

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND
AUDITORS' REVIEW REPORT
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2009

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REVIEW
REPORT**
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2009

INDEX	PAGE
Review report	1
Interim consolidated balance sheet	2
Interim consolidated statement of income	3
Interim consolidated statement of cash flows	4
Notes to the Interim consolidated financial statements	5 – 15

AUDITORS' REVIEW REPORT

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

Scope of Review


We have reviewed the accompanying Interim consolidated balance sheet of **Etihad Etisalat Company**, (a Saudi joint stock company) as of March 31, 2009, and the related Interim consolidated statements of income and cash flows for the three month period then ended. These Interim consolidated financial statements are the responsibility of the Company's management and were presented to us with all the information and explanation which we required.

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

Review Results

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

Deloitte & Touche
Bakr Abulkhair & Co.


Bakr A. Abulkhair
License No. 101

Rabi Al Thani 18, 1430
April 14, 2009



ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)
AS AT MARCH 31, 2009

	Note	2009 SR'000 (Consolidated)	2008 SR'000 (Unconsolidated)
ASSETS			
Current assets			
Cash and cash equivalents		650,881	595,478
Short term investments		1,293,288	-
Accounts receivable, net		3,693,886	1,823,314
Due from related parties		24,508	44,576
Inventories		170,730	71,035
Prepaid expenses and other assets		1,249,781	823,824
Total current assets		7,083,074	3,358,227
Non-current assets			
Property and equipment, net	3	8,739,095	6,042,285
Licenses acquisition fees, net	4	10,817,585	11,158,328
Goodwill		1,529,886	-
Investment in an unconsolidated subsidiary		-	1,836
Total non-current assets		21,086,566	17,202,449
TOTAL ASSETS		28,169,640	20,560,676
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short term loans	5 and 6	1,881,246	-
Current portion of long term loan	5 and 6	1,335,513	1,010,625
Accounts payable		4,301,092	3,527,183
Dividends payable	7	525,000	250,000
Due to related parties		45,300	57,312
Accrued expenses and other liabilities		3,676,007	1,780,557
Total current liabilities		11,764,158	6,625,677
Non-current liabilities			
Long term loan	5 and 6	6,643,333	7,916,034
Provision for employees' end-of-service indemnities		52,677	30,424
Total non-current liabilities		6,696,010	7,946,458
TOTAL LIABILITIES		18,460,168	14,572,135
SHAREHOLDERS' EQUITY			
Value of authorized, issued and outstanding share capital	1	7,000,000	5,000,000
Statutory reserve	8	347,133	137,955
Retained earnings		2,362,339	850,586
Total shareholders' equity		9,709,472	5,988,541
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		28,169,640	20,560,676

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

Chief Financial Officer:
Thamer Mohammed Al Hosani

Managing Director and Chief Executive Officer:
Khaled Omar Al Kaf

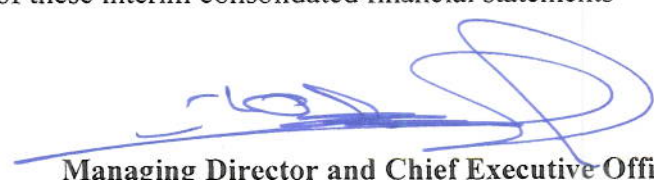
ETIHAD ETISALAT COMPANY
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INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2009

	Note	2009 SR'000 (Consolidated)	2008 SR'000 (Unconsolidated)
Services revenue		2,810,455	2,307,788
Cost of services		(1,193,797)	(1,077,643)
Gross profit		1,616,658	1,230,145
Operating expenses:			
Selling and marketing expenses		(346,101)	(179,826)
General and administrative expenses		(362,247)	(323,984)
Depreciation and amortization	3 and 4	(374,806)	(292,395)
Total operating expenses		(1,083,154)	(796,205)
Operating income		533,504	433,940
Finance charges	5 and 6	(75,430)	(119,786)
Other income		23,246	14,031
Income before zakat		481,320	328,185
Zakat		(1,158)	(2,171)
NET INCOME FOR THE PERIOD		480,162	326,014
Earnings per share (in Saudi Riyals):			
- From operating income for the period	9	0.76	0.87
- From net income for the period	9	0.69	0.65
Outstanding number of shares as at March 31 (in thousands)		700,000	500,000

