

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND
AUDITORS' REVIEW REPORT
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2010

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REVIEW
REPORT**
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2010

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 – 16

REVIEW REPORT

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

Scope of Review


We have reviewed the accompanying interim consolidated balance sheet of Etihad Etisalat Company (a Saudi joint stock company) as of March 31, 2010, and the related interim consolidated statements of income and cash flows for the three month period then ended including the notes which form an integral part of these interim consolidated financial statements. 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 interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review Results

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

Deloitte & Touche
Bakr Abulkhair & Co.



Ehsan A. Makhdoum
License No. 358

Jumada Al-Awal 6, 1431
April 20, 2010

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)
AS AT MARCH 31, 2010

	Note	2010 SR'000	2009 SR'000
ASSETS			
Current assets			
Cash and cash equivalents		2,138,863	650,881
Short term investments		300,000	1,293,288
Accounts receivable, net		6,192,677	3,693,886
Due from a related party		25,011	24,508
Inventories, net		205,425	170,730
Prepaid expenses and other assets		1,629,793	1,249,781
Total current assets		10,491,769	7,083,074
Non-current assets			
Property and equipment, net	3	11,017,964	8,739,095
Licenses acquisition fees, net	4	10,318,323	10,817,585
Goodwill		1,529,886	1,529,886
Total non-current assets		22,866,173	21,086,566
TOTAL ASSETS		33,357,942	28,169,640
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short term loans	5	326,971	1,881,246
Current portion of long term loans	5 and 6	1,776,490	1,335,513
Accounts payable		6,932,486	4,302,877
Dividends payable	7	875,000	525,000
Due to related parties		181,819	45,300
Accrued expenses and other liabilities		4,113,539	3,674,222
Total current liabilities		14,206,305	11,764,158
Non-current liabilities			
Long term loans	5 and 6	7,017,704	6,643,333
Provision for end-of-service benefits		51,687	52,677
Total non-current liabilities		7,069,391	6,696,010
TOTAL LIABILITIES		21,275,696	18,460,168
SHAREHOLDERS' EQUITY			
Authorized, issued and outstanding share capital	1	7,000,000	7,000,000
Statutory reserve	8	648,520	347,133
Retained earnings		4,433,726	2,362,339
Total shareholders' equity		12,082,246	9,709,472
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		33,357,942	28,169,640

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

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2010

	Note	2010 SR'000	2009 SR'000
Services revenues		3,581,375	2,810,455
Cost of services		(1,754,253)	(1,197,364)
Gross profit		1,827,122	1,613,091
Operating expenses:			
Selling and marketing expenses		(250,593)	(346,188)
General and administrative expenses		(396,718)	(358,891)
Depreciation and amortization	3 and 4	(416,873)	(374,806)
Total operating expenses		(1,064,184)	(1,079,885)
Operating income		762,938	533,206
Finance expenses	5 and 6	(40,180)	(75,132)
Other income		5,727	23,246
Income before zakat		728,485	481,320
Zakat		(14,421)	(1,158)
NET INCOME FOR THE PERIOD		714,064	480,162
Basic earnings per share (in Saudi Riyals):			
- From operating income for the period	9	1.09	0.76
- From net income for the period	9	1.02	0.69

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

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2010

	2010 SR'000	2009 SR'000
OPERATING ACTIVITIES		
Income before zakat	728,485	481,320
Adjustments to reconcile income before zakat to net cash from operating activities:		
Depreciation	285,482	243,914
Amortization of licenses acquisition fees	131,391	130,892
Provision for doubtful debts	40,602	17,036
Finance expenses	36,406	72,106
Operating income before changes in working capital:	<u>1,222,366</u>	<u>945,268</u>
Changes in working capital:		
Accounts receivable	(752,244)	(612,674)
Due from a related party	44,346	13,944
Inventories	(73,029)	(63,167)
Prepaid expenses and other assets	(268,622)	(186,706)
Accounts payable	560,961	(20,589)
Due to related parties	(29,049)	(32,871)
Accrued expenses and other liabilities	435,736	513,247
Provision for end-of-service benefits, net	5,170	6,390
Finance charges paid	(34,093)	(25,867)
Net cash provided from operating activities	<u>1,111,542</u>	<u>536,975</u>
INVESTING ACTIVITIES		
Short term investments	300,000	(243,289)
Purchase of property and equipment	(729,812)	(908,217)
Disposals of property and equipment, net	63	943
Net cash used in investing activities	<u>(429,749)</u>	<u>(1,176,108)</u>
FINANCING ACTIVITIES		
Proceed from short term loans	326,690	26,019
Payment of short term loans	(370,518)	-
Proceed from long term loans	567,491	-
Net cash provided from financing activities	<u>523,663</u>	<u>26,019</u>
Net change in cash and cash equivalents	1,205,456	(613,114)
Cash and cash equivalents, beginning of the period	933,407	1,263,995
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>2,138,863</u>	<u>650,881</u>
Non-cash item:		
Dividends payable (note 7)	<u>875,000</u>	<u>525,000</u>

