

**MOBILE TELECOMMUNICATIONS
COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTH
PERIODS ENDED 30 JUNE 2020**

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2020

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Report on Review of Interim Condensed Consolidated Financial Statements

To the shareholders of
Mobile Telecommunications Company Saudi Arabia
(A Saudi Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Mobile Telecommunications Company Saudi Arabia ("the Company"), a Saudi Joint Stock Company and its subsidiaries (collectively the "Group") as at 30 June 2020 and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three and six month periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the six month period then ended, and a summary of significant accounting policies and other selected explanatory notes from (1) to (16).

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 – ("IAS 34") "Interim Financial Reporting" endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", endorsed in the Kingdom of Saudi Arabia. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared in all material respects in accordance in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on February 04, 2020.

For Dr. Mohamed Al-Amri & Co,



Gihad Al-Amri
Certified Public Accountant
Registration No. 362



Riyadh, on 24 Dhul Qa'adah 1441 H
Corresponding to: 15 July 2020 G

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
ASSETS			
Current assets			
Cash and bank balances		1,094,392	1,157,438
Trade and other receivables		1,710,243	1,730,294
Contract assets - current		301,156	274,956
Inventories		158,843	241,972
Total current assets		3,264,634	3,404,660
Non-current assets			
Contract assets non-current		86,158	131,253
Right-of-use assets		1,380,687	1,448,479
Property and equipment	5	6,568,489	6,079,981
Capital advances		264,422	457,952
Intangible assets		16,575,756	16,215,928
Total non-current assets		24,875,512	24,333,593
TOTAL ASSETS		28,140,146	27,738,253
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		4,578,936	3,531,145
Current portion of long-term borrowings	6	297,978	-
Deferred revenue		528,269	621,319
Lease liabilities-current		307,186	364,098
Total current liabilities		5,712,369	4,516,562
Non-current liabilities			
Amounts due to related parties	7	5,899,596	6,375,763
Lease liabilities non-current		1,164,616	1,112,127
Other non-current liabilities	8	5,105,411	4,690,270
Long-term borrowings	6	5,750,303	6,707,906
Derivative financial instruments	14	205,690	127,899
Provision for employees' end of service benefits		113,272	104,875
Total non-current liabilities		18,238,888	19,118,840
EQUITY			
Share capital	9	5,837,292	5,837,292
Hedging reserve	14	(205,690)	(127,899)
Other reserves		1,584	1,584
Accumulated deficit		(1,444,297)	(1,608,126)
Total equity		4,188,889	4,102,851
TOTAL LIABILITIES AND EQUITY		28,140,146	27,738,253

Mehdi Khalfouni
CFO

Sultan Al-Deghaither
CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

The accompanying notes (1) to (16) form an integral part of these interim condensed consolidated financial statements

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

		For the three-month period ended		For the six-month period ended	
	Note	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Revenue		1,889,216	2,056,761	3,928,082	4,150,251
Cost of revenue		(534,522)	(533,031)	(1,099,961)	(1,146,146)
Operating and administrative expenses		(382,313)	(507,495)	(863,441)	(983,560)
Depreciation and amortization	5	(604,056)	(570,188)	(1,186,086)	(1,142,718)
Expected credit loss on financial assets (ECL)		(71,654)	(72,084)	(125,216)	(121,386)
Interest income		4,469	6,706	9,792	13,838
Other income		4,284	6,463	12,474	11,812
Finance cost		(243,408)	(256,937)	(503,440)	(522,583)
Profit before Zakat		62,016	130,195	172,204	259,508
Zakat	12	(3,411)	-	(8,375)	-
Profit for the period		58,605	130,195	163,829	259,508
Other comprehensive loss					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Net fair value change in hedging instruments entered into for cash flow hedges	14	(10,806)	(44,939)	(77,791)	(111,905)
Total comprehensive income for the period		47,799	85,256	86,038	147,603
Earnings per share (in Saudi Riyals)					
Basic and Diluted	10	0.100	0.223	0.281	0.445