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


Chief Financial Officer:
Thamer Mohammed Al Hosani


Managing Director and Chief Executive Officer:
Khaled Omar Al Kaf

ETIHAD ETISALAT COMPANY
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2009

	2009 SR'000 (Consolidated)	2008 SR'000 (Unconsolidated)
OPERATING ACTIVITIES		
Income before zakat	481,320	328,185
Adjustments to reconcile income before zakat to net cash from operating activities:		
Depreciation	243,914	164,029
Amortization of licenses acquisition fees	130,892	128,366
Provision for employees' end-of-service indemnities	6,772	4,787
Provision for doubtful debts	17,036	28,048
Finance charges	72,106	117,385
Operating income before changes in working capital:	<u>952,040</u>	<u>770,800</u>
Changes in working capital:		
Accounts receivable	(612,674)	(391,706)
Due from related parties	13,944	26,485
Inventories	(63,167)	(1,845)
Prepaid expenses and other assets	(186,706)	(13,452)
Accounts payable	(22,374)	360,224
Due to related parties	(32,871)	(54,173)
Accrued expenses and other liabilities	515,032	13,187
Provision for employees' end-of-service indemnities paid	(382)	(712)
Finance charges paid	(25,867)	(113,707)
Net cash provided from operating activities	<u>536,975</u>	<u>595,101</u>
INVESTING ACTIVITIES		
Short term investments	(243,289)	-
Purchase of property and equipment	(908,217)	(702,821)
Disposals of property and equipment, net	943	-
Licenses fees	(25,545)	-
Net cash used in investing activities	<u>(1,176,108)</u>	<u>(702,821)</u>
FINANCING ACTIVITIES		
Proceeds from short term loan	26,019	-
Net cash provided from financing activities	<u>26,019</u>	<u>-</u>
Net change in cash and cash equivalents	(613,114)	(107,720)
Cash and cash equivalents, beginning of the period	1,263,995	703,198
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>650,881</u>	<u>595,478</u>
Non-cash item:		
Dividends payable (note 7)	<u>525,000</u>	<u>250,000</u>

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


Chief Financial Officer:
Thamer Mohammed Al Hosani


Managing Director and Chief Executive Officer:
Khaled Omar Al Kaf

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2009

1. ORGANIZATION AND ACTIVITIES

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

The Company was incorporated with a share capital of SR 5 billion divided into 100 million shares at par value of SR 50 each. In accordance with the Capital Market Authority's resolution number 4-154-2006 dated March 27, 2006 the share was split, effective April 8, 2006, into five shares at par value of SR 10 each and accordingly the Company's issued shares became 500 million shares. The founding shareholders were the Emirates Telecommunications Corporation - Etisalat, UAE holding 35% of the share capital and six Saudi shareholders holding 45% of the share capital, while the remaining 20% of the share capital was held by the public.

In compliance with the Royal Decree referred to above, pertaining to the incorporation of Etihad Etisalat Company (Mobily), the founding shareholders are required to issue a further 20% of their shares into the Saudi stock market during the third year from the Company's date of incorporation. Consequently, during the second quarter of year 2008, the founding shareholders sold 25% of their shares in the Company's share capital, representing 100 million shares, to the public after which the new shareholding became; The Emirates Telecommunications Corporation-Etisalat, UAE 26.25% of the share capital, six Saudi shareholders 33.75% of the share capital while the remaining 40% of the share capital is held by the public.

The general assembly also approved in its extra-ordinary meeting held on October 19, 2008, a capital increase from SR 5 billion to SR 7 billion, by issuing new rights issue shares of 200 million and the subscription rights are for shareholders registered in the shareholders' record according to each shareholder's share in equity, with the allocation of 60% of share capital increase to the founding shareholders and 40% of the share capital increase to all the other non-founding shareholders. The issuance of shares is at par value of SR 10 without premium.

During 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.

During the second quarter of 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 includes the company's rights' assets, liabilities, obligations, commercial name and current and future trademarks for a total price of SR 1.5 billion, resulting in a goodwill of SR 1.47 billion on acquisition date.

ETIHAD ETISALAT COMPANY
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2009

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

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

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

The main activities of the subsidiaries are as follows:

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Interim consolidated financial statements

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

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2009

Basis of presentation

The interim consolidated financial statements for the three month period ended March 31, 2009 are the interim financial statements of the Company and its subsidiaries, which were consolidated during the period then ended. The interim consolidated financial statements cover the period from January 1, 2009 to March 31, 2009, while the comparative figures for the three month period ended March 31, 2008 represent the stand-alone (i.e. unconsolidated) interim financial statements of the Company.

