

Etihad Etisalat Company
(Joint Stock Company)

Interim Financial Statements
September 30, 2007
With Review Report



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LIMITED REVIEW REPORT

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

We have reviewed the accompanying interim balance sheet of **Etihad Etisalat Company – Saudi Joint stock company** (the “Company”) as at 30 September 2007, and the related interim statements of income for the three month and nine months period then ended, interim statement of changes in shareholders’ equity and cash flows for the nine months period then ended, together with notes from (1) through (21) which form an integral part of these financial statements. These interim condensed financial statements are the responsibility of the Company’s management and were presented to us with all the information and explanations which we requested.

We conduct our review in accordance the standard established by the Saudi Organisation for Certified Public Accountants (SOCPA) on review engagements. A review consists principally of applying analytical procedures to financial data and making inquiries from persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

Abdullah H. Al Fozan
License No. 348



Riyadh on 13 Shawwal 1428H
Corresponding to 24 October 2007

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

	<u>Notes</u>	<u>30/9/2007</u> <u>Unaudited</u>	<u>30/9/2006</u> <u>Unaudited</u>
<u>Assets</u>			
<u>Current assets</u>			
Cash and cash equivalents	(3)	947 614	667 153
Accounts receivable (net)	(4)	863 141	1 160 343
Inventories		40 626	48 907
Other current assets	(5)	841 394	555 732
Total current assets		2 692 775	2 432 135
<u>Non current assets</u>			
Property and equipment (net)	(6)	4 446 915	3 289 860
License acquisition fees (net)	(7)	11 415 062	11 928 526
Total non current assets		15 861 977	15 218 386
Total assets		18 554 752	17 650 521
<u>Liabilities & shareholders' equity</u>			
<u>Current Liabilities</u>			
Short-term loan	(8)	-	7 721 892
Current portion of long term loan	(8)	696 309	-
Creditors	(9)	1 728 485	1 580 154
Due to related parties	(10)	103 416	245 212
Other current liabilities	(11)	558 524	343 721
Accrued expenses	(12)	1 633 129	1 949 993
Total current liabilities		4 719 863	11 840 972
<u>Non current liabilities</u>			
Provision for employees' end of service benefits		22 605	6 460
Founding shareholders' loan	(8)	-	1 600 000
Long term loan	(8)	8 414 226	-
Total non current liabilities		8 436 831	1 606 460
Total liabilities		13 156 694	13 447 432
<u>Shareholders' equity</u>			
Paid up capital		5 000 000	5 000 000
Retained earnings / (accumulated losses)		398 058	(796 911)
Total shareholders' equity		5 398 058	4 203 089
Total liabilities & shareholders' equity		18 554 752	17 650 521

Chief Financial Officer:

Thamer Mohammed Al Hosani

Managing Director and Chief Executive Officer:

Khaled Omar Al Kaf

The accompanying notes (1) through (21) form an integral part of these interim financial statements.

Etihad Etisalat Company
(Joint Stock Company)

Interim Income Statement

For the period from January 1, 2007 to September 30, 2007
(Saudi Riyals'000)

<i>Notes</i>	<u>From 1/7/2007</u>		<u>From 1/7/2006</u>		<u>From 1/1/2007</u>		<u>From 1/1/2006</u>	
	<u>To 30/9/2007</u>	<u>Unaudited</u>	<u>To 30/9/2006</u>	<u>Unaudited</u>	<u>To 30/9/2007</u>	<u>Unaudited</u>	<u>To 30/9/2006</u>	<u>Unaudited</u>
Operating revenue	(13)	2 124 575	1 702 672		6 029 737		4 277 687	
Cost of providing services	(14)	(948 449)	(750 448)		(2 755 216)		(1 920 541)	
Gross margin		<u>1 176 126</u>	<u>952 224</u>		<u>3 274 521</u>		<u>2 357 146</u>	
Operating expenses								
Selling and marketing expenses	(15)	(145 219)	(169 693)		(415 234)		(485 891)	
General and administrative expenses	(16)	(207 894)	(195 843)		(660 307)		(459 183)	
Depreciation and amortization	(6,7)	(264 253)	(215 891)		(749 202)		(630 203)	
Provisions		(108 390)	(28 341)		(199 446)		(71 532)	
Total operating expenses		<u>(725 756)</u>	<u>(609 768)</u>		<u>(2 024 189)</u>		<u>(1 646 809)</u>	
Operating income		<u>450 370</u>	<u>342 456</u>		<u>1 250 332</u>		<u>710 337</u>	
Financing costs		(149 385)	(133 287)		(410 649)		(350 236)	
Other income		9 639	7 685		25 396		10 367	
Net income for the period		<u>310 624</u>	<u>216 854</u>		<u>865 079</u>		<u>370 468</u>	
Basic earnings per share (SAR / Share)	(17)	<u>0.621</u>	<u>0.434</u>		<u>1.730</u>		<u>0.741</u>	

