

Etihad Etisalat Company
(Joint Stock Company)

Interim Financial Statements
June 30, 2007
With Review Report



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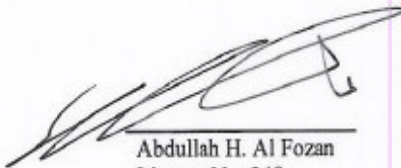
REVIEW REPORT

To: **The shareholders**
Etihad Etisalat Company (Joint Stock Company)
Riyadh, Saudi Arabia

We have reviewed the accompanying interim balance sheet of **Etihad Etisalat Company – Saudi Joint stock company** (the “Company”) at 30 June 2007, and the related interim statements of income for the 3 months and 6 months period then ended, interim statement of changes in shareholders’ equity and cash flows for the six months period then ended, together with notes from (1) through (20) which form an integral part of these interim financial statements. These interim condensed financial statements are the responsibility of the Company’s management and were presented to us with all the information and explanations which we requested.

We conducted our review in accordance with the standard established by the Saudi Organisation for Certified Public Accountants (SOCPA) on review engagements. A review consists principally of applying analytical procedures to financial data and making inquiries from 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.

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements of **Etihad Etisalat Company** for them to be in conformity with the generally accepted accounting standards appropriate to the circumstances of the Company.



Abdullah H. Al Fozan
License No. 348

16 JUL 2007



Ethiad Etisalat Company
(Joint Stock Company)
Interim Balance Sheet
As of June 30, 2007
(Saudi Riyals' 000)

	<u>Notes</u>	<u>30/6/2007</u> <u>Unaudited</u>	<u>30/6/2006</u> <u>Unaudited</u>
<u>Assets</u>			
<u>Current assets</u>			
Cash and cash equivalents	(3)	591 666	330 564
Accounts receivable (net)	(4)	481 462	728 350
Inventories		26 380	26 314
Other current assets	(5)	889 622	585 013
Total current assets		1 989 130	1 670 241
<u>Non current assets</u>			
Property and equipment (net)	(6)	4 191 054	2 681 568
License acquisition fees (net)	(7)	11 543 427	12 056 893
Total non current assets		15 734 481	14 738 461
Total assets		17 723 611	16 408 702
<u>Liabilities & shareholders' equity</u>			
<u>Current Liabilities</u>			
Short-term loans	(8)	-	7 603 843
Current maturity of long term loan	(8)	693 809	-
Creditors	(9)	1 140 068	1 176 467
Due to related parties	(10)	158 417	251 740
Other current liabilities	(11)	309 120	229 768
Accrued expenses	(12)	1 903 684	1 555 737
Total current liabilities		4 205 098	10 817 555
<u>Non current liabilities</u>			
Provision for employees' end of service benefits		18 942	4 912
Founding shareholders' loan	(8)	-	1 600 000
Long term loan	(8)	8 412 137	-
Total non current liabilities		8 431 079	1 604 912
Total liabilities		12 636 177	12 422 467
<u>Shareholders' equity</u>			
Paid up capital	(1)	5 000 000	5 000 000
Retained earnings / (accumulated losses)		87 434	(1 013 765)
Total shareholders' equity		5 087 434	3 986 235
Total liabilities & shareholders' equity		17 723 611	16 408 702

Chief Financial Officer:

Thamer Mohammed Al Hosani

Managing Director and Chief Executive Officer:

Khaled Omar Al Kaf

The accompanying notes (1) through (20) form an integral part of these interim financial statements.

