ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM FINANCIAL STATEMENTS AND AUDITORS' REVIEW REPORT FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2008

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AUDITORS' REVIEW REPORT

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

Scope of Review

We have reviewed the accompanying interim balance sheet of **Etihad Etisalat Company**, (a Saudi joint stock company) as of March 31, 2008, and the related interim statements of income and cash flows for the three month period then ended. These interim 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 financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review Results

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

Deloitte & Touche
Bakr Abulkhair & Co.

Bakr A. Abulkhair
License No. 101

Rabi Al Thani 10, 1429
April 16, 2008

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM BALANCE SHEET (Unaudited)
AS AT MARCH 31, 2008

	Note	2008 SR'000	2007 SR'000
ASSETS			
Current assets			
Cash and cash equivalents		**595,478**	720,614
Accounts receivable, net		**1,823,314**	1,098,885
Due from related parties		**30,033**	10,170
Inventories		**71,035**	30,307
Prepaid expenses and other assets		**838,367**	730,024
Total current assets		**3,358,227**	2,590,000
Non-current assets			
Property and equipment, net	3	**6,042,285**	4,061,711
Licenses acquisition fees, net	4	**11,158,328**	11,671,793
Investment in a subsidiary		**1,836**	-
Total non-current assets		**17,202,449**	15,733,504
TOTAL ASSETS		**20,560,676**	18,323,504
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Current portion of long term loan	5	**1,010,625**	188,330
Accounts payable		**3,459,723**	2,719,006
Dividends payable	6	**250,000**	-
Due to related parties		**57,312**	240,324
Accrued expenses and other liabilities		**1,848,017**	1,448,263
Total current liabilities		**6,625,677**	4,595,923
Non-current liabilities			
Long term loan	5	**7,916,034**	8,928,544
Provision for employees' end-of-service indemnities		**30,424**	15,448
Total non-current liabilities		**7,946,458**	8,943,992
TOTAL LIABILITIES		**14,572,135**	13,539,915
SHAREHOLDERS' EQUITY			
Value of authorized, issued and outstanding share capital: 500,000,000 shares at par value of SR 10 per share	1	**5,000,000**	5,000,000
Statutory reserve	8	**137,955**	-
Retained earnings (accumulated losses)		**850,586**	(216,411)
Total shareholders' equity		**5,988,541**	4,783,589
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**20,560,676**	18,323,504

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

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF INCOME (Unaudited)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2008

	Note	**2008** **SR'000**	2007 SR'000
Operating revenue		**2,307,788**	1,876,554
Cost of services		**(1,084,186)**	(891,146)
Gross profit		**1,223,602**	985,408
Operating expenses:			
Selling and marketing expenses		**(112,073)**	(128,497)
General and administrative expenses		**(385,223)**	(243,929)
Depreciation and amortization	3 and 4	**(292,395)**	(242,062)
Total operating expenses		**(789,691)**	(614,488)
Operating income		**433,911**	370,920
Finance charges	5	**(119,757)**	(128,784)
Other income		**14,031**	8,474
Income before zakat		**328,185**	250,610
Zakat		**(2,171)**	-
NET INCOME FOR THE PERIOD		**326,014**	250,610
Earnings per share (in Saudi Riyals):			
From operating income	7	**0.87**	0.74
From net income for the period	7	**0.65**	0.50

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

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CASH FLOWS (Unaudited)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2008

	2008 **SR'000**	2007 SR'000
OPERATING ACTIVITIES		
Income before zakat	**328,185**	250,610
Adjustments to reconcile income before zakat to net cash from operating activities:		
Depreciation of property and equipment	**164,029**	113,695
Amortization of licenses acquisition fees	**128,366**	128,366
Provision for employees' end-of-service indemnities	**4,787**	2,670
Provision for doubtful debts	**28,048**	34,265
Finance charges	**117,385**	118,803
Operating income before changes in working capital:	**770,800**	648,409
Changes in working capital:		
Accounts receivable	**(391,629)**	(399,084)
Due form related parties	**41,028**	(5,009)
Inventories	**(1,845)**	7,741
Prepaid expenses and other assets	**(28,072)**	(13,336)
Accounts payable	**358,715**	(79,145)
Due to related parties	**(54,173)**	60,989
Accrued expenses and other liabilities	**14,696**	450,457
Cash from operations	**709,520**	671,022
Provision for employees' end-of-service indemnities paid	**(712)**	(318)
Finance charges paid	**(113,707)**	(506,272)
Net cash provided from operating activities	**595,101**	164,432
INVESTING ACTIVITIES		
Purchase of property and equipment	**(702,821)**	(55,741)
Net cash used in investing activities	**(702,821)**	(55,741)
FINANCING ACTIVITIES		
Payment of short term loans	-	(7,523,100)
Payment of founding shareholders' long term loans	-	(1,600,000)
Proceeds from long term loan	-	9,187,500
Net cash provided from financing activities	-	64,400
Net change in cash and cash equivalents	**(107,720)**	173,091
Cash and cash equivalents, beginning of the period	**703,198**	547,523
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	**595,478**	720,614
Non-cash items:		
Dividends payable (note 6)	**250,000**	-