Mehdi Khalfaoui
CFO

Sultan Al-Daghather
CFO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

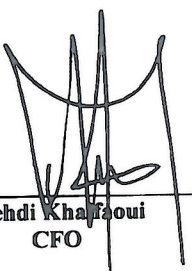
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MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Hedging reserve	Other reserves	Accumulated deficit	Total
Balance at 1 January 2019 as previously reported (Audited)	5,837,292	(21,586)	(3,302)	(1,800,156)	4,012,248
Transition adjustment on adoption of IFRS 16	-	-	-	(293,145)	(293,145)
Balance at 1 January 2019 as restated	5,837,292	(21,586)	(3,302)	(2,093,301)	3,719,103
Profit for the period	-	-	-	259,508	259,508
Other comprehensive loss	-	(111,905)	-	-	(111,905)
Total comprehensive income for the period	-	(111,905)	-	259,508	147,603
Balance at 30 June 2019 (Unaudited)	5,837,292	(133,491)	(3,302)	(1,833,793)	3,866,706
Balance at 1 January 2020 (Audited)	5,837,292	(127,899)	1,584	(1,608,126)	4,102,851
Profit for the period	-	-	-	163,829	163,829
Other comprehensive loss	-	(77,791)	-	-	(77,791)
Total comprehensive income for the period	-	(77,791)	-	163,829	86,038
Balance at 30 June 2020 (Unaudited)	5,837,292	(205,690)	1,584	(1,444,297)	4,188,889


Mehdi Khalfoui
CFO


Sultan Al-Doghhaither
CEO


Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

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MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	30 June 2020	30 June 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		163,829	259,508
<i>Adjustments to reconcile net profit for the year to net cash from operating activities:</i>			
Expected credit loss on financial assets (ECL)		125,216	121,386
Depreciation and amortization		1,186,086	1,142,718
Other provisions		24,491	2,909
Zakat provision		8,375	-
Finance charges		503,440	522,583
Gain on disposal of assets	5	(553)	(202)
Currency revaluation (gain) / Loss		(7,585)	501
Provision for employees' end-of-service benefits		10,538	9,500
Operating income before changes in working capital		2,013,837	2,058,903
Changes in working capital:			
Trade and other receivables		(334,541)	(525,271)
Inventories		83,129	11,979
Contract assets		18,894	(121,347)
Trade and other payables		1,132,412	574,383
Deferred revenue		(93,050)	(180,145)
Other non-current liabilities	8	(132,603)	380,214
Cash flows generated from operating activities		2,688,078	2,198,716
Employees' end of service benefits paid		(2,141)	(2,779)
Net cash generated from operating activities		2,685,937	2,195,937
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(869,026)	(936,531)
Proceed from disposal of property and equipment	5	893	430
Purchase of intangible assets		(200,086)	(120,467)
Net cash (used in) investing activities		(1,068,219)	(1,056,568)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowing		(675,000)	(300,000)
Repayment of amounts due to related parties		(447,519)	-
Payment of lease liabilities		(152,256)	(195,814)
Finance cost paid		(405,111)	(798,419)
Net cash (used in) financing activities		(1,679,886)	(1,294,233)
Net change in cash and cash equivalents		(62,168)	(154,864)
Effect of movements in exchange rates on cash and bank balances		(878)	280
Cash and bank balances at beginning of the period		1,157,438	1,416,731
Cash and bank balances at end of the period		1,094,392	1,262,147

Mehdi Khalifaoui
CFO

Sultan Al-Deghaither
CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

The accompanying notes (1) to (16) form an integral part of these interim condensed consolidated financial statements

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 ORGANIZATION AND ACTIVITIES

1.1 General Activities

Mobile Telecommunications Company Saudi Arabia (the "Company") along with its subsidiaries (together the "Group"), provides mobile telecommunication services in the Kingdom of Saudi Arabia in which it operates, purchases, sells, distributes, delivers, installs, manages and maintains mobile telephone services and equipment. As well, the company provides consulting services; constructs and repair telecom towers; provides fintech services and provide technical drones services along with selling and repairing as mentioned in note 1.2

The Company is a "Saudi Joint Stock Company" established pursuant to the Ministerial Resolutions No. 176 dated 25 Jumada I' 1428 H (corresponding to 11 June 2007) and No. 357 dated 28 Dhu Al-Hijjah 1428 H (corresponding to 7 January 2008), Royal Decree No. 48/M dated 26 Jumada I' 1428H (corresponding to 12 June 2007) and Commercial Registration No. 1010246192 issued in Riyadh, Kingdom of Saudi Arabia on 4 Rabi I' 1429 H (corresponding to 12 March 2008) to operate as the 3rd GSM public mobile cellular and technology neutral license in the Kingdom of Saudi Arabia for twenty five (25) years.