Basis of consolidation

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

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 and by one of the shareholders in a subsidiary who assigned his shareholdings in favour of the Company as at March 31, 2009:

Name	Country of incorporation	Ownership percentage	
		Direct	Indirect
Mobily Info Tech Limited Co.	India	99.99%	0.01%
Bayanat Al-Oula for Network Services Company	Saudi Arabia	99%	1%
Zajil International Network for Telecommunication	Saudi Arabia	95%	5%
Etihad Etisalat for Commercial Investment Company	Saudi Arabia	95%	5%

Accounting convention

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

Use of estimates

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

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2009

Cash and cash equivalents

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

Short term investments

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

Accounts receivable

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

Inventories

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

Provisions

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

Property and equipment

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

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

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

ETIHAD ETISALAT COMPANY
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2009

Impairment

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 whenever the carrying amount of the asset exceeds its recoverable amount. Impairment losses, if any, are charged to the interim consolidated statement of income.

Licenses acquisition fees

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

Goodwill

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

Accounts payable

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

Provision for employees' end-of-service indemnities

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

Zakat and income tax

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

The subsidiary, Mobily InfoTech Limited Co. (India), enjoys a three years period tax exemption commencing from the date of operations and ends in year 2010.

Foreign currency transactions

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

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2009

Expenses

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

Government charges

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

Financial instruments

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

Interconnection costs

Interconnection costs represent national and international interconnection charges paid to local and foreign operators. Interconnection costs are recorded in the period when relevant calls are made and are included in the cost of services caption.

Revenue recognition

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

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

Operating leases

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

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 provide 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 at subsequent reporting dates. If the financial instruments do not qualify for hedge accounting in accordance with generally accepted accounting standards, the changes in the fair value of the derivatives financial instrument is recorded as part of finance charges.

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2009

3. PROPERTY AND EQUIPMENT, NET

	Land SR'000	Buildings SR'000	Leasehold improvements SR'000	Telecommunication 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, 2009	72,442	12,979	429,276	7,145,951	577,828	292,536	1,639	1,299,372	9,832,023
Additions	-	-	37,107	203,294	9,291	23,079	-	593,782	866,553
Disposals	-	-	-	(1,030)	(52)	-	-	-	(1,082)
Transfers	-	20,220	-	377,648	36,692	-	-	(434,560)	-
March 31, 2009	72,442	33,199	466,383	7,725,863	623,759	315,615	1,639	1,458,594	10,697,494
Accumulated depreciation									
January 1, 2009	-	879	99,578	1,227,707	253,958	131,529	973	-	1,714,624
Charge for the period	-	994	12,515	180,103	34,096	16,152	54	-	243,914
Disposals	-	-	-	(120)	(19)	-	-	-	(139)
March 31, 2009	-	1,873	112,093	1,407,690	288,035	147,681	1,027	-	1,958,399
Net book value									
March 31, 2009 (Consolidated)	72,442	31,326	354,290	6,318,173	335,724	167,934	612	1,458,594	8,739,095
March 31, 2008 (Unconsolidated)	47,822	7,831	200,868	4,298,767	272,534	133,508	255	1,080,700	6,042,285

ETIHAD ETISALAT COMPANY
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2009

4. LICENSES ACQUISITION FEES, NET

	Mobile Telecommunication services license SR'000	3G services license SR'000	Other services licenses SR'000	Total licenses fees SR'000
Cost as at January 1, 2009	12,210,000	753,750	187,464	13,151,214
Additions	-	-	25,545	25,545
	12,210,000	753,750	213,009	13,176,759
Less:				
Accumulated amortization as at January 1, 2009	2,075,276	127,378	25,628	2,228,282
Amortization for the period	120,651	7,457	2,784	130,892
Accumulated amortization as at March 31, 2009	2,195,927	134,835	28,412	2,359,174
Balance as at March 31, 2009 (Consolidated)	10,014,073	618,915	184,597	10,817,585
Balance as at March 31, 2008 (Unconsolidated)	10,496,679	648,742	12,907	11,158,328

5. SHORT AND LONG TERM LOANS

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

On March 14, 2007, the Company signed a long term financing agreement with a group of local, regional and international banks to finance the Company with a Sharia-compliant long term loan for US\$ 2.88 billion (equivalent to SR 10.78 billion). The loan agreement referred to above is based on the sale of airtime minutes to participating banks and re-distribution of these minutes to the Company's subscribers on behalf of the participating banks.

