

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
JUNE 30, 2013 AND INDEPENDENT AUDITORS' REVIEW REPORT

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2013

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LIMITED REVIEW REPORT

July 15, 2013

To the shareholders of Etihad Etisalat Company
(A Saudi joint stock company)

Scope of review

We have reviewed the accompanying interim consolidated balance sheet of Etihad Etisalat Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2013 and the interim consolidated income statement for the three-month and six-month periods ended June 30, 2013, and the interim consolidated statements of cash flows, and changes in shareholders' equity for the six-month period then ended, and the related notes which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. The interim consolidated financial statements as of and for the three-month and six-month periods ended June 30, 2012 were reviewed by other auditors whose unmodified review report was dated 25 Sha'aban, 1433H (July 15, 2012).

We conducted our limited review in accordance with the standard of Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. The scope of such limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in Saudi Arabia, 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 conclusion

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 accounting standards generally accepted in Saudi Arabia.

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ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

		As at June 30, 2013	
ASSETS	Notes	2013	2012
Current assets			
Cash and cash equivalents		1,780,657	1,337,350
Accounts receivable, net		6,551,088	7,624,465
Due from a related party		29,775	5,824
Inventories, net		823,544	568,411
Prepaid expenses and other assets		2,486,598	2,097,488
Total current assets		11,671,662	11,633,538
Non-current assets			
Property and equipment, net	3	19,085,290	16,864,429
Licenses' acquisition fees, net	4	9,159,304	9,591,782
Goodwill		1,529,886	1,529,886
Total non-current assets		29,774,480	27,986,097
TOTAL ASSETS		41,446,142	39,619,635
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Current portion of long-term loans	5, 6	974,031	633,166
Accounts payable		6,012,528	8,425,312
Due to related parties		42,774	37,348
Accrued expenses and other liabilities		3,596,383	3,552,256
Total current liabilities		10,625,716	12,648,082
Non-current liabilities			
Long-term loans	5, 6	8,574,781	7,934,725
Provision for end-of-service benefits		160,189	119,998
Total non-current liabilities		8,734,970	8,054,723
TOTAL LIABILITIES		19,360,686	20,702,805
SHAREHOLDERS' EQUITY			
Authorized, issued and outstanding share capital	1	7,700,000	7,000,000
Statutory reserve	8	2,179,779	1,578,014
Retained earnings		12,205,677	10,338,816
Total shareholders' equity		22,085,456	18,916,830
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		41,446,142	39,619,635

The accompanying notes from page 6 to page 15 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)

INTERIM CONSOLIDATED INCOME STATEMENT (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the three-month period ended June 30,		For the six-month period ended June 30,	
		2013	2012	2013	2012
Revenues		5,972,412	5,678,490	11,600,306	10,687,123
Cost of services and sales		(2,984,913)	(2,722,632)	(5,884,154)	(5,118,180)
Gross profit		2,987,499	2,955,858	5,716,152	5,568,943
Operating expenses:					
Selling and marketing expenses		(346,522)	(372,417)	(701,123)	(730,999)
General and administrative expenses		(328,757)	(543,954)	(728,068)	(987,706)
Depreciation and amortization	3, 4	(660,262)	(571,754)	(1,273,101)	(1,129,005)
Total operating expenses		(1,335,541)	(1,488,125)	(2,702,292)	(2,847,710)
Income from main operations		1,651,958	1,467,733	3,013,860	2,721,233
Other income (expense):					
Finance expenses	5, 6	(48,657)	(54,903)	(92,813)	(83,997)
Other income		43,578	25,672	98,123	31,997
Income before zakat		1,646,879	1,438,502	3,019,170	2,669,233
Zakat		(35,837)	(17,244)	(68,490)	(40,526)
NET INCOME FOR THE PERIOD		1,611,042	1,421,258	2,950,680	2,628,707
Earnings per share (in Saudi Riyals) from:					
Income from main operations	9	2.15	1.91	3.91	3.53
Net income for the period	9	2.09	1.85	3.83	3.41