The registered address of the Company is P.O. Box 295814, Riyadh 11351, Kingdom of Saudi Arabia.

The Company is a subsidiary of Mobile Telecommunications Company K.S.C.P. Kuwait ("Zain Group"). Zain Group is a subsidiary of Oman Telecommunications Company SAOG, Oman.

Based on the High Order dated 30 Dhu Al-Hijjah 1437 H (corresponding to 01 October 2016) which was announced by the Capital Market Authority on 01 Muharram 1438 H (corresponding to 02 October 2016) which directed the Communications and Information Technology Commission ("CITC") to coordinate with Mobile Telecommunication Company Saudi Arabia to:

- a. Extend its license for an additional 15-years period, bringing the remaining period to 32 years ending on 21 Rabi I' 1469 H (corresponding to 18 January 2047).
- b. Coordinate with the Ministry of Finance to discuss the alternatives regarding the amounts due to the government; and
- c. Grant the Company a Unified License where it can offer all telecommunication services including fixed services which was issued on 23 Jumada I' 1438 H (corresponding to 20 February 2017).

In the fourth quarter of 2018, the Company signed an agreement with the Ministry of Finance, the Ministry of Communications and Information Technology and CITC, which includes the consolidation of the annual royalty for commercial service and the settlement of disputed amounts for the period from 2009 to 2017, which includes the following:

- a. Consolidate the annual royalty fee and reducing it from 15% to 10% of net revenues starting from 01 January 2018. (Impact was reflected in cost of revenue and sales); and
- b. Settlement of the disputed amounts between the Company and CITC regarding the payment of disputed annual royalty fee for the period from 2009 to 2017. Under the condition, that the Company further invests in expanding its infrastructure in addition to other conditions over the next 3 years.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

1 ORGANIZATION AND ACTIVITIES (continued)

The Company incurred net profit for the six month period ended 30 June 2020: SR 164 million (30 June 2019: SR 260 million), had an accumulated deficit of SR 1.4 billion as at this date (31 December 2019: SR 1.6 billion) and the current liabilities of the company exceed the current assets of the company by SR 2.4 billion. Based on the latest approved business plan, the Company's management believes that the Company will be successful in meeting its obligations in the normal course of operations. The directors of the Company have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

1.2 subsidiaries

The Company established the following fully owned subsidiaries in KSA:

- a. Zain Sales Company is engaged in distributing, selling telecom equipment and handsets; and providing consulting services. Share capital SR 10,000. The company started its operation in the first quarter of 2019.
- b. Zain Business Company is engaged in establishment, construction, repair and maintenance of telecom stations and towers. Share capital SR 10,000. The company is not operational yet.
- c. Zain Payments Company is engaged in provide fintech services. Share capital SR 100,000. The company started its operation during the fourth quarter of 2019.
- d. Zain Drones Company is engaged in provide professional, scientific and technical drones services along with selling and repairing drones. Share capital SR 10,000. The company started its operation during the fourth quarter of 2019.

1.3 Capital Restructure

The Company's capital will be reduced from SR 5,837,291,750 to SR 4,229,165,260 representing a decrease in the capital of around 28%. The reason for the decrease in the capital is the amortization of accumulated losses amounting to SR 1,608,126,490 as at 31 December 2019.

Following the capital reduction, the Company plans to increase its capital from SR 4,229,165,260 to become SR 8,729,165,260 through a rights issue with a total value of SR 4,500,000,000. This will result in the injection of additional fresh cash, which will be used to reduce the Company's debt. The recommendation of the Board is subject to the approval of the relevant authorities including the Capital Market Authority and the relevant extraordinary general assemblies

1.4 Approved interim condensed consolidated financial statements

These interim condensed consolidated financial statements were approved by the Board of Directors on 13 of July 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

2 BASIS OF PREPARATION

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard, "Interim Financial Reporting" ("IAS 34") as endorsed in Kingdom of Saudi Arabia and other pronouncement endorsed by SOCPA".

