

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITORS' REVIEW REPORT
FOR THE THREE AND NINE MONTH PERIODS
ENDED SEPTEMBER 30, 2009

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND
AUDITORS' REVIEW REPORT
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2009**

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REVIEW REPORT

Tel : +966 (1) 4630018
Fax : +966 (1) 4630865
www.deloitte.com
Head Office: Riyadh

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

Scope of Review

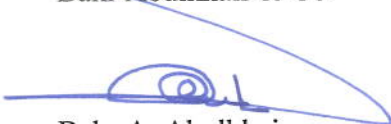
We have reviewed the accompanying interim consolidated balance sheet of **Etihad Etisalat Company**, (a Saudi joint stock company) as of September 30, 2009, and the related interim consolidated statement of income for the three and nine month periods ended September 30, 2009 and interim consolidated statement of cash flows for the nine month period then ended including 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 auditing applicable to interim financial reporting issued by the Saudi Organization for Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated 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.

Deloitte & Touche
Bakr Abulkhair & Co.



Bakr A. Abulkhair
License No. 101

Shawwal 29, 1430
October 18, 2009

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED BALANCE SHEET (Unaudited)
AS AT SEPTEMBER 30, 2009

	Note	2009 SR'000	2008 SR'000
ASSETS			
Current assets			
Cash and cash equivalents		1,349,709	899,627
Short-term investments		300,000	-
Accounts receivable, net		4,973,543	2,632,644
Due from a related party		65,801	19,435
Inventories		146,358	94,712
Prepaid expenses and other assets		1,347,028	1,013,344
Total current assets		8,182,439	4,659,762
Non-current assets			
Property and equipment, net	3	10,026,493	7,395,558
Licenses acquisition fees, net	4	10,581,264	11,053,205
Goodwill	1	1,529,886	1,466,865
Total non-current assets		22,137,643	19,915,628
TOTAL ASSETS		30,320,082	24,575,390
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term loans	5	1,875,105	1,806,410
Current portion of long-term loan	5, 6	1,378,125	1,233,429
Accounts payable		5,809,068	4,464,336
Due to a related party		97,933	97,885
Accrued expenses and other liabilities		3,987,703	2,675,759
Total current liabilities		13,147,934	10,277,819
Non-current liabilities			
Long-term loan	5, 6	5,916,952	7,281,214
End-of-service indemnities		63,940	39,979
Total non-current liabilities		5,980,892	7,321,193
TOTAL LIABILITIES		19,128,826	17,599,012
SHAREHOLDERS' EQUITY			
Value of authorized, issued and outstanding share capital	1	7,000,000	5,000,000
Statutory reserve	8	347,133	137,955
Retained earnings		3,844,123	1,838,423
Total shareholders' equity		11,191,256	6,976,378
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		30,320,082	24,575,390

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

Chief Financial Officer:
Thamer Mohammed Al Hosani

Managing Director and Chief Executive Officer:
Khaled Omar Al Kaf


ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF INCOME (Unaudited)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2009

	Note	For the three month ended		For the nine month ended	
		September 30, 2009 SR'000	September 30, 2008 SR'000	September 30, 2009 SR'000	September 30, 2008 SR'000
Services revenue		3,511,166	2,833,725	9,520,990	7,685,066
Cost of services		(1,529,055)	(1,260,954)	(4,088,968)	(3,462,049)
Gross profit		1,982,111	1,572,771	5,432,022	4,223,017
Operating expenses:					
Selling and marketing expenses		(230,094)	(219,633)	(824,326)	(596,525)
General and administrative expenses		(474,146)	(379,048)	(1,291,524)	(1,075,915)
Depreciation and amortization	3, 4	(416,180)	(323,332)	(1,193,669)	(935,441)
Total operating expenses		(1,120,420)	(922,013)	(3,309,519)	(2,607,881)
Operating income		861,691	650,758	2,122,503	1,615,136
Finance charges	5, 6	(39,948)	(112,119)	(163,860)	(316,686)
Other income		831	2,723	35,183	21,990
Income before zakat		822,574	541,362	1,993,826	1,320,440
Zakat		(15,723)	(1,932)	(31,881)	(6,589)
NET INCOME FOR THE PERIOD		806,851	539,430	1,961,945	1,313,851
Earnings per share (in Saudi Riyals):					
From operating income for the period	9	1.23	1.30	3.03	3.23
From net income for the period	9	1.15	1.08	2.80	2.63