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ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the six-month period ended June 30,	
	2013	2012
OPERATING ACTIVITIES		
Income for the period before zakat	3,019,170	2,669,233
Adjustments to reconcile income before zakat to net cash from operating activities:		
Depreciation	987,145	852,100
Amortization of licenses' acquisition fees	285,956	276,905
Provision for doubtful debts	80,743	100,711
Finance expenses	92,813	83,997
	4,465,827	3,982,946
Changes in working capital:		
Accounts receivable	(728,080)	(1,401,814)
Due from a related party	(23,663)	5,304
Inventories	(102,150)	(98,617)
Prepaid expenses and other assets	(453,816)	(35,959)
Accounts payable	(370,203)	1,421,726
Due to related parties	(89,534)	(156,177)
Accrued expenses and other liabilities	(27,513)	(384,344)
Provision for end-of-service benefits, net	23,078	30,967
Zakat paid	(53,962)	(52,808)
Finance expenses paid	(90,409)	(62,760)
Net cash provided from operating activities	2,549,575	3,248,464
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,572,520)	(2,772,778)
Disposals of property and equipment, net	17,675	1,641
Acquisition of licenses, net	(33,453)	(203,263)
Net cash used in investing activities	(1,588,298)	(2,974,400)
FINANCING ACTIVITIES		
Payment of short-term loans	-	(1,203,273)
Proceeds from long-term loans	1,500,000	7,415,000
Payment of long-term loans	(211,700)	(4,737,980)
Cash dividends	(1,771,000)	(2,100,000)
Net cash used in financing activities	(482,700)	(626,253)
Net change in cash and cash equivalents	478,577	(352,189)
Cash and cash equivalents, beginning of the period	1,302,080	1,689,539
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	1,780,657	1,337,350
Supplemental non-cash information		
Transfer from retained earnings to share capital	700,000	-

The accompanying notes from page 6 to page 15 form an integral part of these interim consolidated financial statements.

Chief Financial Officer:
Thamer Mohammed Al Hosani

Managing Director and Chief Executive Officer:
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ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Total
Balance at January 1, 2012		7,000,000	1,578,014	9,810,109	18,388,123
Net income for the year		-	-	6,017,653	6,017,653
Transfer to statutory reserve	8	-	601,765	(601,765)	-
Dividends	7	-	-	(3,500,000)	(3,500,000)
December 31, 2012		7,000,000	2,179,779	11,725,997	20,905,776
Net income for the period		-	-	2,950,680	2,950,680
Transfer from retained earnings to share capital		700,000	-	(700,000)	-
Dividends		-	-	(1,771,000)	(1,771,000)
Balance at June 30, 2013		7,700,000	2,179,779	12,205,677	22,085,456

The accompanying notes from page 6 to page 15 form an integral part of these interim consolidated financial statements.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013
(All amounts in Saudi Riyals thousands unless otherwise stated)

1. ORGANIZATION AND ACTIVITY

1.1 Etihad Etisalat Company

Etihad Etisalat Company "Mobily" (the "Company"), a Saudi joint stock company, is registered in the Kingdom of Saudi Arabia under commercial registration number 1010203896 issued in Riyadh on Dhul Hijjah 2, 1425H (corresponding to December 14, 2004). The main address for the Company is P.O. Box 33088, Riyadh 11331, Kingdom of Saudi Arabia.

The Company was incorporated pursuant to the Royal decree number M/40 dated Rajab 2, 1425H (corresponding to August 18, 2004) approving the Council of Ministers resolution number 189 dated Jumada II 23, 1425H (corresponding to August 10, 2004) to approve the award of the license to incorporate a Saudi joint stock company under the name of "Etihad Etisalat Company".

Pursuant to the Council of Ministers resolution number 190 dated Jumada II 23, 1425H (corresponding to August 10, 2004), the Company obtained the licenses to install and operate 2G and 3G mobile telephone network including all related elements and the provision of all related services locally and internationally through its own network.