The disclosures in these interim condensed consolidated financial statements do not include the information reported for full annual financial statements and should therefore be read in conjunction with the consolidated financial statements for the year ended 31 December 2019.

Basis of measurement

These interim condensed consolidated financial statements have been prepared on the historical cost basis except for the provision for employees' end of service benefits, which has been actuarially valued and the measurement of financial assets and financial liabilities at fair value as explained in the relevant accounting policies as disclosed in annual consolidated financial statements for the year ended 31 December 2019.

The Company has used same accounting policies, which were used for the year ended 31 December 2019, unless mentioned otherwise.

Critical accounting estimates and judgments

The preparation of interim condensed consolidated financial statements in accordance with International Accounting Standard, "Interim Financial Reporting" ("IAS 34") that are endorsed in the Kingdom of Saudi Arabia requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Functional and presentation currency

Saudi Riyal is the functional currency. These interim condensed consolidated financial statements are presented in Saudi Riyals (SR), rounded off to the nearest thousand.

3 NEW AND AMENDED IFRS STANDARDS THAT ARE ISSUED BUT NOT YET EFFECTIVE FOR THE CURRENT YEAR

The Company has not early adopted any new standard, interpretation or amendment that have been issued but which are not yet effective. Those standards and interpretation or amendments are not disclosed in this interim condensed consolidated financial statements as the management did not considered these relevant to the company operation or will have a material impact on the financial statements of the Company in future periods.

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

4 SEGMENT REPORTING

The following is an analysis of the Group's revenues and results based on a segmental basis:

Revenues	For the three month period ended		For the six month period ended	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
Mobile Telecom. Company	1,848,486	1,978,286	3,798,186	3,994,603
Zain Sales Company	520,833	670,220	1,120,416	1,350,131
Zain Payments	77	-	101	-
Zain Drones	-	-	-	-
Eliminations / Adjustments	(480,180)	(591,745)	(990,621)	(1,194,483)
Total Revenues	1,889,216	2,056,761	3,928,082	4,150,251
Cost of operations	(916,835)	(1,040,526)	(1,963,402)	(2,129,706)
Depreciation and amortization	(604,056)	(570,188)	(1,186,086)	(1,142,718)
Expected credit loss on financial assets (ECL)	(71,654)	(72,084)	(125,216)	(121,386)
Interest income	4,469	6,706	9,792	13,838
Other income	4,284	6,463	12,474	11,812
Finance cost	(243,408)	(256,937)	(503,440)	(522,583)
Zakat	(3,411)	-	(8,375)	-
Profit for the period	58,605	130,195	163,829	259,508

The following is an analysis of the Group's assets and liabilities based on a segmental basis:

	30 June	31 December
Assets	2020	2019
Mobile Telecommunications Company	33,837,891	31,947,008
Zain Sales Company	5,129,839	3,765,265
Zain Payments	28,021	734
Zain Drones	283	317
Eliminations / Adjustments	(10,855,888)	(7,975,071)
Total Assets	28,140,146	27,738,253
Liabilities		
Mobile Telecommunications Company	29,798,302	27,952,376
Zain Sales Company	5,019,836	3,666,648
Zain Payments	11,627	880
Zain Drones	730	584
Eliminations / Adjustments	(10,879,238)	(7,985,086)
Total Liabilities	23,951,257	23,635,402

The major addition and disposals in property and equipment and intangibles along with associated depreciation and amortization relate to Mobile Telecommunications Company.

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

5 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

During the six-month period ended 30 June 2020, the Company acquired assets with a cost of SR 1,859 million (30 June 2019: SR 1,065 million). During the period, the Company disposed assets with a net book value of SR 340 thousand (30 June 2019: SR 228 thousand) resulting in a gain on sale of assets disposed amounting to SR 553 thousand (30 June 2019: SR 202 thousand). During the six-month period ended 30 June 2020, the depreciation and amortization expense amounted to SR 1,186 million (30 June 2019: SR 1,143 million).

