2020

2020 Board of Directors Report

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Message of the Chairman

Over the past few years Zain KSA has demonstrated robustness and unwavering resolve in overcoming challenges and crises. However, the year 2020 marked a major turning point for the Company; despite being an exceptional year in terms of the unprecedented challenges in the wake of COVID-19, 2020 has seen Zain KSA reach new heights in the Saudi telecommunications sector by establishing itself as the largest provider of the 5G network and extending the best 5G services across all the Kingdom's regions. In addition, to the company recording honorable global results, which were recognized by the globally-resonating awards won from a number of prestigious international ranking firms in the ICT sector. These achievements confirm that we are now better positioned for creating a digital future that enhances innovation and development for the Saudi society, in line with the goals of Saudi Vision 2030 and the aspirations of our wise leadership to progress towards a knowledge-based society that keeps abreast of the latest global shifts at all levels.

As digital proliferates in the telecom industry, the further development of our dynamic business and transformation depends on strategic partnerships, agile innovation and flexible customer service strategies. The year 2020 was filled with challenges, yet, against all odds and despite the COVID-19 pandemic, we were able to sustain good profit that reached SAR 260 million for the year 2020. Meanwhile, the successful capital restructuring the Company concluded is expected to mark a new strategic transformation for Zain KSA's financial performance. At Zain KSA, we will continue to foster our productive relationship with the Ministry of Communications and Information Technology, and the Communications and Information Technology Commission, as well as with our partners from all governmental sectors aiming to achieve two nationally fundamental objectives: contribute to the Kingdom's comprehensive digital transformation journey as per the goals of Saudi Vision 2030, and accelerate the Kingdom's strides towards the fourth industrial revolution which will enable us to add greater value for our customers and shareholders through leveraging the interaction of technology and people. In parallel, we will continue to make distinctive investments that would contribute to positioning the Saudi ICT sector on par with the most innovative industries globally.

At the same time, we believe in Zain KSA that enabling the Kingdom's digital transformation journey is not done through only pairing quality investments but also with supporting national talents who are the architects behind transforming investments into inventive services and products. Thus, at Zain KSA we are proud to have an 86% Saudi workforce, with young Saudi leaders comprising 92% of our executive leadership.

As always, Zain KSA is fully committed to supporting the Kingdom's progress towards digital transformation through introducing cutting-edge services with a solid commitment to embedding sustainability in every aspect of the organization as well as supporting local talents aiming to achieve our common national goals.

Naif bin Sultan bin Muhammad bin Saud Al-Kabeer
Chairman of the Board of Directors

Message of the Chief Executive Officer

Zain KSA aims to be the leading company in the ICT sector in the Kingdom, and that is achieved from our commitment to instilling sustainability at the core of our corporate operations, in fulfilling our pledge to be a people-oriented organization. With this mindset we continue to overcome obstacles and challenges, transform our operations, adopt comprehensive transformation programs, and invest heavily in projects that open up future horizons to future-proof the business.

We have faced numerous challenges over the previous year, particularly in the wake of the COVID-19 pandemic. Yet, thanks to God Almighty and the support of the board of directors, who kept faith in our operations, and my colleagues at Zain KSA who have demonstrated exemplary performance and loyalty despite the crisis, we have been able to overcome the challenges, which was reflected in the improved financial performance and market value during 2020. Through our determination to realize our vision, we have successfully led the Company through several challenges and accompanied its transformation into a thriving enterprise reporting a net profit of SAR 260 million in 2020, clearly demonstrating the success of Zain KSA's adoption of the "digital growth" strategy.

Today, Zain KSA is financially strong, and this favorable financial position and high cash flow which was enhanced throughout 2020 as the Company achieved net profits, fulfilled its capital restructuring, and extinguished most of the accumulated losses, voluntarily repaying a total of SAR 3.5 billion of the Murabaha facility, in addition to the refinancing and rescheduling of the syndicated Murabaha facility with better financing and commercial terms. The Company meanwhile allocated capital expenditures of SAR 2.9 billion, mainly investing in its innovative 5G network. These accomplishments herald a new phase of transformation for Zain KSA on the financial performance level and pave the way for the distribution of dividends.