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Chief Financial Officer:
Thamer Mohammed Al Hosani


Managing Director and Chief Executive Officer:
Khaled Omar Al Kaf

ETIHAD ETISALAT COMPANY
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2009

	2009 SR'000	2008 SR'000
OPERATING ACTIVITIES		
Income before zakat	1,993,826	1,320,440
Adjustments to reconcile income before zakat to net cash from operating activities:		
Depreciation	800,956	546,840
Amortization of licenses acquisition fees	392,713	388,601
End-of-service indemnities	19,409	14,836
Provision for doubtful debts	91,533	94,160
Finance charges	152,225	305,529
Operating income before changes in working capital	3,450,662	2,670,406
Changes in working capital:		
Accounts receivable	(1,966,828)	(1,262,791)
Due from a related party	(27,349)	(2,165)
Inventories	(38,795)	(13,638)
Prepaid expenses and other assets	(283,953)	(177,793)
Accounts payable	1,113,199	486,995
Due to a related party	19,762	(21,600)
Accrued expenses and other liabilities	806,194	835,742
Provision for employees' end-of-service indemnities paid	(1,756)	(2,202)
Zakat paid	(7,810)	(7,517)
Finance charges paid	(153,151)	(198,376)
Net cash provided from operating activities	2,910,175	2,307,061
INVESTING ACTIVITIES		
Short-term investments	749,999	-
Purchase of property and equipment	(2,385,922)	(1,661,634)
Disposal of property and equipment	6,613	240
Acquired license fees	(51,045)	-
Acquisition/formation of subsidiaries	-	(35,071)
Investment in unconsolidated subsidiary company	-	1,836
Goodwill from acquisition of subsidiary	-	(1,466,865)
Net cash used in investing activities	(1,680,355)	(3,161,494)
FINANCING ACTIVITIES		
Proceeds from short-term loans	26,019	1,796,239
Payment of long-term loan	(645,125)	(505,313)
Cash dividends	(525,000)	(250,000)
Net cash (used in) provided from financing activities	(1,144,106)	1,040,926
Net change in cash and cash equivalents	85,714	186,493
Cash acquired from acquisition/formation of subsidiaries	-	9,936
Cash and cash equivalents, beginning of the period	1,263,995	703,198
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	1,349,709	899,627

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

Chief Financial Officer:
Thamer Mohammed Al Hosani

Managing Director and Chief Executive Officer:
Khaled Omar Al Kaf

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2009

1. ORGANIZATION AND ACTIVITIES

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

The Company has a share capital of SR 7 billion divided into 700 million shares at par value of SR 10 each fully paid as of September 30, 2009.

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

During 2007, the Company invested in 99.99% of the share capital of a subsidiary company, Mobily InfoTech Limited incorporated in Bangalore, India which commenced its commercial activities during the year 2008.

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

During the second quarter of year 2008, the Company invested in 95% of the share capital of a subsidiary, Etihad Etisalat for Commercial Investment Company, a Saudi limited liability company.

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

The Company and its subsidiaries currently provides 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 in the Kingdom of Saudi Arabia. The Company commenced its commercial operations on May 25, 2005.