6 LONG TERM BORROWINGS

	30 June 2020	31 December 2019
Syndicate Murabaha facility (refer to note 6.1)	3,807,779	4,471,830
Junior Murabaha Facility Agreement (refer to note 6.3)	2,240,502	2,236,076
Total	6,048,281	6,707,906
Less: current portion included in current liabilities	(297,978)	-
Long term borrowings	5,750,303	6,707,906

6-1 Syndicated Murabaha facility

On 31 July 2013, the Company had refinanced 2009 “Murabaha financing agreement” with a consortium of banks, which also includes existing Murabaha facility investors to extend the maturity date of its Murabaha facility for five years until 30 June 2018, which was due on 31 July 2013. This facility principal stood at SR 8.6 billion with the SR portion totaling SR 6.3 billion and the USD portion totaling USD 0.6 billion (SR 2.3 billion). This facility has been restructured as an amortizing facility, 25% of which will be due during years 4 to 5 of the life of the facility, as a mandatory minimum amount due, with 75% due at maturity date. The Company settled SR 2.7 billion from this facility bringing the outstanding principal to SR 5.9 billion at the maturity date.

On 5 June 2018, the Company has refinanced 2013 “Murabaha financing agreement” and extended the maturity date for additional five years until 29 June 2023 with a three years’ grace period. The new facility principal stands, at the financing day, at SR 5.9 billion with the SR portion totaling SR 4.25 billion and the USD portion totaling USD 0.45 billion (SR 1.705 billion). Moreover, the agreement includes a working capital facility totaling SR 647.3 million with the SR portion totaling SR 462.4 million and the USD portion totaling USD 49.3 million (SR 184.9 million) for two years that was extended in this quarter for one additional year. The working capital facility has not been utilized yet.

Financing charges, as specified under the “Murabaha financing agreement” are payable in quarterly installments over five years. The new facility is secured partially by a guarantee from Mobile Telecommunications Company K.S.C.P and a pledge of shares of the Company owned by some of the founding shareholders and assignment of certain contracts and receivables and fixed assets up to the outstanding balance.

The Company is complying with the existing loan covenants.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

6 LONG TERM BORROWINGS (continued)

6-1 Syndicated Murabaha facility (continued)

During the third quarter of 2018, the Company made an early voluntary payment for (SR portion: SR 428.3 million, and the USD portion: USD 45.8 million) totaling SR 600 million.

During the fourth quarter of 2018, the Company made a second early voluntary payment for (SR portion: SR 374.81 million, and the USD portion: USD 40.05 million) totaling SR 525 million.

During the second quarter of 2019, the Company made the third early voluntary payment for (SR portion: SR 214.2 million, and the USD portion: USD 22.88 million) totaling SR 300 million.

During the second quarter of 2020, the Company made a fourth early voluntary payment for (SR portion: SR 481.88 million, and the USD portion: USD 51.49 million) totaling SR 675 million.

6-2 Industrial and Commercial Bank of China loan

On 15 August 2016, the Company has signed a long-term commercial loan facility agreement amounting to SR 2.25 billion with a two years' tenor that is extendable by one additional year and payable at maturity. The facility agreement signed with the Industrial and Commercial Bank of China replace the existing syndicated facility. The facility is unconditionally and irrevocably guaranteed by Mobile Telecommunications Company K.S.C.P. On 18 March 2018, the Company extended the final maturity date to 8 August 2019. On 3 July 2019, the Company settled the said facility from the proceed of the new Junior Murabaha facility.

6-3 Junior Murabaha

On 16 June 2019, the Company has signed a new Junior Murabaha facility agreement amounting to SR 2.25 billion with a consortium of five banks to settle its existing commercial loan which has been obtained from Industrial and Commercial Bank of China (ICBC). The agreement has better terms and will have lower financing cost. The duration of the agreement is two years, with an option to be extended for one year upon Company's request. This loan is fully secured by a corporate guarantee from Mobile Telecommunications Company K.S.C.P. Financing charges are payable in quarterly installments.