Despite fierce competition and the growing adverse global trends facing businesses, we were able to maintain our growth thanks to God Almighty and to our agility in finding successful strategies which has allowed us to sustain our momentum and remain at the forefront of digital innovation initiatives, having undertaken a series of pioneering projects throughout the year. Among these is proceeding with the roll out of 5G services, expanding our ground-breaking 5G network - the largest in the Middle East, Europe, and Africa, and the fourth largest globally - to reach all the Kingdom's regions, covering 50 cities via more than 4,700 towers. This is in addition to launching the Kingdom's first eSIM service for an all-digital experience, launching Zain Cloud for business and government sectors, launching 'Tamam', Zain KSA's FinTech arm and one of the first FinTech solution providers offering consumable micro-financing through an instant, all-digital process and introducing 'Yaqoot' innovative digital packages.

This operational success has earned Zain KSA global recognition praising its level of excellence. The Company won 3 Awards at the 2020 Telecom Review Leaders' summit for "Best 5G User Growth," "Best 5G Infrastructure Deployment," and "Best Cloud Provider". Additionally, Zain KSA earned Speedtest award for "fastest fixed internet in the Kingdom" by global firm Ookla for H1 and H2 2020. Locally, Zain KSA achieved advanced rankings in the indicators measured by CITC's "Meqyas" report for Internet Speeds and Digital Content Access Speed in the Kingdom.

Our successes to date are due to God Almighty's blessings and the passionate efforts of all our employees. And thus, we recognize the value of supporting our people through our Diversity and Inclusion programs, women empowerment and employee development programs, as we consider our most valuable investment is building a human capital through empowering confident, satisfied, and engaged individuals willing to pave a better future for our clients and fellow citizens.

In the end, with Zain KSA's ongoing success on the operational front, and in line with its commitment to serve Saudi Vision 2030. We remain determined to invest in network upgrades to bring the latest innovations and pioneering digital services to the Kingdom, introduce new technologies, while building on 5G to enhance IoT, underpin the development of smart cities, and support cloud computing and digital payment services.

Eng. Sultan bin Abdulaziz Al-Deghaither
Chief Executive Officer

1. OVERVIEW

a. About Zain KSA

Zain KSA was established as a Saudi Joint Stock Company pursuant to Royal Decree No. 48/M dated 26th of Jumada I 1428H (corresponding to June 12, 2007), Ministerial Resolutions No. 176 dated 25th of Jumada I 1428H (corresponding to June 11, 2007), No. 357 dated 28th of Dhu Al Hijjah 1428H (corresponding to January 7, 2008), and Commercial Registration No. 10246192 issued in Riyadh, on the 4th of Rabi Al-Awwal 1429H (corresponding to March 12, 2008).

These licenses have allowed the entity to operate as the Kingdom's third mobile cellular operator, having received the first technology-neutral license in the Kingdom for a period of 25 years. The license period was extended for an additional 15 years, through the High Order issued in October 2016 that also granted the Company a unified license to provide all telecommunication services. Additionally, Zain KSA developed an operational and financial strategy based on driving digital transformation across the Kingdom.

Zain KSA's new digital strategy is based on serving all segments of society all over the Kingdom, which demonstrates the Company's fundamental role in the national ICT roadmap outlined through Saudi Vision 2030, which aims to enhance societal development and improve the quality of life. The Company also supports the national vision in its three main themes: Ambitious Nation, Vibrant Society, Thriving Economy.

Through its seven-pillared strategy, Zain KSA aims to transform into an information and communications technology (ICT) leader in Saudi Arabia.

Given its prime focus on sustainability in every aspect of its business combined with its advanced networks and infrastructure, Zain KSA has been successful in establishing itself as a reliable telecom operator and a digital services provider whose telecommunication offerings include, but are not limited to, digital payment services, cloud computing and the Internet Of Things (IoT).

In line with its pioneering strategy, in October 2019 Zain KSA rolled out its 5G network which by 2020 had expanded to reach 50 cities across the Kingdom, enabled by +4,700 towers, becoming the world's fourth largest 5G network and the largest in the Middle East, Europe and Africa to date. Having served more than 7.01 million customers and extended its network coverage to 99% of the population, with 5G covering currently standing at 61% of the population, the ever-evolving operator continues its efforts to attract thousands of new voice and data customers daily.