Ethihad Etisalat Company
(Joint Stock Company)

Interim Income Statement

For the period from January 1, 2007 to June 30, 2007

(Saudi Riyals'000)

Notes	From 1/4/2007		From 1/4/2006		From 1/1/2007		From 1/1/2006	
	To 30/6/2007	Unaudited	To 30/6/2006	Unaudited	To 30/6/2007	Unaudited	To 30/6/2006	Unaudited
Operating revenue	(13)	2 028 880	1 448 476	3 905 595	2 575 015			
Cost of providing services	(14)	(917 341)	(649 020)	(1 806 767)	(1 170 093)			
Gross margin		1 111 539	799 456	2 098 828	1 404 922			
Operating expenses								
Selling and marketing expenses	(15)	(140 070)	(174 894)	(270 447)	(316 198)			
General and administrative expenses	(16)	(245 419)	(143 669)	(452 413)	(263 340)			
Depreciation and amortization	(6,7)	(242 889)	(213 368)	(484 951)	(414 312)			
Provisions		(54 119)	(30 184)	(91 054)	(43 191)			
Total operating expenses		(662 497)	(562 115)	(1 298 865)	(1 037 041)			
Operating income		429 042	237 341	799 963	367 881			
Financing costs		(132 480)	(122 340)	(261 264)	(216 949)			
Other income		7 283	1 124	15 756	2 682			
Net income for the period		303 845	116 125	554 455	153 614			
Basic earnings per share (SAR / Share)	(17)	0.608	0.232	1.109	0.307			

The accompanying notes (1) through (20) form an integral part of these interim financial statements.

Etihad Etisalat Company
(Joint Stock Company)
Interim Cash Flow Statement
For the period from January 1, 2007 to June 30, 2007
(Saudi Riyals '000)

	<u>Notes</u>	<u>From 1/1/2007</u> <u>To 30/6/2007</u> <u>Unaudited</u>	<u>From 1/1/2006</u> <u>To 30/6/2006</u> <u>Unaudited</u>
<u>Cash flows from operating activities</u>			
Net income for the period		554 455	153 614
<i>Adjustments to reconcile net income to net cash from operating activities:</i>			
Amortization of license acquisition fee	(7)	256 733	256 733
Depreciation	(6)	228 218	157 579
Provision for employees' end of service benefits		6 484	2 322
Provision for doubtful accounts		84 571	40 867
Borrowing cost		260 470	195 334
Operating income before changes in working capital		<u>1 390 931</u>	<u>806 449</u>
<u>Changes in working capital</u>			
Accounts receivable		173 195	(602 395)
Inventories		11 668	5 761
Other current assets		(172 934)	197 752
Creditors		(442 415)	310 309
Due to related parties		(20 918)	15 196
Other current liabilities		(11 174)	11 718
Accrued expenses		216 526	(577 776)
Cash generated from operations		<u>1 144 879</u>	<u>167 014</u>
Payment of employees' end of service benefits		(638)	(60)
Payment of borrowing cost		(658 865)	(193 273)
Net cash generated from / (used in) operating activities		<u>485 376</u>	<u>(26 319)</u>
<u>Cash flows from investing activities</u>			
Purchase of property and equipment		(505 633)	(81 940)
Net cash used in investing activities		<u>(505 633)</u>	<u>(81 940)</u>
<u>Cash flows from financing activities</u>			
Payment of short-term loan	(8)	(7 523 100)	(6 869 449)
Payment of founding shareholders' loans	(8)	(1 600 000)	-
Proceeds from syndicate bank loan	(8)	9 187 500	-
Proceeds from short-term loan	(8)	-	7 123 100
Net cash provided by financing activities		<u>64 400</u>	<u>253 651</u>
Net increase in cash and cash equivalents		44 143	145 392
Cash and cash equivalents at the beginning of the period		<u>547 523</u>	<u>185 172</u>
Cash and cash equivalents at the end of the period	(3)	<u>591 666</u>	<u>330 564</u>

The accompanying notes (1) through (20) form an integral part of these interim financial statements.