ETIHAD ETISALAT COMPANY
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2009

1. ORGANIZATION AND ACTIVITIES (Continued)

The main activities of the subsidiaries are as follows:

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

For the purpose of the preparation of the interim consolidated statement of cash flows for the period ended September 30, 2008, the net book value of assets and liabilities for the above mentioned subsidiaries as at the acquisition/formation date are as follows:

	Mobily Info Tech Limited Company SR'000	Bayant Al-Oula for Network Services Co. SR'000	Etihad Etisalat for Commercial Investment SR'000	Total SR'000
Cash and cash equivalents	9,836	-	100	9,936
Accounts receivable	-	4,280	-	4,280
Inventories	-	11,884	-	11,884
Prepaid expenses and other assets	-	25,257	-	25,257
Property and equipment, net	-	345,118	-	345,118
Licenses acquisition fees, net	-	155,112	-	155,112
Investments	-	-	15,000	15,000
Total assets	9,836	541,651	15,100	566,587
Accounts payable and short-term loans	-	(490,843)	-	(490,843)
Accrued expenses and other liabilities	-	(16,677)	-	(16,677)
Provision for employees' end-of-service indemnities	-	(996)	-	(996)
Due to related parties	(8,000)	-	(15,000)	(23,000)
Total liabilities	(8,000)	(508,516)	(15,000)	(531,516)
NET ASSETS	1,836	33,135	100	35,071

ETIHAD ETISALAT COMPANY
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2009

2. SIGNIFICANT ACCOUNTING POLICIES

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

Interim consolidated financial statements

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

Basis of consolidation

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

The Company's equity share in the net income (losses) of the subsidiaries is computed at 100% based on direct investment in the share capital of the subsidiaries and indirect investment by certain subsidiaries and by one of the shareholders in a subsidiary who assigned his shareholdings in favour of the Company as at September 30, 2009:

Name	Country of incorporation	Ownership percentage	
		Direct	Indirect
Mobily Info Tech Limited Co.	India	99.99%	0.01%
Bayanat Al-Oula for Network Services Company	Saudi Arabia	99.00%	1.00%
Zajil International Network for Telecommunication	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)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2009**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 deposits with original maturities of three month or less from acquisition date.

Short-term investments

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

Accounts receivable

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

Inventories

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

Provisions

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

Property and equipment

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

	<i><u>Percentage</u></i>
Buildings	5%
Leasehold improvements	10%
Telecommunication 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 THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Impairment

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

Licenses acquisition fees

The licenses acquisition fees are amortized according to their regulatory useful life. Amortization is charged to 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 net book value of net assets acquired at the acquisition date. Acquisition price are determined based on the fair value as of acquisition date. Goodwill is measured at the end of each financial period and reported in the interim consolidated financial statements at carrying value after adjustments for non-temporary 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 indemnities

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

Zakat and income tax

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 partial tax exemption for a three years period commencing from the date of operations and ends in year 2010.

Foreign currency transactions

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

Expenses

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

Expenses are recorded when incurred as period 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 of using telecommunications services and data in the Kingdom of Saudi Arabia as stipulated in the license agreements. These fees are recorded in the related periods during which they are used and are included under cost of services in the interim consolidated statement of income.

Financial instruments

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

Interconnection costs

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

Revenue recognition

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues from sale of handsets equipment and accessories are recognized when the handsets equipment and accessories are received by the subscribers.

Operating leases

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

Derivative financial instruments and hedge accounting

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

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2009

3. PROPERTY AND EQUIPMENT, NET

	Land SR'000	Buildings SR'000	Leasehold improvements SR'000	Tele- communication equipment SR'000	Computer equipment and software SR'000	Office equipment and furniture SR'000	Vehicles SR'000	Capital work in progress SR'000	Total SR'000
Cost									
January 1, 2009	72,442	12,979	429,276	7,145,951	577,828	292,536	1,639	1,299,372	9,832,023
Additions	13,324	-	262	273,445	26,859	38,168	-	2,364,605	2,716,663
Disposals	-	-	(1,469)	(2,081)	(62)	(1,894)	-	(3,625)	(9,131)
Transfers	-	38,241	79,103	1,576,725	89,319	-	-	(1,783,388)	-
September 30, 2009	85,766	51,220	507,172	8,994,040	693,944	328,810	1,639	1,876,964	12,539,555
Accumulated depreciation									
January 1, 2009	-	879	99,578	1,227,707	253,958	131,529	973	-	1,714,624
Charge for the period	-	2,389	41,078	601,699	106,905	48,651	234	-	800,956
Disposals	-	-	(611)	(598)	(20)	(1,289)	-	-	(2,518)
September 30, 2009	-	3,268	140,045	1,828,808	360,843	178,891	1,207	-	2,513,062
Net book value									
September 30, 2009	85,766	47,952	367,127	7,165,232	333,101	149,919	432	1,876,964	10,026,493
September 30, 2008	81,172	11,735	319,341	5,306,635	301,750	167,069	633	1,207,223	7,395,558