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

The Extraordinary General Assembly decided in its meeting held on Safar 30, 1434H (corresponding to January 12, 2013) to approve the recommendation of the Board of Directors to increase the Company's share capital from Saudi Riyals 7 billion to Saudi Riyals 7.7 billion through a bonus share issue of one share for every ten shares owned by registered shareholders in the Company's shareholders register as at the end of the trading day on which the Extraordinary General Assembly meeting was held, and that the increase in share capital shall be effected by transferring Saudi Riyals 700 million from the retained earnings as of September 30, 2012. Accordingly, the total number of shares to increase by 70 million shares from 700 million shares to 770 million shares. The legal formalities related to the increase in the Company's share capital were completed during the first quarter in 2013.

The Company's share capital amounting to SR 7.7 billion consists of 770 million shares of SR 10 each, paid in full as at June 30, 2013.

1.2 Subsidiary companies

The consolidated financial statements of the Company include the financial information of the below subsidiaries (see also note 2-2);

1.2.1 Mobily InfoTech Limited

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

1.2.2 Bayanat Al-Oula for Network Services Company

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

1.2.3 National Company for Business Solutions

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013**
(All amounts in Saudi Riyals thousands unless otherwise stated)

1.2.4 Zajil International Network for Telecommunication Company

During the 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, obligations, commercial name as well as its current and future trademarks for a total price of Saudi Riyals 80 million, resulting in goodwill of Saudi Riyals 63 million on the acquisition date.

The main activities of the subsidiaries are as follow:

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Interim consolidated financial statements

The Company prepares its interim consolidated financial statements in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia 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.

2.2 Basis of consolidation

The accompanying interim consolidated financial statements include the financial statements of the Company and its subsidiaries listed below, after elimination of 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 June 30, 2013:

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013**
(All amounts in Saudi Riyals thousands unless otherwise stated)

2.3 Accounting convention

The accompanying interim consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants ("SOCPA").

2.4 Use of estimates

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

2.5 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.

2.6 Short-term investments

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

2.7 Accounts receivable

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

2.8 Inventories

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

2.9 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.

2.10 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 network equipment	5% - 20%
Computer equipment and software	20%
Office equipment and furniture	20%-25%
Vehicles	20%-25%

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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.

2.11 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.

2.12 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 the end of each financial year to determine if any permanent decline exists 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.

2.13 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.

2.14 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.

2.15 Provision for end-of-service benefits

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

2.16 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 and is recorded under "General and administrative expenses".

2.17 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 as of the date of their occurrence. Translation adjustments, if significant, are recorded in a separate component of shareholders' equity.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013
(All amounts in Saudi Riyals thousands unless otherwise stated)

2.18 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.

2.19 Governmental charges

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

2.20 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.

2.21 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.

2.22 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 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 subscribers and customers.

2.23 Operating and capital leases

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

2.24 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 risk 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 expenses caption in the interim consolidated statement of income.

ETIHAD ETISALAT COMPANY
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013
(All amounts in Saudi Riyals thousands unless otherwise stated)

3. PROPERTY AND EQUIPMENT, NET

	Land	Buildings	Leasehold improvements	Telecomm- unication network equipment	Computer equipment and software	Office equipment and furniture	Vehicles	Capital work in progress	Total
Cost									
January 1, 2013	275,361	228,834	637,411	19,977,541	2,010,650	426,736	1,789	1,157,860	24,716,182
Additions	-	-	11,282	1,860,451	351,906	21,879	-	589,703	2,835,221
Disposals	-	-	-	(23,665)	(1,177)	-	-	-	(24,842)
Transfers	-	28,276	4,219	381,349	53,684	-	-	(467,528)	-
June 30, 2013	275,361	257,110	652,912	22,195,676	2,415,063	448,615	1,789	1,280,035	27,526,561
Accumulated depreciation									
January 1, 2013	-	29,910	313,913	5,626,363	1,156,911	333,501	695	-	7,461,293
Depreciation for the period	-	4,383	31,523	765,044	165,187	20,918	90	-	987,145
Disposals	-	-	-	(6,261)	(906)	-	-	-	(7,167)
June 30, 2013	-	34,293	345,436	6,385,146	1,321,192	354,419	785	-	8,441,271
Net book value									
June 30, 2013	275,361	222,817	307,476	15,810,530	1,093,871	94,196	1,004	1,280,035	19,085,290
June 30, 2012	258,055	161,985	477,464	13,352,295	860,502	97,981	151	1,655,996	16,864,429