Ethad Etisalat Company
(Joint Stock Company)

Interim Statement of Changes in Shareholders' Equity

For the period from January 1, 2007 to June 30, 2007

(Saudi Riyals'000)

	Capital	Retained earnings /	Total
	Unaudited	(accumulated losses)	Unaudited
Balance as of 1/1/2006	5 000 000	(1 167 379)	3 832 621
Net income for the financial year ended December 31, 2006	—	700 358	700 358
Balance as of 31/12/2006	5 000 000	(467 021)	4 532 979
Net income for the financial period ended June 30, 2007	—	554 455	554 455
Balance as of 30/6/2007	5 000 000	87 434	5 087 434

The accompanying notes (1) through (20) form an integral part of these interim financial statements.

Ethiad Etisalat Company
(Joint Stock Company)
Notes to the Interim Financial Statements
For the period from January 1, 2007 to June 30, 2007

1. ORGANIZATION AND ACTIVITIES

Ethiad Etisalat Company ("the Company"), a Saudi Joint Stock Company formed pursuant to the Council of Ministers resolution number 189 dated 23/6/1425H (corresponding to 10 August 2004G) and Royal Decree number M/40 dated 2/7/1425H (corresponding to 18 August 2004G) under commercial registration number 1010203896 dated 14 December 2004. The Company is considered the second authorized provider of mobile telecommunication services in the Kingdom of Saudi Arabia.

The main activity of the Company is to establish and operate public wireless telecommunications network in the Kingdom of Saudi Arabia . The Company has started its commercial operations in 25 May 2005.

The company issued 100 million shares at par value SR 50. Per Capital Market Authority resolution # 2006-154-4 on 27 March 2006 a share split was implemented on April, 8th 2006 where by the share was split into five shares at par value SR 10 each and accordingly the company issued shares are currently 500 million shares. The Emirates Telecommunications Corporation - Etisalat, UAE holds 35% of the shares and 6 Saudi shareholders hold 45% of the shares. The remaining 20% of the share capital is held by the public.

2. SIGNIFICANT ACCOUNTING POLICIES

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

- a) **Interim Reporting**
The company prepares its interim financial reports 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 of a period are recorded and presented in the financial statement of that period. Results for the interim period may not give an accurate indicator of the annual operating results
- b) **Accounting convention**
The financial statements, expressed in Saudi Riyals, are prepared under the historical cost convention using the accrual basis of accounting and the going concern concept.
- c) **Cash and cash equivalents**
For the purpose of reporting cash flows, cash and cash equivalents represent cash in hand and balance with banks including time deposits having maturity of three months or less from acquisition date.
- d) **Accounts receivable, net**
Accounts receivable are stated at estimated net realizable value after allowances have been made for doubtful amounts.

Allowance for doubtful accounts is calculated based on aging of account receivables and the company previous experience in collecting receivables.

Etihad Etisalat Company
(Joint Stock Company)
Notes to the Interim Financial Statements
For the period from January 1, 2007 to June 30, 2007

e) Inventories

Inventories are valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less selling expenses. Cost is determined by using the weighted average method.

f) Provisions

A provision is recognised in the 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.

g) 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 income using straight line method so as to write off the historical cost of the assets over their estimated useful lives at the rates given below for each class of assets.

	<u>Rates</u>
Building	5 %
Telecommunication equipment	5 – 10 %
Leasehold improvements	10 %
Computer, office equipment and furniture	20 %
Vehicles	20 %

Major renewals and improvements are capitalized if they increase useful life or efficiency of property and equipment. Minor repairs and renewals are expensed when incurred. The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized in the income statement.

h) Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date whenever there is an indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset exceeds its recoverable amount. Impairment losses, if any, are recognised in the income statement.