The accompanying notes (1) through (21) form an integral part of these interim financial statements.

Ethad Etisalat Company
(Joint Stock Company)

Interim Statement of Changes in Shareholders' Equity
For the period from January 1, 2007 to September 30, 2007
(Saudi Riyals'000)

	Capital	Retained earnings /	Total
	<u>Unaudited</u>	(accumulated losses)	<u>Unaudited</u>
Balance as of 1/1/2006	5 000 000	(1 167 379)	3 832 621
Net income for the financial year ended December 31, 2006	—	700 358	700 358
Balance as of 31/12/2006	5 000 000	(467 021)	4 532 979
Net income for the financial period ended September 30, 2007	—	865 079	865 079
Balance as of 30/9/2007	5 000 000	398 058	5 398 058

The accompanying notes (1) through (21) form an integral part of these interim financial statements.

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

	<u>Notes</u>	<u>From 1/1/2007</u> <u>To 30/9/2007</u> <u>Unaudited</u>	<u>From 1/1/2006</u> <u>To 30/9/2006</u> <u>Unaudited</u>
<u>Cash flows from operating activities</u>			
Net income for the period		865 079	370 468
<i>Adjustments to reconcile net income to net cash from operating activities:</i>			
Amortization of license acquisition fee	(7)	385 098	385 100
Depreciation	(6)	364 104	245 103
Provision for employees' end of service benefits		10 555	3 945
Provision for doubtful debts		180 878	67 587
Borrowing cost		404 819	314 214
Operating income before changes in working capital		<u>2 210 533</u>	<u>1 386 417</u>
Changes in working capital			
Accounts receivable		(304 791)	(1 072 461)
Inventories		(2 579)	(16 832)
Other current assets		(124 706)	227 034
Creditors		106 996	689 796
Due to related parties		(75 919)	44 218
Other current liabilities		238 230	125 672
Accrued expenses		(54 028)	(183 520)
Cash generated from operations		<u>1 993 736</u>	<u>1 200 324</u>
Payment of employees' end of service benefits		(1 045)	(135)
Payment of borrowing cost		(798 626)	(194 102)
Net cash generated from operating activities		<u>1 194 065</u>	<u>1 006 087</u>
<u>Cash flows from investing activities</u>			
Purchase of property and equipment		(858 374)	(777 757)
Net cash used in investing activities		<u>(858 374)</u>	<u>(777 757)</u>
<u>Cash flows from financing activities</u>			
Payment of short-term loan	(8)	(7 523 100)	(6 869 449)
Payment of founding shareholders' loans	(8)	(1 600 000)	-
Proceeds from syndicate bank loan	(8)	9 187 500	-
Proceeds from short-term loan	(8)	-	7 123 100
Net cash provided by financing activities		<u>64 400</u>	<u>253 651</u>
Net increase in cash and cash equivalents		400 091	481 981
Cash and cash equivalents at the beginning of the period		<u>547 523</u>	<u>185 172</u>
Cash and cash equivalents at the end of the period	(3)	<u><u>947 614</u></u>	<u><u>667 153</u></u>

The accompanying notes (1) through (21) form an integral part of these interim financial statements.