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED) (continued)
FOR THE THREE AND SIX MONTH PERIODS ENDED 30 JUNE 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

7 TRANSACTIONS AND AMOUNTS DUE TO RELATED PARTIES

During the current period, the Group entered into the following trading transactions with related parties:

Party	Relationship			
Oman Telecommunications Company SAOG	Parent Company of Mobile Telecommunications Company K.S.C.P			
Mobile Telecommunications Company K.S.C.P (Zain Group)	Founding shareholder / Parent Company			
Zain Bahrain	Subsidiary to Zain Group			
Zain Sudan	Subsidiary to Zain Group			
MTC Lebanon S.A.R.L.	Subsidiary to Zain Group			
Zain Iraq/Atheer Telecom Iraq Limited 'Atheer'	Subsidiary to Zain Group			
Zain Global Communications Co. SPC	Subsidiary to Zain Group			
	For the three-month period ended		For the six-month period ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Revenue from subsidiaries	8,520	3,256	21,329	6,845
Purchases from subsidiaries	21,138	12,852	58,712	33,443
Fees charged by a Founding shareholders	10,669	53,043	61,819	106,992
Finance charges charged by a Founding shareholder	73,648	82,856	150,030	163,964

The following balances were outstanding at the reporting date:

	30 June 2020	31 December 2019
Mobile Telecommunications Company K.S.C.P (refer to note 7.1)	1,417,940	1,356,121
Mobile Telecommunications Company K.S.C.P (refer to note 7.3)	4,318,181	4,856,420
Founding shareholders (refer to note 7.2)	130,861	130,861
Infra Capital Investments (refer to note 7.3)	32,509	32,256
Other related parties	105	105
	5,899,596	6,375,763

7-1 Mobile Telecommunications Company K.S.C.P

This amount relates to accrued management fees and is payable to the Company's largest shareholder. The amount is unsecured, interest free and does not have any fixed terms of repayment but is not repayable until certain conditions are met in the Syndicated Murabaha facility referred to in note 6.1.

7-2 Founding shareholders

This amount relates to accrued finance charges and is payable to the Company's founding shareholders. The amount is unsecured, bears interest at market rates and does not have any fixed terms of repayment but is not repayable until certain conditions are met in the Syndicated Murabaha facility referred to in note 6.1.

7-3 Mobile Telecommunications Company K.S.C.P and Infra Capital Investments

These amounts are payable to shareholders and bears interest at market rates. The amounts are unsecured and cannot be repaid until certain conditions are met in the Syndicated Murabaha facility referred to in note 6.1. These amounts include accrued financial charges of SR 1,335 million (31 December 2019: SR 1,413 million).

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
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8 OTHER NON-CURRENT LIABILITIES

	30 June 2020	31 December 2019
Payable to MOF	3,446,519	3,578,590
Long-term Payable - Spectrum	1,460,627	922,688
Other	198,265	188,992
	5,105,411	4,690,270

During 2013, the Company has signed an agreement with the Ministry of Finance (MOF), Saudi Arabia to defer payments of its dues to the government for the next seven years. These deferred payments under this agreement will be bearing commercial commission payable annually, while the amount due will be repayable in equal instalments starting June 2021. The amount deferred by the Company as of 30 June 2020 amounted to SR 3,985 million (31 December 2019: SR 3,578 million). The current portion of these payables along with the accrued interest are recorded under trade and other payables.

9 SHARE CAPITAL

The Company had 583,729,175 shares of SR 10 each in issue as at the reporting date. There were no movements in share capital in the period under review.

10 EARNINGS PER SHARE

Basic and diluted Earnings per share is based on the profit for the three and six-months periods ended 30 June 2020 of SR 58.6 million and SR 164 million respectively (30 June 2019: the net profit for the three and six-months periods amounting to SR 130 million and SR 260 million respectively) divided by the weighted average number of shares in issue of 583,729,175 (30 June 2019: 583,729,175 share).

No figure for diluted earnings per share has been calculated, as there are no potentially dilutive ordinary shares outstanding.

11 CAPITAL COMMITMENTS AND CONTINGENCIES

The Company had capital commitments of SR 1,216 million as at the reporting date (31 December 2019: SR 1,441 million).

The Company had contingent liabilities as follow:

	30 June 2020	31 December 2019
Letters of Guarantee	82,978	100,286
Letters of Credit	161,250	161,250
	244,228	261,536

The Company in the normal course of business is subject to and also pursuing lawsuits, proceedings, penalties and fines imposed by the regulator, municipalities and other claims from suppliers and telecommunication providers. The Company, after having consulted with its internal and external legal counsel and technical advisors, believes that these matters are not expected to have a significant impact on the financial position or the results of operations of the Company.