EtiHAD Etisalat Company
(Joint Stock Company)
Notes to the Interim Financial Statements
For the period from January 1, 2007 to June 30, 2007

i) License acquisition fees

License acquisition fees are amortised over 25 years which is the regulatory life of the license. Amortization is charged to income statement from the date of granting the license. The capitalized license acquisition fee is reviewed on each reporting date to determine any impairment in the recorded value.

j) Creditors

Liabilities to trade suppliers and contractors are recognised for amounts to be paid in the future for equipment and goods or services received.

k) Provision for employees' end of service benefits

The provision for Employees' end of service benefits are calculated and accrued in accordance with the Saudi Labor and Workmen's Law, as well as company personnel policies.

l) Zakat

Zakat is calculated in accordance with the Department of Zakat and Income Tax ("DZIT") regulations, and are accrued for and charged to income statement.

m) Foreign currency transactions

Transactions denominated in foreign currencies are translated to Saudi Arabian Riyals at the rates of exchange prevailing at the dates of the respective transactions. At 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 Statement of Income.

n) Expenses

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

The Company changed its commission arrangements with its distributors this year whereby some types of commissions are deducted directly on the exchange of goods.

o) Government Charges

Government charges represent fees and charges as stipulated in the license agreements and paid against the right of use of telecommunication services in the Kingdom including frequency fees. These fees are recognized in the related periods during which they are used.

Etihad Etisalat Company
(Joint Stock Company)
Notes to the Interim Financial Statements
For the period from January 1, 2007 to June 30, 2007

p) Financial instruments

Financial assets and liabilities 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 financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at balance sheet date.

q) Interconnection Cost

Interconnection costs represent national and international interconnection charges paid to local and foreign operators. Interconnection cost is recognized in the period when relevant calls are made.

r) Revenue Recognition

- Revenue in respect of telecommunications services is accounted for in the year when the services are rendered and is stated net of trade discount and rebates for the period.
- Revenues from sale of handsets equipment and accessories are recognized when the handsets equipment and accessories are delivered to customer.

s) Operating leases

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

3. CASH AND CASH EQUIVALENTS

<u>(Saudi Riyals'000)</u>	<u>30/6/2007</u>	<u>30/6/2006</u>
Cash in hand	792	608
Cash at banks	590 874	329 956
	<u>591 666</u>	<u>330 564</u>

4. ACCOUNTS RECEIVABLE, NET

<u>(Saudi Riyals'000)</u>	<u>30/6/2007</u>	<u>30/6/2006</u>
Subscribers	391 093	187 905
* Allowance for doubtful accounts	(162 264)	(90 867)
	<u>228 829</u>	<u>97 038</u>
Other telecom operators	114 933	533 467
Distributors	137 700	97 845
	<u>481 462</u>	<u>728 350</u>

* Movement in the allowance for doubtful account for the period are as follows:

<u>(Saudi Riyals'000)</u>	<u>30/6/2007</u>	<u>30/6/2006</u>
Balance as at 1 st January	77 693	50 000
Additions during the period	84 571	40 867
	<u>162 264</u>	<u>90 867</u>

Etihad Etisalat Company
(Joint Stock Company)
Notes to the Interim Financial Statements
For the period from January 1, 2007 to June 30, 2007

5. OTHER CURRENT ASSETS

<u>(Saudi Rivals'000)</u>	<u>30/6/2007</u>	<u>30/6/2006</u>
Prepaid expenses	177 934	162 211
Suppliers advances	153 378	70 849
Accrued revenue	507 832	333 276
Staff advances	2 054	2 310
Others	48 424	16 367
	<u>889 622</u>	<u>585 013</u>

Etilhad Etilsalar Company
(Joint Stock Company)

Notes to the Interim Financial Statements

For the period from January 1, 2007 to June 30, 2007

(\$Millions/000)