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2009

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 as at January 1, 2009	12,210,000	753,750	187,464	13,151,214
Additions	-	-	51,045	51,045
Total cost as at September 30, 2009	12,210,000	753,750	238,509	13,202,259
Less:				
Accumulated amortization as at January 1, 2009	2,075,276	127,378	25,628	2,228,282
Amortization for the period	361,954	22,371	8,388	392,713
Accumulated amortization as at September 30, 2009	2,437,230	149,749	34,016	2,620,995
Balance as at September 30, 2009	9,772,770	604,001	204,493	10,581,264
Balance as at September 30, 2008	10,255,375	633,829	164,001	11,053,205

5. SHORT AND LONG TERM LOANS

On April 14, 2008, the Company signed a short-term financing agreement with a group of local banks to finance the Company with a Sharia – compliant short-term loan for SR 1.5 billion to finance the acquisition of a subsidiary. The Company has rescheduled the above mentioned loan for an additional 6 month period and to be repaid on October 14, 2009.

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

The granting of the loan is scheduled as follows:

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2009

5. SHORT AND LONG TERM LOANS (Continued)

On March 29, 2007, the Company received the loan related to the selling and re-distribution of minutes amounting to SR 9.19 billion, utilized to settle the previous loan amounting to SR 7.1 billion, and to settle the loan of the founding shareholders. The Murabaha loan facility to finance the working capital requirements expired since the facility was not required by the Company. The Murabaha financing were unutilized as at September 30, 2009.

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

The subsidiary, Bayanat Al-Oula for Network Services Company has bank facilities in the form of bank overdraft, short-term loans and notes payable to finance its working capital requirements with a utilized balance of SR 371 million as of September 30, 2009 (2008: SR 296 million). These bank facilities are subject to finance charges at prevailing market rates. The subsidiary's management is currently in the process of transferring the above mentioned facilities to sharia-compliant facilities.

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

6. DERIVATIVES

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

7. DIVIDENDS

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

8. STATUTORY RESERVE

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

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
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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 September 30, 2009, amounting to 700 million shares, (2008: 500 million shares).

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 amounting to SR 1.8 billion as at September 30, 2009 (2008: SR 2.8 billion).

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

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

The Company and its subsidiary had contingent liabilities in the form of letters of guarantee and letters of credit amounting to SR 120 million and SR 168 million as of September 30, 2009 respectively, (2008: SR 86 million and SR 201 million respectively).

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 of September 30, 2009, 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 current assets, while financial liabilities of the Company comprised of long and short term loans, accounts payable, due to related parties, provision for end-of-service indemnities and other current liabilities. Accounting policies for financial assets and liabilities are set out in Note 2.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
FOR THE THREE AND NINE MONTH PERIODS ENDED SEPTEMBER 30, 2009

12. RISK MANAGEMENT (Continued)

Credit risk

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

Foreign exchange risk

The management closely and continuously monitors the exchange rate fluctuations based on their experience. The management does not believe it is necessary to use derivatives financial instruments to minimize the effect of foreign exchanges risks. Hedging arrangements are made to minimize foreign exchanges risks when management believes they are necessary to do so.

Murabaha rate risk

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

Liquidity risk

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

13. FAIR VALUE

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

14. COMPARATIVE FIGURES

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

15. SUBSEQUENT EVENTS

Subsequent to the date of the interim consolidated financial statements, the Company, with the participation of four local banks, rescheduled the short-term Islamic financing facility amounting to SR 1.5 billion (refer to Note 5) to a medium-term loan maturing over four years.