On another level, Zain KSA prides itself in employing high-caliber professionals with 92% of its executive leadership being Saudi experts under the age of 40 and 86.43% of its workforce consisting of energetic and inspired Saudi nationals. The Company also launched programs and initiatives aimed at empowering women within an integrated strategy to realize Saudi women's leadership in the telecoms sector. Zain KSA's efforts also concentrated on developing HR policies that ensure diversity and gender equality, thus transforming the Company's work culture. In addition to hiring more Saudi females, the Company also invested in developing the leadership skills of its female employees.

Zain KSA continues to leverage its valuable human capital and invest in ICT infrastructure, in line with Saudi Vision 2030 and the national digital transformation roadmap, to empower a vibrant, smart society and a better quality of life.

Legal name	Mobile Telecommunication Company Saudi Arabia
Legal form	Publicly Listed Company
Trading No. (Tadawul)	7030
Paid-up capital (SAR)	8,987,291,750
Number of shares	898,729,175
Industry & Sector	Telecommunications
Date of establishment	12/03/2008
Date of listing	22/03/2008
Address	Riyadh, Ash Shuhada, Granada Business Park, Building A3, with the postal address P.O. Box 295814 – Riyadh 11351 – KSA
Telephone	+966-59-244-8888
Fax	+966-11-461-2441
Email	investor.relations@sa.zain.com
Website	www.sa.zain.com

ii. Subsidiaries

Zain Sales Co Ltd

A limited liability company that is registered and operates in the Kingdom of Saudi Arabia. It was established in 2018 as a wholly-owned subsidiary of the Mobile Telecommunication Company Saudi Arabia with a capital of SAR 10,000. The company engages in commercial distribution and partner management activities. Zain Sales has been established to be the Company's sales arm in the market; to function as an intermediary between Zain KSA and the Consumer Sales and Distribution Channels for more efficient channel management and overall sales efficiency. It is expected to be Zain KSA's biggest revenue contributor through wholesale revenue, i.e., the volume of Voice and Data Scratch Cards/Vouchers. Zain Sales started its operation in the first quarter of 2019, during 2020 Sale Co. contributed up to %3.5 of the overall revenue of Zain KSA in 2020.

Zain Business Ltd

A limited liability company that is registered and operates in the Kingdom of Saudi Arabia. It was established in 2018 as a wholly-owned subsidiary of the Mobile Telecommunication Company Saudi Arabia with a capital of SAR 10,000. The company engages in the fields of telecommunication, information technology, and specialized subcontracting. Zain Business Ltd. is not operational yet, therefore, it had no impact on Zain KSA's business or results.

Zain Payment Ltd (Tamam)

It was established in 2019 as a limited liability company and a wholly-owned subsidiary of the Mobile Telecommunication Company Saudi Arabia with a capital of SAR 100,000. The Company has revised its share capital amounting to SR 20,000,000, where it converted into a closed joint stock company in the third quarter of 2020 operating under the Tamam brand name. The company's goal is to increase financial inclusion in the Kingdom in line with the Financial Sector Development Program, part of Saudi Vision 2030. The company started its operation in the fourth quarter of 2019, during 2020 it contributed a minimal contribution to the overall revenue and had no impact on Zain KSA's business or results.

Zain Drones Ltd

A limited liability company that is registered and operates in the Kingdom of Saudi Arabia. It was established in 2019 as a wholly-owned subsidiary of the Mobile Telecommunication Company Saudi Arabia with a capital of SAR 10,000. The company offers a diversified fleet of world-class drones and applications with the required capabilities to deliver state-of-the-art bespoke drone solutions and conduct advanced analytics for governments and enterprises as part of our "Drone as a Service" (DaaS) operations. Through drone-powered solutions, the company will unlock opportunities for various industries to fast-track growth and utilize the Internet Of Things (IoT) in an efficient, safe and agile environment. The company started its operation in the fourth quarter of 2019, and had no impact on Zain KSA's business or results.