6. PROPERTY AND EQUIPMENT (NET)

	Land	Building	Telecommunication equipment	Computer equipment & software	Office equipment & Furniture	Vehicles	Leasehold Improvements	Capital work in progress	Total
<u>Cost</u>									
Cost as at 1/1/2007	6 745	—	2 541 477	319 439	139 585	684	180 085	1 064 558	4 252 573
Additions for the period	12 605	6 400	1 072 798	17 089	18 051	—	14 525	(569 728)	571 740
Total cost as at 30/6/2007	19 350	6 400	3 614 275	336 528	157 636	684	194 610	494 830	4 824 313
<u>Accumulated depreciation</u>									
Accumulated depreciation as at 1/1/2007	—	—	278 368	62 641	32 592	335	31 105	—	405 041
Depreciation for the period	—	80	167 848	34 680	15 442	46	10 122	—	228 218
Accumulated depreciation as at 30/6/2007	—	80	446 216	97 321	48 034	381	41 227	—	633 259
Net book value as at 30/6/2007	19 350	6 320	3 168 059	239 207	109 602	303	153 383	494 830	4 191 054
Net book value as at 30/6/2006	6 745	—	1 930 758	147 682	71 026	195	90 039	435 123	2 681 568

Etihad Etisalat Company
(Joint Stock Company)
Notes to the Interim Financial Statements
For the period from January 1, 2007 to June 30, 2007

7. LICENSE ACQUISITION FEES (NET)

(Saudi Riyals'000)	Mobile telecommunication service license fees	3G license fees	Other licenses	Total license fees
Cost as at 1/1/2007	12 210 000	753 750	15 489	12 979 239
Additions for the period	—	—	—	—
Cost as at 30/6/2007	<u>12 210 000</u>	<u>753 750</u>	<u>15 489</u>	<u>12 979 239</u>
Less:				
Accumulated amortization as at 1/1/2007	1 110 064	67 724	1 291	1 179 079
Amortization for the period	241 303	14 914	516	256 733
Accumulated amortization as at 30/6/2007	<u>1 351 367</u>	<u>82 638</u>	<u>1 807</u>	<u>1 435 812</u>
Balance as at 30/6/2007	<u>10 858 633</u>	<u>671 112</u>	<u>13 682</u>	<u>11 543 427</u>
Balance as at 30/6/2006	<u>11 341 239</u>	<u>700 939</u>	<u>14 715</u>	<u>12 056 893</u>

8. LOANS

On March 14, 2007, the Company signed long term Islamic financing agreements with a group of local, regional and international banks for US\$ 2.875 billion (SAR 10.782 billion). The structure of the Islamic Financing is based on selling the airtime minutes to participating banks and re-distributing the minutes to subscribers on behalf of banks.

The facility agreements signed were:

- (a) Airtime Financing Facility US\$ 2.450 billion (SAR 9.1875 billion)
- (b) Working Capital Murabaha Facility US\$ 200 million (SAR 750 million)
- (c) Financial Support Murabaha Facility US\$ 225 million (SAR 843.75 million)

The Airtime Financing Facility was fully drawn on March 29, 2007 amounting to SAR 9.1875 billion to repay the maturing obligations i.e., Short Term Bridge Loan Facility of SAR 7.1 billion and founding shareholders' loans.

The tenure of the loan is 6 years with semi-annual unequal installments, the first installment due on December 31, 2007. The final installment will be a balloon payment of 33% of long term loan on December 31, 2012. The murabaha profit is payable on quarterly basis.

Long term loan is presented after deducting initial unamortised financing cost and by adding accrued murabaha profit.

9. CREDITORS

(Saudi Riyals'000)	<u>30/6/2007</u>	<u>30/6/2006</u>
Trade payables	316 016	704 199
Capital expenditure payables	824 052	472 268
	<u>1 140 068</u>	<u>1 176 467</u>

Ethad Etisalat Company
(Joint Stock Company)
Notes to the Interim Financial Statements
For the period from January 1, 2007 to June 30, 2007

10. RELATED PARTY TRANSACTIONS

The Company entered into a management agreement with the Emirates Telecommunication Corporation (Etisalat) as its operator effective from 14 August 2004. The agreement requires Etisalat to provide services comprising of executive and senior management services, implementation of the network roll-out programme, management of the capital investment programme, provision of customer operations, execution of saudization, establishment of national distribution channels, and licensing of the intellectual property rights. The company pays an annual management fee of SAR 37.5 million (USD 10 million) for services provided under the agreement.