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013
(All amounts in Saudi Riyals thousands unless otherwise stated)

4. LICENSES' ACQUISITION FEES, NET

	Mobile Telecommunication services license	3G services license	Other	Total licenses' acquisition fees
Cost at January 1, 2013	12,210,000	753,750	820,341	13,784,091
Additions	-	-	35,288	35,288
Disposals	-	-	(1,877)	(1,877)
Cost at June 30, 2013	12,210,000	753,750	853,752	13,817,502
<u>Less:</u>				
Accumulated amortization at January 1, 2013	4,005,700	246,686	119,898	4,372,284
Amortization for the period	241,303	14,914	29,739	285,956
Disposals	-	-	(42)	(42)
Accumulated amortization at June 30, 2013	4,247,003	261,600	149,595	4,658,198
Balance at June 30, 2013	7,962,997	492,150	704,157	9,159,304
Balance at June 30, 2012	8,445,603	521,977	624,202	9,591,782

5. SHORT AND LONG-TERM LOANS

During the first quarter of the year 2012, the Company signed a sharia-compliant long-term refinancing facility agreement with local banks for a total amount of Saudi Riyals 10 billion. The proceeds were used to settle the outstanding balances of loans previously obtained by Etihad Etisalat Company (Mobily) which amounted to Saudi Riyals 5.8 billion as at December 31, 2011 (Saudi Riyals 1.2 billion for short-term loans and Saudi Riyals 4.6 billion for long-term loans). The remaining balance of the said facility will be used to finance the Company's capital expenditures and working capital requirements. The utilized portion of the loan amounted to Saudi Riyals 9 billion as at June 30, 2013 (June 30, 2012: Saudi Riyals 7.5 billion).

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

During the second quarter of 2013, the subsidiary, Bayanat Al-Oula for Network Services Company, signed a long-term sharia-compliant financing agreement with local banks amounting to Saudi Riyals 1.5 billion (Not utilized as of June 30, 2013) which will be used to settle the outstanding long-term loans amounting Saudi Riyals 923 million as at June 30, 2013. The remaining balance of the said facility will be used to finance the subsidiary's working capital requirements

The above long-term loan period is five years and is repayable through semi-annual scheduled instalments, where the last instalment is due on June 17, 2018.

During the first quarter of 2010, the subsidiary, Bayanat Al-Oula for Network Services Company, signed a long-term sharia-compliant financing agreement with a local bank amounting to Saudi Riyals 370 million (fully utilized as of June 30, 2013 and 2012) which was used to settle the outstanding short-term loans and notes payable as at December 31, 2009.

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

On October 19, 2009, the subsidiary, Bayanat Al-Oula for Network Services Company, signed a sharia-compliant financing agreement with a local bank to finance its capital expenditure requirements for a total amount of Saudi Riyals 900 million (fully utilized as of June 30, 2013 and 2012).

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

6. DERIVATIVES

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

7. DIVIDENDS

The Board of Directors, in its meeting held on Jumada II 11, 1434H (corresponding to April 21, 2013), approved the distribution of an interim cash dividend of Saudi Riyals 885.5 million for the first quarter of the financial year 2013 (First quarter 2012: Saudi Riyals 700 million) by SR 1.15 (First quarter 2012: SR 1) for each outstanding share. Shareholders entitled to receive the dividend are those registered in the Company's shareholders register with the Saudi Stock Exchange (Tadawul) as at the end of the trading day on Saturday Jumada II 17, 1434H (corresponding to April 27, 2013).