b. Zain KSA Strategy

The core of our strategy is to transform into a leading information and communications company in the Kingdom of Saudi Arabia that allows our customers to benefit in a hyper-connected evolving society. Our goals include growing profitably and leading the ongoing evolution for a digitally-connected future - for individuals, businesses, and machines - and delivering value to all key stakeholders. Zain KSA has continued to deliver on its strategy's seven pillars, which comprise:

1. Strengthening the Core Business

Maximizing value of own user base

The Saudi Arabian population is often cited as one of the highest in youthful density, which has led to an ever-growing demand for wireless digital connectivity services. The Saudi market continues to exhibit a huge growth in demand for data products and applications, not only fueled by a young and digitally-connected population, but also driven by the strong adoption of e-government services and popularity of video streaming and HD content on social media. Our investments in network expansion (and spectrum acquisition) are aimed at positioning Zain KSA as the mobile data operator-of-choice and the first-choice brand for students from high school to university. Zain KSA has successfully increased the share of Saudi subscribers to its postpaid service by 60%.

2. Improve Cash Management Discipline

Improve profitability and cash position

Our main objective is to implement and design a yearly cost optimization plan through maintaining internal controls, improving procurement efficiency through team upskilling, process digitization, optimizing capital structure and relationship with creditors, and ensure high ROI and smart investment through the Capex Value Based Management.

3. Deliver Growth from New Opportunities

Professionalize and scale-up B2B new revenue streams

As Saudi Vision 2030 is the driving force for the diversification of the Saudi economy, digitization has become the key enabler across all industries. Superfast broadband access coupled with digital applications will continue to redefine the way we live and work in Saudi Arabia. Complementing our wireless portfolio, we plan to embark on delivering fiber to the home (FTTH) based broadband connectivity to consumers. Also, through partnerships, we plan to deliver solutions to business clients based on superfast connectivity and integrated applications. Our aspiration and plan is to be a leading ICT Solution Provider in KSA in terms of innovation and agility. Zain KSA's activation of the Open Access Agreement in 2020 has been instrumental to the Company.

4. Smart Network Evolution

Deliver seamless, end-to-end user experience across our network technologies and build the network architecture for 2020 and beyond

Relevance and leadership in the data market is dependent on continuing to leverage the latest 5G evolution technologies. We will continue to invest in advanced wireless technologies, fiber to the premises (FTTP) and hybrid fiber-wireless connectivity. In addition, we will ensure smart and efficient Capex investment, identify and execute Opex optimization programs and maximize customer experience.

5. Digitization

Automate systems and processes to deliver a consistent & improved experience and define lifestyle/entertainment digital services

We plan to utterly enhance our digital capabilities to interface with the digital users of Saudi Arabia, and participate in governmental and economic digitization efforts and projects, thus contributing to fostering the Saudi knowledge-based economy and supporting Vision 2030.

Consumers in Saudi Arabia are highly digitally-connected; in order to ensure that Zain KSA remains at the forefront of the ever-developing digital economy, we have embarked on a digital transformation journey. This digital transformation will incrementally improve, in light of the availability of offerings to consumers, the adequacy of internal and external processes, and the activation of customer interaction points, making consumers' dealings with us easier, simpler, and more enjoyable. Comprehensive digitalization will bring our customers the benefits of operational excellence and expand our digital footprint in the market.

6. Human Capital Development

Develop & implement career management throughout ideal & efficient practices

We plan to excel in the market by promoting a caring culture among our employees, as part of a fulfilling work environment, emphasizing the need to be an agile and efficient operator. We wish to attract and retain talented Saudis with entrepreneurial attitude to ignite our growth and success. Performance, competitive spirit, challenger attitude, curiosity, women empowerment, innovation and success through teamwork will allow us to deliver better service to our customers, develop the right insights, and act quicker to translate initiatives into market success. Despite the COVID-19 challenges, Zain KSA was able to deliver training programs to 79% of its employees using an array of remote learning solutions.

7. Venture Capital Investment

Taking Advantage of Growth in Technology

There is a significant new player emerging in the venture capital world whose involvement is changing the way that the venture business is done. Our objectives are to strengthen the brand equity by linking it to the raising national transformation by plotting the program as corporate entrepreneurial responsibility to help solving the unemployment problem and help innovation drivers in the country, and to ensure diversity of investments and future revenue. Zain KSA has been evaluating multiple opportunities that not only provide positive returns but also create synergies with its operations.