The agreement is entered into on an arm's length arrangement for a period of seven years and can be automatically renewed for successive periods of five years unless the company serves a 6 month notice of termination or Etisalat serves a 12 month notice of termination prior to the expiry of the applicable period.

Other related party transactions are as follows:

(Saudi Riyals'000)		Transactions during the period ended	
<u>Name</u>	<u>Nature of transactions</u>	<u>From 1/1/2007 to 30/6/2007</u>	<u>From 1/1/2006 to 30/6/2006</u>
Emirates Telecommunication Corporation	-Management fees	18 750	18 750
	-Reimbursable and other costs	37 563	37 745
	-Telecom services	79 370	96 030
Emirates Data Clearing House	-Roaming services	816	7 583

The outstanding balances as at June 30, 2007 are as follows: -

<u>Name</u>	<u>30/6/2007</u>	<u>30/6/2006</u>
Emirates Telecommunication Corporation	154 527	250 607
Emirates Data Clearing House	3 890	1 066
Receivable from Group of Riyadh Cable Limited Company	-	67
	<u>158 417</u>	<u>251 740</u>

The nature of the related party relationships is as follows:

- **Emirates Telecommunication Corporation**
Direct shareholder with 35 % equity in the Company.
- **Emirates Data Clearing House**
Affiliated Company of Etisalat Group, UAE.
- **Group of Riyadh Cable Limited Company**
Direct shareholder with 6 % equity in the company.

Etihad Etisalat Company
(Joint Stock Company)
Notes to the Interim Financial Statements
For the period from January 1, 2007 to June 30, 2007

11. OTHER CURRENT LIABILITIES

<u>(Saudi Riyals'000)</u>	<u>30/6/2007</u>	<u>30/6/2006</u>
Deferred revenue	297 036	224 016
Others	12 084	5 752
	<u>309 120</u>	<u>229 768</u>

12. ACCRUED EXPENSES

<u>(Saudi Riyals'000)</u>	<u>30/6/2007</u>	<u>30/6/2006</u>
Telecommunication equipment suppliers	688 768	903 394
Other telecommunication operators	613 395	230 284
License fees	14 330	9 989
Government revenue share	215 359	99 894
Leave salaries	23 336	10 465
Staff training accrual	7 209	4 407
Selling and marketing costs	142 092	75 846
Others	199 195	221 458
	<u>1 903 684</u>	<u>1 555 737</u>

Ethihad Etisalat Company
(Joint Stock Company)

Notes to the Interim Financial Statements

For the period from January 1, 2007 to June 30, 2007

13. OPERATING REVENUE

(Saudi Riyals*000)	<u>From 1/4/2007</u> <u>to 30/6/2007</u>	<u>From 1/4/2006</u> <u>to 30/6/2006</u>	<u>From 1/1/2007</u> <u>to 30/6/2007</u>	<u>From 1/1/2006</u> <u>to 30/6/2006</u>
Activation fees	6 949	3 952	18 127	13 312
Rental fees	79 038	47 815	160 618	84 541
Usage	1 567 761	1 093 113	2 997 309	1 930 299
Interconnect revenue	317 121	286 742	632 704	509 199
Visitor roaming	22 398	15 816	43 660	36 088
Others	35 613	1 038	53 177	1 576
	<u>2 028 880</u>	<u>1 448 476</u>	<u>3 905 595</u>	<u>2 575 015</u>

14. COST OF PROVIDING SERVICES

(Saudi Riyals*000)	<u>From 1/4/2007</u> <u>to 30/6/2007</u>	<u>From 1/4/2006</u> <u>to 30/6/2006</u>	<u>From 1/1/2007</u> <u>to 30/6/2007</u>	<u>From 1/1/2006</u> <u>to 30/6/2006</u>
Consumption of inventories	36 184	20 275	72 047	36 438
Interconnection expenses	429 402	259 389	854 026	476 350
National and international roaming cost	30 211	135 962	50 688	256 792
Transmission and international gateway cost	73 427	55 770	143 931	100 446
License fees	14 330	9 989	27 941	17 326
Government revenue share	215 360	99 894	419 526	173 782
Frequency charge and rental	8 666	11 160	18 213	11 949
Technical repair & maintenance cost	57 410	22 109	131 662	42 413
Sites rental	37 201	32 322	69 031	47 652
Others	15 150	2 150	19 702	6 945
	<u>917 341</u>	<u>649 020</u>	<u>1 806 767</u>	<u>1 170 093</u>