The Company's Ordinary General Assembly in its meeting held on Rabia II 9, 1434H (corresponding to February 19, 2013) approved the recommendation of the Board of Directors' to distribute a cash dividend of Saudi Riyals 885.5 million for the fourth quarter of the year ended December 31, 2012 by SR 1.15 for each outstanding share, in addition to the distributed interim cash dividends of Saudi Riyals 2,100 million by SR 3 for each outstanding share for the first three quarters of the year ended December 31, 2012. Thus, the total distributed profit for the year ended December 31, 2012 becomes Saudi Riyals 2,985.5 million (2011: Saudi Riyals 2,275 million) by SR 4.15 for each outstanding share (2011: SR 3.25 for each outstanding share). Shareholders entitled to receive the dividend are those registered in the Company's shareholders register with the Saudi Stock Exchange (Tadawul) as at the end of the trading day on which the Ordinary General Assembly meeting was held.

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 weighted average for the outstanding number of ordinary shares amounting to 770 million shares as at June 30, 2013 and 2012. Earnings per share from income from main operations and from net income for the period ended June 30, 2012 have been recalculated retroactively based on the new number of shares to reflect the increase in share capital amounting to SR 700 million (see Note 1).

10. CAPITAL COMMITMENTS AND CONTINGENCIES

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 Saudi Riyals 13 billion as at June 30, 2013 (June 30, 2012: Saudi Riyals 3.2 billion).

The Company and its subsidiaries had contingent liabilities in the form of letters of guarantee and letters of credit in the amount of Saudi Riyals 120 million and Saudi Riyals 75 million as at June 30, 2013 respectively (2012: Saudi Riyals 82 million and Saudi Riyals 147 million respectively).

The Company signed two 90 days Memorandum of Understanding (MOUs) dated June 26, 2013 with Nokia Siemens Networks (NSN) and Ericsson to arrange for a long term financing of approximately US Dollar 650 million (Saudi Riyals 2.4 billion) for the purpose of acquiring network equipment from NSN and Ericsson. The Company will be working closely with the official Export Credit Agency of Finland (Finnvera) and the Swedish Export Credit Corporation (SEK) to complete the said financing in accordance

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with Shariah Compliant requirements. The purpose of the financing is to lock long term funding at a very competitive rate based on Commercial Interest Reference Rate (CIRR), the rate being used for ECA financing. The current fixed CIRR is 1.84% per annum (fixed on monthly basis). The total tenor of the facilities is 10 years, with a utilization period of 1.5 years, and an extended repayment period of 8.5 years. The investment will be used to upgrade and enhance the infrastructure capabilities, introduce new technologies, and strengthen the Company's competitiveness in the business segment.

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, allocated based on the regulatory environment. Given that the requirements of this standard, in terms of the prescribed threshold, taking into consideration the concentration in the Company's operations, are not met as at June 30, 2013, the Company's management believes that operating segment information disclosure for the Company and its subsidiaries is not required.

12. RISK MANAGEMENT

12.1 Financial instruments

Financial assets of the Company comprised of cash and cash equivalent, 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.

12.2 Credit risk

Financial assets that are mainly subject to concentration of credit risk consist primarily of cash and cash equivalents, 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.

12.3 Foreign exchange risk

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

12.4 Murabaha rate risk

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

12.5 Liquidity risk

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

12.6 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.

13. SUBSEQUENT EVENTS

The Company announces the signing of strategic contract with Emaar Economic City on Sha'aban 23, 1434H (corresponding to July 2, 2013) to deploy, operate, and maintain communication network within King Abdullah Economic City.

ETIHAD ETISALAT COMPANY
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The contract, which is signed for a period of 8 years (subject to extension) entails a Saudi Riyals 600 Million investment by the Company during the duration of the contract to plan, deploy, maintain and operate the Telecommunications network within King Abdullah Economic City and provide advanced infrastructure for integrated telecommunications services, as well as data transmission services and broadband Internet services through an advanced, secure and high reliability fiber optic network. The Company will also provide Data Center and Smart City services, such as (IPTV), as well as Virtual Private Network (VPN) services. The Company will also provide communications management services, which reduces the time to install and manage telephone communications network for targeted companies in King Abdullah Economic City. The funding will be self-financing and through banks.

14. COMPARATIVE FIGURES

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