The granting of the loan is scheduled as follows:

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2009

On March 29, 2007, the Company received the loan related to the sale and re-distribution of minutes amounting to SR 9.19 billion, utilized to settle the previous loan amounting to SR 7.1 billion, and to settle the loan of the founding shareholders. The Murabaha loan facility to finance the working capital requirements was expired since the facility has not required by the Company. The Murabaha financing were unutilized as at March 31, 2009.

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

The subsidiary, Bayanat Al-Oula for Network Services Company has bank facilities in the form of bank overdraft, short term loans and notes payable to finance its working capital amounting to SR 380 million as of March 31, 2009. These bank facilities are subject to finance charges at prevailing market rates. The subsidiary's management is currently in the process of transferring the above mentioned facilities to sharia-compliant facilities.

The subsidiary, Zajil International Network for Telecommunication has sharia-compliant bank facilities in the form of short term loans to finance its working capital amounting to SR 2 million as of March 31, 2009.

6. DERIVATIVES

During the last quarter of year 2008, the Company entered into interest rate hedging agreements with several local and international banks to hedge the cash flow risks from the fluctuation in loans Murabaha rates resulting from the financing activities for a notional amount of US \$ 333 million (equivalent to SR 1.25 billion). The hedging agreements are based on the swap between the Company and the banks of fixed rates against floating rates.

7. DIVIDENDS PAYABLE

The Company's General Assembly in its meeting dated Rabi Al Awal 24, 1430 H (corresponding to March 21, 2009) approved the Company's Board of Directors' recommendation to distribute cash dividends for the year ended December 31, 2008 of SR 0.75 for each outstanding share (2007: SR 0.5 for each outstanding share).

8. STATUTORY RESERVE

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2009

9. EARNINGS PER SHARE

Earnings per share from operating income and from net income for the period is calculated by dividing operating income and net income for the period by the outstanding number of ordinary shares as at March 31, 2009 and amounting to 700 million shares, (2008: 500 million shares)

10. CAPITAL COMMITMENTS

The Company had capital commitments resulting from contracts for supply of property and equipment, which were entered into and not yet executed at the interim consolidated balance sheet date amounting to SR 1.72 billion as at March 31, 2009 (2008: SR 2.16 billion).

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

The Company and its subsidiary referred to above entered into this project to support and complete its mobile network services by providing highly sophisticated technology services. Network rings 1, 2 and 7 were completed in June, July and December 2007, respectively. Network rings 4, 5 and 6 were completed during 2008, while network ring 3 with a cost of SR 234 million is expected to be completed during the third quarter of 2009.

The Company and its subsidiaries had contingent liabilities in the form of letters of guarantee amounting to SR 128 million as of March 31, 2009 (2008: SR Nil).

11. SEGMENT INFORMATION

The Company's management believes that operational segment information disclosure for the Company and its subsidiaries is not required, due to the fact that the Company has only one major operating sector and operates mainly in the Kingdom of Saudi Arabia.

12. 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 current assets, while financial liabilities of the Company comprised of long and short term loans, accounts payable, due to related parties, provision for end-of-service indemnities and other current liabilities. Accounting policies for financial assets and liabilities are set out in Note 2.

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2009

Credit risk

Financial assets that 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 are deposited with high credit rated banks, therefore 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 their experience. The management does not believe it is necessary to use derivatives financial instruments to minimize the effect of foreign exchanges risks. Hedging arrangements are made to minimize foreign exchanges risks when management believes they are necessary to do so.

Murabaha rate risk

The Company does not have any significant murabaha rate risk. Murabaha rates on bank deposits and long/short term loans are determined based on prevailing market rates. Hedging arrangements are made to minimize the risk, when management believes it is necessary to do so (Note 6).

Liquidity risk

Liquidity risk is closely and continuously monitored by performing regular review of available funds and present value of future commitments. Moreover, the Company monitors the actual cash flows and whether its financial assets meet its financial liabilities requirements. The Company believes that it is not exposed to significant risk in relation to liquidity.

13. FAIR VALUE

The fair values of the Company's consolidated financial assets and liabilities, approximate their carrying amounts. The Company's management believes that it is not exposed to any significant risk in relation to the aforementioned.

14. COMPARATIVE FIGURES

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