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12 ZAKAT

Zakat provision	30 June 2020	31 December 2019
Balance at beginning of the period / year	18,607	-
Charge for the period / year	8,375	18,607
Balance at end of the period / year	26,982	18,607

Status of assessments

The Company had finalized its zakat and tax status up to 2008 and obtained the related certificate.

The Company had submitted its financial statements along with zakat and returns for the years 2009 to 2018 and paid zakat and withholding tax according to the filed returns.

On 18 Ramadan 1436 H (corresponding to 07 July 2015 G), The Company received the Zakat and withholding tax assessments from General Authority of Zakat and Tax (GAZT) for the years 2009 to 2011 whereby they asked to pay an additional amount of SR 620 million of which SR 352 million are related to Zakat differences and SR 267 million as withholding tax subject to delay penalty payable from the due date up to the settlement date equals to 1% for every 30 days.

The Company appealed this claim for additional payments on 27 August 2015, and was able to have the amount of SR 352 million related to Zakat revoked entirely. In addition, SR 219 million of the withholding tax claim was also revoked.

To appeal before the High Appeal Committee (HAC), The Company completed the required conditions in the Articles of the Saudi Tax Law, by paying the invoices issued by GAZT amounting SR 48 million on 16 November 2017 related to Withholding Tax (WHT) and issued a bank guarantee for the amount of SR 43 million related to the penalty generated from the delay in paying the WHT.

Based on the above, The Company received the reassessment letter for the paid amount and presented its objections before the HAC on the preliminary Appeal Committee opinion on 19 November 2017.

There is no financial impact as the Company has sufficient provisions to cover these amounts.

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13 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Assets and liabilities measured at fair value in the interim condensed consolidated statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All the financial assets and liabilities of the Company are carried at amortized cost except for hedging. Therefore, the fair value hierarchy disclosure which requires a three-level category of fair value is not disclosed.

The carrying values of all the financial assets and liabilities reflected in the financial statements are the reasonable approximation of their fair values.

The fair value of these derivatives was categorized as level 2.

These derivatives are valued using widely recognized valuation models. The Company relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparties include the use of forward pricing standard models using present value calculations and mid-market valuations. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices.

14 DERIVATIVE FINANCIAL INSTRUMENTS

The Company entered into profit rate swaps, which mature in 2023. The notional amount of the contract as at 30 June 2020 was SR 2,980 million (31 December 2019: SR 2,980 million) and the fair value was a negative amount of SR 205.7 million as at 30 June 2020 (31 December 2019: SR 127.9 million). The average contracted fixed interest rate ranges from 1.55% to 3%. A loss of SR 77.8 million was recognized in other comprehensive loss for the six month period ended 30 June 2020 (30 June 2019: SR 111.9 million) as a result of fair value movements relating to this hedge. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract.

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15 IMPACT OF COVID-19

The outbreak of the novel Coronavirus (COVID-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities. The Company is continually monitoring its impact, while working closely with the local regulatory authorities, to manage the potential business disruption of the COVID-19 outbreak.

In light of COVID-19, the Company has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the condensed interim consolidated financial statement. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the condensed interim consolidated financial statements.

Impairment of non-financial assets

The Company has considered any impairment indicators arising and any significant uncertainties around its property, plant and equipment, and right-of-use assets especially arising from any change in lease terms and concluded there is no material impact due to COVID-19.

Expected Credit Losses ("ECL") and impairment of financial assets

The Company has applied management overlays on the existing ECL models by applying probability weightage scenarios on the relevant macroeconomic factors relative to the economic climate of the respective market in which it operates. The Company has also assessed the exposures in potentially affected sectors for any indicators of impairment and concluded there is no material impact on account of COVID-19.

Commitments and contingent liabilities

The Company has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among customers and suppliers, with a view of potential increase in contingent liabilities and commitments and no issues were noted.

Going concern

The Company has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Company has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, this interim condensed consolidated financial statement has been appropriately prepared on a going concern basis.

16 COMPARATIVE FIGURES

Previous year figures have been reclassified for the purpose of comparison in the interim condensed consolidated financial statements. For better presentation and substance of transaction, a reclassification made in the interim condensed consolidated statement of financial position for payables to MOF from Long term borrowing to other non-current liability for the amount of SR 3,579 million as at 31 December 2019.