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

1. ORGANIZATION AND ACTIVITIES

Etihad Etisalat Company (the "Company"), is a Saudi joint stock company 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's main activity is to establish and operate mobile wireless telecommunications network in the Kingdom of Saudi Arabia. The Company commenced its commercial operations on May 25, 2005.

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

In compliance with the Royal Decree No. M/40 dated Rajab 2, 1425 H, pertaining to the incorporation of Etihad Etisalat Company, the founding shareholders are required to issue a further 20% of their shares into the Saudi stock market during the third year from the Company's date of incorporation. Consequently, during the first quarter of year 2008, the founding shareholders sold 25% of their shares in the Company's share capital, representing 100 million shares, to the public after which the new shareholding became; The Emirates Telecommunications Corporation–Etisalat, UAE 26.25% of the share capital, six Saudi shareholders 33.75% of the share capital while the remaining 40% of the share capital was held by the public as of March 31, 2008.

During the year 2007, the Board of Directors decided to propose in the Company's Extraordinary General Assembly and obtain the approval to increase the Company's share capital from SR 5,000 million to SR 7,000 million by issueing 200 million new ordinary shares with the right of underwriting to the registered shareholders in the Company in accordance with their respective shareholdings in the Company's share capital, whereby 60% of the increase in the share capital will be allocated to the founding shareholders while the remaining 40% of the increase in the share capital will be allocated to all other non-founding shareholders. The issuance of these shares will be at par value of SR 10 per share with no share premium.

During the year 2007, the Company invested by 99.99% in the share capital of a subsidiary company, Mobily InfoTech Limited Company incorporated in Bangalore, India which has not yet commenced its full commercial activities. The Company has not consolidated the subsidiary's interim financial statements as they are insignificant.

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 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 interim financial statements of that period. The results for the interim period may not give an accurate indication of the annual operating results.

Accounting convention

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

Use of estimates

The preparation of interim 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank current accounts and time deposits with original maturities of three months or less 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 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 statement of income using the straight line method over their estimated useful lives at the following depreciation rates:

	Percentage
Buildings	5%
Leasehold improvements	10 %
Telecommunication equipment	5 – 10%
Computer equipment and software	20%
Office equipment and furniture	20%
Vehicles	20%

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

Licenses acquisition fees

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

Investment in a subsidiary
Investment in a subsidiary where the Company holds more than 50% of equity interest and has control over the investee, is accounted for using the equity method of accounting, under which the investment is stated initially at cost and adjusted thereafter for the post acquisition change in the Company's share of the net assets of the investee. In case of any permanent decline in its carrying value, the amount of impairment is charged to the interim statement of income.

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

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

Zakat
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.

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 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 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.

Government charges
Government charges represent fees and charges as stipulated in the license agreements and paid against the right of use of telecommunications services in the Kingdom of Saudi Arabia including frequency fees. These fees are recorded in the related periods during which they are used and are included in the cost of services caption.

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

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

Revenue recognition
Revenue in respect of telecommunications services is accounted for in the 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.