Ethihad Etisalat Company
(Joint Stock Company)

Notes to the Interim Financial Statements

For the period from January 1, 2007 to June 30, 2007

15. SELLING AND MARKETING EXPENSES

(Saudi Riyals'000)	<u>From 1/4/2007</u> <u>to 30/6/2007</u>	<u>From 1/4/2006</u> <u>to 30/6/2006</u>	<u>From 1/1/2007</u> <u>to 30/6/2007</u>	<u>From 1/1/2006</u> <u>to 30/6/2006</u>
Advertising and commissions	135 370	170 259	261 493	305 496
Others	4 700	4 635	8 954	10 702
	<u>140 070</u>	<u>174 894</u>	<u>270 447</u>	<u>316 198</u>

16. GENERAL AND ADMINISTRATIVE EXPENSES

(Saudi Riyals'000)	<u>From 1/4/2007</u> <u>to 30/6/2007</u>	<u>From 1/4/2006</u> <u>to 30/6/2006</u>	<u>From 1/1/2007</u> <u>to 30/6/2007</u>	<u>From 1/1/2006</u> <u>to 30/6/2006</u>
Staff expenses	127 532	71 725	242 538	132 185
Rental	10 498	7 463	20 078	14 244
Professional services	18 025	8 719	36 602	13 377
Travelling and accommodation	3 392	4 251	7 827	7 246
Management fees	9 375	9 375	18 750	18 750
Seconded staff and other costs	39 797	15 872	53 044	37 745
Others	36 800	26 264	73 574	39 793
	<u>245 419</u>	<u>143 669</u>	<u>452 413</u>	<u>263 340</u>

Etihad Etisalat Company
(Joint Stock Company)
Notes to the Interim Financial Statements
For the period from January 1, 2007 to June 30, 2007

17. EARNING PER SHARE

Earning per share is calculated by dividing the net income attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the period.

18. ZAKAT

No Zakat provision has been provided in the accompanying financial statements for the period ended June 30, 2007 as the financial liabilities (if any) as of the date of these financial statements is insignificant.

The Zakat declarations for the years ended 31 December 2005 and 31 December 2006 have been submitted to the Department of Zakat and Income Tax (DZIT). However, the DZIT has not yet raised the assessment for these years.

19. CAPITAL COMMITMENTS

Capital commitments represent the fixed assets contracts entered into and not yet executed at the balance sheet date which amounted to SR 3.482 billion as at June 30, 2007 (SR 2.925 billion as at June 30, 2006).

The Company entered in strategic partnership to build, deploy, and operate the latest fiber optics network on turn key project under the name Saudi National Fiber Network with 12,600 kilometer length around the Kingdom. The project ownership is shared between The Company and two other partners. The Company entered in the project with the aim of supporting and complementing its mobile network services by enabling it to provide other services of highly sophisticated technologies.

The total cost of the network is about one billion Saudi Riyals and the Company share is one third of this amount. The project is being constructed and deployed in phases composed of seven rings, rings one was ready for service on 23rd June 2007 while for ring two is expected to be ready for service by the end of July 2007 and the other five rings will be completed by December 2007. The estimated cost of the first two rings is 435 million Saudi Riyals of which the Company's share is 145 million Saudi Riyals.

20. COMPARATIVE FIGURES

Some of the comparative figures in the interim financial statements have been reclassified to be consistent with the classification of the interim financial statements as at June 30, 2007.