commitments. Moreover, the Company monitors the actual cash flows and matches the maturity dates of its financial assets and its financial liabilities. The Company believes that it is not exposed to significant risk with respect to liquidity.

23. FAIR VALUE

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

24. CAPITAL COMMITMENTS AND CONTINGENCIES

The Company and its subsidiary Bayanat Al-Oula for Network Services had capital commitments resulting from contracts for supply of property and equipment, which were entered into and not yet executed at the consolidated balance sheet date in the amount of SR 7 billion as at December 31, 2012 (December 31, 2011: SR 1.9 billion).

The Company and its subsidiaries had contingent liabilities in the form of letters of guarantee and letters of credit in the amount of SR 94 million and SR 122 million respectively as at December 31, 2012 (2011: SR 111 million and SR 178 million respectively).

25. SEGMENT INFORMATION

The objective of the segment reporting standard promulgated by the Saudi Organization for Certified Public Accountants is to disclose detailed information on the results of each of the main operating segments, allocated based on the regulatory environment. Given that the requirements of this standard, in terms of the prescribed threshold, taking into consideration the concentration in the Company's operations, are not met as at December 31, 2012, the Company's management believes that operating segment information disclosure for the Company and its subsidiaries is not required.

26. SUBSEQUENT EVENTS

Following the recommendation of the Company's Board of Directors in their meeting held on Muharram 4, 1434 H (corresponding to November 18, 2012) to increase the Company's share capital by SR 700 million through the distribution of one bonus share for every ten outstanding shares to the shareholders, representing 10% of the Company's share capital, and the approval of the Capital Market Authority on this recommendation on Muharram 20, 1434 H (corresponding to December 4, 2012), the Extra-ordinary General Assembly approved in its meeting held on Safar 30, 1434 H (corresponding to January 12, 2013) the recommendation of the Board of Directors to increase the Company's share capital from SR 7 billion to SR 7.7 billion which will be financed from the balance of retained earnings as at September 30, 2012 to become SR 7.7 billion consisting of 770 million shares of SR 10 each. Preference will be given to shareholders registered in the Company's Shareholders register as at the end of the trading day on which the Extra-ordinary General Assembly was held.

26. SUBSEQUENT EVENTS (Continued)

The Company's Board of Directors in their meeting held on January 17, 2013 (corresponding to Rabie Al-Awal 5, 1434) proposed to distribute cash dividends of SR 885,500,000 for the fourth quarter of year 2012 representing SR 1.15 on each outstanding share.

27. COMPARATIVE FIGURES

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