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

3. PROPERTY AND EQUIPMENT, NET

	Land SR'000	Buildings SR'000	Leasehold improvements SR'000	Telecommunication equipment SR'000	Computer equipment and software SR'000	Office equipment and furniture SR'000	Vehicles SR'000	Capital work in progress SR'000	Total SR'000
Cost									
January 1, 2008	47,822	8,233	242,154	4,554,708	408,521	193,727	684	945,197	6,401,046
Additions	-	**10**	**4,321**	**22,055**	**8,612**	**11,441**	**24**	**681,299**	**727,762**
Transfers	-	-	**16,167**	**502,766**	**19,938**	**6,925**	-	**(545,796)**	-
March 31, 2008	**47,822**	**8,243**	**262,642**	**5,079,529**	**437,071**	**212,093**	**708**	**1,080,700**	**7,128,808**
Accumulated depreciation									
January 1, 2008	-	309	54,278	658,522	140,932	68,025	428	-	922,494
Charge for the period	-	**103**	**7,496**	**122,240**	**23,605**	**10,560**	**25**	-	**164,029**
March 31, 2008	-	**412**	**61,774**	**780,762**	**164,537**	**78,585**	**453**	-	**1,086,523**
Net book value									
March 31, 2008	**47,822**	**7,831**	**200,868**	**4,298,767**	**272,534**	**133,508**	**255**	**1,080,700**	**6,042,285**
March 31, 2007	6,745	-	149,734	2,737,234	242,492	109,395	326	815,785	4,061,711

4. LICENSES ACQUISITION FEES, NET

	Mobile Telecommunication services license SR'000	3G services license SR'000	Other services licenses SR'000	Total licenses fees SR'000
Cost as at March 31, 2008	**12,210,000**	**753,750**	**15,489**	**12,979,239**
Less:				
Accumulated amortization as at January 1, 2008	1,592,670	97,551	2,324	1,692,545
Amortization for the period	**120,651**	**7,457**	**258**	**128,366**
Accumulated amortization as at March 31, 2008	**1,713,321**	**105,008**	**2,582**	**1,820,911**
Balance as at March 31, 2008	**10,496,679**	**648,742**	**12,907**	**11,158,328**
Balance as at March 31, 2007	10,979,284	678,569	13,940	11,671,793

5. LONG TERM LOAN

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 loan is scheduled as follows:

(a) Proceeds from selling and re-distribution of minutes amounting to US$ 2.45 billion (equivalent to SR 9.19 billion).

(b) Murabaha loan to finance the working capital amounting to US$ 200 million (equivalent to SR 750 million).

(c) Murabaha financing amounting to US$ 225 million (equivalent to SR 843.75 million).

On March 29, 2007, the Company received the loan relating to the selling and re-distribution of minutes amounting to SR 9.19 billion, which was utilized to repay the previous loan amounting to SR 7.1 billion, in addition to the repayment of the founding shareholders' loans. Both of the Murabaha loan to finance the working capital and the Murabaha financing were not utilized as at March 31, 2008.

The above loan period is 6 years and repayable through semi-annual scheduled instalments, with repayment of Murabaha on a quarterly basis. The first instalment was repaid on December 31, 2007, and the last instalment being due on December 31, 2012.

6. DIVIDENDS PAYABLE

The Company's General Assembly in its meeting dated Rabi Al Awal 22, 1429 H (corresponding to March 30, 2008) approved the Company's Board of Directors' recommendation to distribute dividends for the year ended December 31, 2007 of SR 0.5 for each outstanding share.

7. EARNINGS PER SHARE

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

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.

9. CAPITAL COMMITMENTS

The Company had capital commitments resulting from contracts for supply of property and equipment, which were entered into and not yet executed at the interim balance sheet date amounting to SR 2.16 billion as at March 31, 2008 (2007: SR 2.08 billion).

The Company entered into a strategic partnership project ("Saudi National Fiber Optics Network Project") with two local companies, one of which is Bayanat Al-Oula for Network Services Company (see note 10) 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 ownership of the project is equally shared between the Company and the two local companies.

The Company entered into the said project with the objective of supporting and completing its mobile network services by enabling it to provide highly sophisticated technology services.

Network ring 1, 2 and 7 were completed in June 2007, July 2007 and December 2007, respectively. The other four network rings are expected to be completed during October 2008.

10. MEMORANDUM OF UNDERSTANDING TO PURCHASE SHARES IN A LIMITED LIABILITY COMPANY

On September 18, 2007, the Company has signed a Memorandum of Understanding ("MOU") to purchase 99.99% of the shares of Bayanat Al-Oula for Network Services Company, a Saudi limited liability company. The purchase as per the MOU includes the transfer of all the limited liability company's rights, assets, obligations, commercial name and current and future brand names for SR 1.50 billion.

The MOU will be considered cancelled without any obligations on the concerned parties, if any governmental body does not approve the sale and transfer of all or part of the shares to the Company.

On Rabi Al Awal 8, 1429 H (corresponding to March 16, 2008) the CITC approved the purchase of 99.99% of partners' shares in Bayanat Al-Oula for Network Services Company referred to above, which is licensed to provide data services in the Kingdom of Saudi Arabia.

11. COMPARATIVE FIGURES

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