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

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2010

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 Jumada Al Thani 23, 1425 H (corresponding to August 10, 2004 G) and Royal Decree number M/40 dated Rajab 2, 1425 H (corresponding to August 18, 2004 G) and was registered in Riyadh under commercial registration number 1010203896 dated December 14, 2004 G. 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 March 31, 2010.

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. Early 2009, the remaining 0.01% of the subsidiary's share capital was acquired by EtiHAD Etisalat for Commercial Investment Company (a subsidiary company).

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 included the company's rights, assets, liabilities, 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 the second quarter of year 2008, the Company invested in 95% of the share capital of a subsidiary company, EtiHAD Etisalat for Commercial Investment Company, a Saudi limited liability company.

During the fourth quarter of 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.

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 system, in addition to sell, maintain mobile phones and communication unit system in the Kingdom of Saudi Arabia. The Company commenced its commercial operations on May 25, 2005.

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, 2010

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 maintenance of wire and wireless telecommunication networks and installation and maintenance of related computer systems.
- Wholesale and retail trade in equipment and machinery, electronic and electrical devices, wire and wireless telecommunication equipments 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 the 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 the 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.

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 as at March 31, 2010:

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%
Etihad Etisalat for Commercial Investment Company	Saudi Arabia	95.00%	5.00%

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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2010

Use of estimates

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank current accounts and Murabaha deals 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 establishing appropriate allowances 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.

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%

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, 2010

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 interim 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 interim consolidated statement of income whenever the carrying amount of the assets exceeds its recoverable amount.

Licenses acquisition fees

Licenses acquisition fees are amortized according to their regulatory useful life and the amortization is charged to the interim consolidated statement of income. The capitalized license 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

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 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.

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. The subsidiary, Mobily InfoTech Limited Co. (India), enjoys a three-year period partial tax exemption commencing from the date of operations and ending in year 2011.

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, 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.

For the purpose of consolidating the interim financial statements, the interim financial statements denominated in foreign currencies are translated into Saudi Riyals at rates of exchange prevailing at the interim balance sheet date for assets and liabilities, and the average of exchange rates for the period 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.

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.

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 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 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 instruments. 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 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 interim consolidated statement of income.

Revenue recognition

Revenues from telecommunication services are accounted for in the period when the telecommunication services are rendered to the subscribers, using 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2010

Revenues from sale of handsets equipment and accessories are recognized when the handsets equipment and accessories are delivered to 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 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 derivatives financial instrument is recorded under finance charges caption 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, 2010

3. PROPERTY AND EQUIPMENT, NET

	Land SR'000	Buildings SR'000	Leasehold improvements SR'000	Telecomm- unication 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, 2010	138,956	96,574	508,787	10,001,362	807,612	327,257	1,639	1,304,033	13,186,220
Additions	4,330	6,642	2,253	442,263	121,232	20,601	-	336,673	933,994
Disposals	-	-	-	(20)	(674)	-	-	-	(694)
Transfers	-	33,420	4,789	67,042	470	35	-	(105,756)	-
March 31, 2010	143,286	136,636	515,829	10,510,647	928,640	347,893	1,639	1,534,950	14,119,520
Accumulated depreciation									
January 1, 2010	-	6,440	146,518	2,058,932	427,139	176,396	1,280	-	2,816,705
Depreciation for the period	-	2,041	11,508	199,062	52,687	20,149	35	-	285,482
Disposals	-	-	-	(4)	(627)	-	-	-	(631)
March 31, 2010	-	8,481	158,026	2,257,990	479,199	196,545	1,315	-	3,101,556
Net book value									
March 31, 2010	143,286	128,155	357,803	8,252,657	449,441	151,348	324	1,534,950	11,017,964
March 31, 2009	72,442	31,326	354,290	6,318,173	335,724	167,934	612	1,458,594	8,739,095