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

1. ORGANIZATION AND ACTIVITIES

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Interim Reporting

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

b) Accounting convention

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

c) Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents represent cash in hand and balance with banks including time deposits having maturity of three months or less from acquisition date.

d) Accounts receivable, net

Accounts receivable are stated at estimated net realizable value after allowances have been made for doubtful amounts.

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

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

e) Inventories

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

f) Provisions

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

g) Property and equipment

Property and equipment, except land are stated at cost less accumulated depreciation. Land and capital work in progress are stated at cost. Routine repair and maintenance costs are expensed as incurred.

Depreciation on property and equipment is charged to income using straight line method so as to write off the historical cost of the assets over their estimated useful lives at the rates given below for each class of assets.

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

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

h) Impairment

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

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

i) License acquisition fees

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

j) Creditors

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

k) Provision for employees' end of service benefits

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

l) Zakat

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

m) Foreign currency transactions

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

n) Expenses

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

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

o) Government Charges

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

Etihad Etisalat Company
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Notes to the Interim Financial Statements
For the period from January 1, 2007 to September 30, 2007

p) Financial instruments

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

q) Interconnection Cost

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

r) Revenue Recognition

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

s) Operating leases

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

3. CASH AND CASH EQUIVALENTS

<u>(Saudi Riyals'000)</u>	<u>30/9/2007</u>	<u>30/9/2006</u>
Cash in hand	825	914
Cash at banks	946 789	666 239
	<u>947 614</u>	<u>667 153</u>

4. ACCOUNTS RECEIVABLE, NET

<u>(Saudi Riyals'000)</u>	<u>30/9/2007</u>	<u>30/9/2006</u>
Subscribers	435 128	230 872
* Allowance for doubtful accounts	(258 571)	(117 587)
	<u>176 557</u>	<u>113 285</u>
Other telecom operators	486 395	919 552
Distributors	200 189	127 506
	<u>863 141</u>	<u>1 160 343</u>

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

<u>(Saudi Riyals'000)</u>	<u>30/9/2007</u>	<u>30/9/2006</u>
Balance as at 1 st January	77 693	50 000
Additions during the period	180 878	67 587
	<u>258 571</u>	<u>117 587</u>

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

5. OTHER CURRENT ASSETS

<u>(Saudi Riyals'000)</u>	<u>30/9/2007</u>	<u>30/9/2006</u>
Prepaid expenses	210 512	142 592
Suppliers advances	118 218	142 841
Accrued revenue	394 620	251 201
Staff advances	2 840	2 467
Others	115 204	16 631
	<u>841 394</u>	<u>555 732</u>

Etihad Etisalat Company
(Joint Stock Company)

Notes to the Interim Financial Statements

For the period from January 1, 2007 to September 30, 2007
(Saudi Riyals'000)

6. PROPERTY AND EQUIPMENT (NET)

<u>Cost</u>	Land	Building	Telecommunication equipment	Computer equipment & software	Office equipment & Furniture	Vehicles	Leasehold Improvements	Capital work in progress	Total
Cost as at 1/1/2007	6 745	—	2 541 477	319 439	139 585	684	180 085	1 064 558	4 252 573
Additions for the period	30 370	7 958	1 340 583	27 149	28 421	—	43 728	(514 722)	963 487
Total cost as at 30/9/2007	37 115	7 958	3 882 060	346 588	168 006	684	223 813	549 836	5 216 060
Accumulated depreciation									
Accumulated depreciation as at 1/1/2007	—	—	278 368	62 641	32 592	335	31 105	—	405 041
Depreciation for the period	—	199	268 719	53 182	25 086	69	16 849	—	364 104
Accumulated depreciation as at 30/9/2007	—	199	547 087	115 823	57 678	404	47 954	—	769 145
Net book value as at 30/9/2007	37 115	7 759	3 334 973	230 765	110 328	280	175 859	549 836	4 446 915
Net book value as at 30/9/2006	6 745	—	2 096 350	256 764	84 681	178	118 222	726 920	3 289 860

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

7. LICENSE ACQUISITION FEES (NET)

<u>(Saudi Riyals'000)</u>	Mobile telecommunication service license fees	3G license fees	Other licenses	Total license fees
Cost as at 1/1/2007	12 210 000	753 750	15 489	12 979 239
Additions for the period	—	—	—	—
Cost as at 30/9/2007	<u>12 210 000</u>	<u>753 750</u>	<u>15 489</u>	<u>12 979 239</u>
Less:				
Accumulated amortization as at 1/1/2007	1 110 064	67 724	1 291	1 179 079
Amortization for the period	361 954	22 370	774	385 098
Accumulated amortization as at 30/9/2007	<u>1 472 018</u>	<u>90 094</u>	<u>2 065</u>	<u>1 564 177</u>
Balance as at 30/9/2007	<u>10 737 982</u>	<u>663 656</u>	<u>13 424</u>	<u>11 415 062</u>
Balance as at 30/9/2006	<u>11 220 586</u>	<u>693 483</u>	<u>14 457</u>	<u>11 928 526</u>

8. LOANS

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

The facility agreements signed were:

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

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

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

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

9. CREDITORS

<u>(Saudi Riyals'000)</u>	<u>30/9/2007</u>	<u>30/9/2006</u>
Trade payables	865 426	828 320
Capital expenditure payables	863 059	751 834
	<u>1 728 485</u>	<u>1 580 154</u>

Etihad Etisalat Company
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10. RELATED PARTY TRANSACTIONS

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

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

Other related party transactions are as follows:

<u>(Saudi Riyals'000)</u>		Transactions during	
		the period ended	
<u>Name</u>	<u>Nature of transactions</u>	<u>From 1/1/2007</u>	<u>From 1/1/2006</u>
		<u>to 30/9/2007</u>	<u>to 30/9/2006</u>
Emirates Telecommunication Corporation	-Management fees	28 125	28 125
	-Seconded staff cost	27 039	60 392
	-Management cost	21 214	-
	- Telecom services (net)	123 484	137 818
Emirates Data Clearing House	-Roaming services	2 209	12 156

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

<u>Name</u>	<u>30/9/2007</u>	<u>30/9/2006</u>
Emirates Telecommunication Corporation	99 158	242 923
Emirates Data Clearing House	4 258	2 222
Receivable from Group of Riyadh Cable Limited Company	-	67
	<u>103 416</u>	<u>245 212</u>

The nature of the related party relationships is as follows:

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

Etihad Etisalat Company
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Notes to the Interim Financial Statements
For the period from January 1, 2007 to September 30, 2007

11. OTHER CURRENT LIABILITIES

<u>(Saudi Riyals'000)</u>	<u>30/9/2007</u>	<u>30/9/2006</u>
Deferred revenue	551 839	334 180
Others	6 685	9 541
	<u>558 524</u>	<u>343 721</u>

12. ACCRUED EXPENSES

<u>(Saudi Riyals'000)</u>	<u>30/9/2007</u>	<u>30/9/2006</u>
Telecommunication equipment suppliers	621 726	931 445
Other telecommunication operators	224 578	638 897
License fees	16 449	11 908
Government revenue share	247 091	119 085
Leave salaries	26 173	12 493
Staff training accrual	5 725	5 469
Selling and marketing costs	211 577	77 975
Others	279 810	152 721
	<u>1 633 129</u>	<u>1 949 993</u>

Etihad Etisalat Company
(Joint Stock Company)

Notes to the Interim Financial Statements

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

13. OPERATING REVENUE

<u>(Saudi Riyals'000)</u>	<u>From 1/7/2007 to 30/9/2007</u>	<u>From 1/7/2006 to 30/9/2006</u>	<u>From 1/1/2007 to 30/9/2007</u>	<u>From 1/1/2006 to 30/9/2006</u>
Activation fees	3 915	3 333	22 042	16 645
Rental fees	65 651	50 339	226 269	134 880
Usage	1 644 406	1 289 737	4 641 283	3 220 036
Interconnect revenue	352 982	334 140	985 686	843 339
Visitor roaming	25 981	20 461	69 641	56 549
Others	31 640	4 662	84 816	6 238
	<u>2 124 575</u>	<u>1 702 672</u>	<u>6 029 737</u>	<u>4 277 687</u>