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2010

4. LICENSES ACQUISITION FEES, NET

	Mobile Telecommunication services license SR'000	3G services license SR'000	Other services licenses SR'000	Total licenses acquisition fees SR'000
Cost at January 1, 2010	12,210,000	753,750	238,509	13,202,259
Cost at March 31, 2010	12,210,000	753,750	238,509	13,202,259
Less:				
Accumulated amortization at January 1, 2010	2,557,882	157,205	37,458	2,752,545
Amortization for the period	120,651	7,457	3,283	131,391
Accumulated amortization at March 31, 2010	2,678,533	164,662	40,741	2,883,936
Balance at March 31, 2010	9,531,467	589,088	197,768	10,318,323
Balance at March 31, 2009	10,014,073	618,915	184,597	10,817,585

5. SHORT AND LONG-TERM LOANS

During the first quarter of year 2010, the Company signed a sharia-compliant financing agreement with a local bank for a total amount of SR 250 million in the form of notes payables to finance its working capital requirements. The total balance utilized from the above mentioned facility amounted to SR 120 million as at March 31, 2010.

During the first quarter of year 2010, the Company signed a sharia-compliant financing agreement with a foreign bank for a total amount of US\$ 55 million (equivalent to SR 206 million) and was fully utilized to finance its working capital requirements.

On October 11, 2009, the Company signed a long-term financing agreement with a group of local banks to finance the Company with sharia-compliant long-term loan for a total amount of SR 1.5 billion which was used to settle the short-term loan previously obtained to finance the acquisition of a subsidiary.

The above term loan period is four years and it is repayable through semi-annual scheduled installments, with the repayment of Murabaha made on a quarterly basis. The last installment is due on October 14, 2013.

On March 14, 2007, the Company signed a long-term financing agreement arranged by a local bank and contribution of other 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2010

The granting of the loan is scheduled as follows:

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

On March 29, 2007, the Company received the loan related to the sale and re-distribution of minutes amounting to SR 9.19 billion, and utilized it to settle the previous loan amounting to SR 7.1 billion, and to settle the loans of the founding shareholders. The Murabaha loan to finance the working capital expired since the facility was not withdrawn by the Company and the Murabaha financing was not utilized as at March 31, 2010.

The above term loan period is six years and it is repayable through semi-annual scheduled installments, with the repayment of Murabaha is made on a quarterly basis. The last installment is 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 370 million as at December 31, 2009. During the first quarter of 2010, the subsidiary signed a long-term sharia-complaint financing agreement with a local bank amounting to SR 370 million which was used to settle short-term loans and notes payables mentioned above.

The above term loan period is four years and it is repayable through semi-annual scheduled installments, with the first installment due after 18 month from the date of utilization.

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 the subsidiary's capital expenditure requirements for a total amount of SR 900 million. The total balance utilized from the mentioned facility amounted to SR 310 million as at March 31, 2010.

The subsidiary, Zajil International Network for Telecommunication Company, has sharia-compliant bank facilities in the form of short-term loans to finance its working capital, amounting to SR 2 million, which was settled during the year 2009.

6. DERIVATIVES

During the fourth 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 of fixed rates against floating rates between the Company and the banks.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2010

7. DIVIDENDS

The Company's General Assembly in its meeting held on Rabi Al-Thani 1, 1431H (corresponding to March 17, 2010) approved the Company's Board of Directors' recommendation to distribute cash dividends for the year ended December 31, 2009 of SR 1.25 for each outstanding share (2008: SR 0.75 for each outstanding share).

8. STATUTORY RESERVE

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

9. 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, 2010 and amounting to 700 million shares (2009: 700 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 in the amount of to SR 1.08 billion as at March 31, 2010 (2009: SR 1.72 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 kilometers 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 has not been completed to date.

The Company and its subsidiaries had contingent liabilities in the form of letters of guarantee and letters of credit amounting to SR 22 million and SR 156 million as at March 31, 2010 respectively (2009: only SR 128 million in the form of letter of guarantees).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2010

11. 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. 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 March 31, 2010, the Company's management believes that operating segment information disclosure for the Company and its subsidiaries is not required.

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 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 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 its 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 it is deemed necessary.

Murabaha rate risk

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

Liquidity risk

The management monitors continuously the liquidity risk by performing regular review of available funds and present value of 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.

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, 2010

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 with respect to the aforementioned.

14. COMPARATIVE FIGURES

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