14. COST OF PROVIDING SERVICES

<u>(Saudi Riyals'000)</u>	<u>From 1/7/2007 to 30/9/2007</u>	<u>From 1/7/2006 to 30/9/2006</u>	<u>From 1/1/2007 to 30/9/2007</u>	<u>From 1/1/2006 to 30/9/2006</u>
Consumption of inventories	43 566	18 895	115 613	55 333
Interconnection expenses	433 096	371 980	1 287 122	848 330
National and international roaming cost	39 113	83 669	89 801	340 461
Transmission and international gateway cost	68 267	58 878	212 198	159 324
License fees	15 879	11 909	44 808	29 235
Government revenue share	238 880	119 085	672 892	292 867
Frequency charge and rental	10 487	6 328	28 700	18 277
Technical repair & maintenance cost	61 818	46 500	193 480	88 913
Sites rental	32 122	28 179	101 153	75 831
Others	5 221	5 025	9 449	11 970
	<u>948 449</u>	<u>750 448</u>	<u>2 755 216</u>	<u>1 920 541</u>

Ethihad Etisalat Company
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Notes to the Interim Financial Statements

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

15. SELLING AND MARKETING EXPENSES

(Saudi Riyals'000)	<u>From 1/7/2007 to 30/9/2007</u>	<u>From 1/7/2006 to 30/9/2006</u>	<u>From 1/1/2007 to 30/9/2007</u>	<u>From 1/1/2006 to 30/9/2006</u>
Advertising and commissions	139 107	166 224	400 599	471 720
Others	6 112	3 469	14 635	14 171
	<u>145 219</u>	<u>169 693</u>	<u>415 234</u>	<u>485 891</u>

16. GENERAL AND ADMINISTRATIVE EXPENSES

(Saudi Riyals'000)	<u>From 1/7/2007 to 30/9/2007</u>	<u>From 1/7/2006 to 30/9/2006</u>	<u>From 1/1/2007 to 30/9/2007</u>	<u>From 1/1/2006 to 30/9/2006</u>
Staff expenses	133 219	103 483	375 757	235 668
Rental	7 733	7 633	27 811	21 877
Professional services	25 871	9 643	62 473	23 020
Travelling and accommodation	5 255	3 324	13 082	10 570
Others	35 816	71 760	181 184	168 048
	<u>207 894</u>	<u>195 843</u>	<u>660 307</u>	<u>459 183</u>

Etihad Etisalat Company
(Joint Stock Company)
Notes to the Interim Financial Statements
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17. EARNING PER SHARE

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

18. ZAKAT

Zakat provision has been provided in the accompanying financial statements for the period ended September 30, 2007.

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

19. CAPITAL COMMITMENTS

Capital commitments represent the fixed assets contracts entered into and not yet executed at the balance sheet date which amounted to SR 3.511 billion as at September 30, 2007 (SR 2.465 billion as at September 30, 2006).

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

The total cost of the network is about one billion Saudi Riyals and the Company share is one third of this amount. The project is being constructed and deployed in phases composed of seven rings, Ring 1 and Ring 2 were completed in June 2007 and July 2007 respectively. The other five rings will be completed by October 2008.

20. MEMORANDUM OF UNDERSTANDING (MOU) TO ACQUIRE BAYANAT AL-OULA FOR NETWORK SERVICES LIMITED LIABILITY COMPANY

The Company has signed MOU to acquire 99.99% shares of Bayanat Al-oula for Network Services Limited Liability Company on 18 September. According to MOU acquisition includes the transfer of all the company's rights, assets including long-term assets and obligations, commercial name and current and future brand name for 1.5 billion Saudi Riyals.

MOU will be considered cancelled without any obligations on parties involved, if approval would have not been granted from either Communications and Information Technology Commissions (CITC) or any other governmental organization for full or partial sell or transfer of the shares.

21. COMPARATIVE FIGURES

Wherever required the comparative figures in the interim financial statements have been reclassified in consistent with the classification of the interim financial statements as at September 30, 2007.