Additionally, Zain KSA has proudly made a new stride in the Fintech industry in 2020 upon receiving the license to its subsidiary Tamam, which became the first all-digital micro-lending platform licensed by the Saudi Central Bank (SAMA).

b. Zain KSA's Mey Milestones

2020
- Zain KSA's 5G network is the largest in the Kingdom, the Middle East, Africa, and Europe
- World's first telecom operator to offer 5G Carrier Aggregation
- Only service provider to offer 5G coverage across all Saudi's administrative regions
- Extending Zain KSA's 5G network to 50 cities via 4,700 towers
- Launching eSIM service with an all-digital experience for the first time in the Kingdom
- Launching Zain Cloud to serve businesses and Government in partnership with Chinese giant Alibaba Cloud
- Activating Broadband Open Access Agreement
- Winning 3 Awards at 2020 Telecom Review Leaders' summit: Best 5G Infrastructure Deployment, Best 5G User Growth, Best Cloud Provider
- Winning "Fastest Fixed Internet Award in the Kingdom" by global firm Ookla's SpeedTest
- Leading telecom sector in 4 indicators measured by "Meqyas" report: Fixed Internet Speed, 5G Deployment across regions, 5G Deployment across governorates, Lowest Latency in most played video games
- Launching Tamam and obtaining first micro-financing license from Saudi Central Bank

5G **2019**
- Launch of the 5G
- Signing SAR 4.5 Bn network expansion agreements
- Launch of Zain Payment (Tamam)
- Launch of Zain KSA Drones
- Launch of Yaqoot digital platform
- Acquisition of 3.5 Ghz spectrum
- Achieving SAR 485 Mn Full Year Net Profit

2018
- Annual royalty fees from 15% to 10%
- Settlement of disputed amount with the Government
- Launched FTTH
- Acquisition of 2x10 MHz of 800 MHz spectrum
- Refinancing of the MFA Facility for SAR 5.9 Bn
- Reached SAR 332 Mn Full Year **Net Profit**

2017
- Achieved first Full Year **Net Profit**
- Acquisition of 2x10 MHz of 1800 MHz spectrum

2016
- The High Order issued to extend the license extension, and grant unified license
- Reached EBIT positive

2015
- Capital Reduction from SAR 10.8 Bn to SAR 5.8 Bn

2014
- Signing of SAR 4.5 Bn network expansion agreements "Project Reload"
- Refreshed brand and shops expansion

2013
- Entered into an agreement with MoF to postpone the government dues estimated at SAR 800 Mn annually for the next 7 years

2012
- Capital Reduction of SAR 9.2 Bn, followed by a Rights Issue transaction of SAR 6 Bn

2011
- First operator to commercially launch 4G-LTE service in KSA

2010
- Reached EBITDA breakeven

2009
- Exceeds 6 Mn customers
- Secures SAR 9.75 Bn financing facility

2008
- IPO in February followed by commercial launch in August

2007
- Technology Neutral' license awarded in July
- License fee of SAR 23 Bn

c. Achievements and Plans

Zain KSA considers itself a strategic National Transformation Program partner and a key contributor to the program's goals for the telecommunications sector. The Company has translated this vision through actively participating in developing the sector, where it has maintained its pioneer position with its 5G network - the largest in the region - which showcases Zain KSA's dedication to offer the latest and best technologies to its customers. This accomplishment is the result of diligent efforts that kicked off in July 2018, when Zain KSA launched the pilot phase of its 5G rollout and the first service station of its network in Riyadh. The Company continued to establish and test additional 5G stations that led to the commercial inauguration of the network in October 2019 where more than 2600 network towers covering 27 cities were installed, achieving a population coverage rate of 43%, and accomplishing one of the targets set with the Ministry of Communications and Information Technology. The accomplishment is also the result of Zain KSA's acquisition of spectrum licenses with a total of 190 MHz spectrum to launch its 5G network, together with two of the most significant global frequencies for 5G networks (2600 MHz and 3500 MHz), which it had bought through auctions held by the Communications and Information Technology Commission in early 2019. In consistence with Zain KSA's strategy and commitment to drive the ICT sector forward the Company has completed the delivery of "Sophia Project" second phase, expanding the 5G network footprint to cover 50 cities through +4,700 towers and achieving a 5G population coverage rate of 61% and increasing the population coverage rates as below:

1. 2G network: 99% of the population
2. 3G network: 98% of the population
3. 4G network: 94% of the population
4. 5G network: 61% of the population

This achievement was behind Zain KSA's winning of the Best 5G Infrastructure Deployment award at the 13th Telecom Review Leaders' summit in Dubai. "Sophia Project" will continue with an additional phase focusing on extending Zain KSA's 5G & 4G network coverage and expanding the transmission network and fiber network to enable the introduction of additional 5G use cases and applications in the future.

Zain KSA is installing Wi-Fi networks that will offer users two hours of high-speed internet access for free and will largely contribute to upgrading customer experiences in locations such as hospitals, malls and parks. So far, the company has fulfilled its goal for the second phase of the project by activating 12,383 access points.

As for Zain KSA's transmission network, the Company was able to optimize a significant portion of the operation costs for connecting the network after investing in fiber optics, especially in the Eastern & Northern Borders provinces. Zain KSA believes in the importance of retaining a solid fiber optics groundwork for realizing and implementing 5G network programs; the network's fiber infrastructure is expected to expand further in the near future. In addition, Zain KSA has completed an agreement with all fiber to the home access providers which allows Zain KSA to utilize the fiber optic infrastructure to provide Zain KSA FTTH solution to any household covered by these providers under the "Open Access Agreement" initiated by CITC (Communications & Information Technology Commission). "Zain KSA" is working with CITC to extend this agreement to include the Enterprise sector as well.

With regard to operations and maintenance, the Company embraces an effective and ideal model to manage its operations while ensuring maximum network efficiency, robust performance, quality services, and high customer satisfaction. Zain KSA relies on services managed in cooperation with skilled providers to manage all its network systems and IT systems throughout its critical operations, and constantly ensures it is providing services of the highest possible quality and least possible cost. Over the last few years, the Company's maintenance costs decreased as a result of the ongoing regional integration process for field operations as part of an agreement with a contracted seller as well as the convergence of the network management and IT department into one unit. Zain KSA also periodically reviews maintenance activities to reduce costs and improve service quality, as well as to enhance its capabilities in managing and maintaining the company's operations.

Zain KSA also participated extensively in reviewing and updating regulations for telecommunications and wireless telecom towers in cooperation with the Ministry of Municipal and Rural Affairs, thus addressing a challenge that had hindered the implementation of expansion projects to develop infrastructures in line with modern technologies and improve customer experiences. Additionally, Zain KSA finalized most pending issues, regarding licensing mobile network towers and financial settlements for earlier durations in cooperation with the Ministry of Communications and Information Technology.

2. LEADERSHIP

a. Board of Directors

1. HH Prince Naif bin Sultan bin Mohammed bin Saud Al-Kabeer – Chairman of the Board

A prominent businessman with extensive expertise in vital fields such as general investments, petrochemicals, foodstuffs, insurance, wholesale and retail, among others. HH serves in several leading positions, including Chairman in many conglomerates, one of which is the renowned company Almarai. HH also chairs and serves as a member in the boards of several other establishments, including Alyamamah Cement Company, Farabi Gulf Petrochemicals Company, the Arabian Shield Insurance Company, Tarabot Investment and Development, and the Global Co. for Downstream Industries (GDI), among several others. HH Prince Naif holds a BSc in Business Administration (Marketing) from King Saud University.

2. Bader Nasser Al-Kharafi – Vice Chairman of the Board

Mr. Bader Al-Kharafi has held several key positions, most notably serving as Vice Chairman of Zain Group Kuwait since February 2014, and Group CEO since March 2017, after having joined the group's Board of Directors in April 2011. He has served as a board member of Al-Khatem Telecommunications Company, an Iraq-based joint-stock company, since September 2013. In October 2015, he was appointed as Vice Chairman of Zain KSA. Additionally, Mr. Al-Kharafi is currently the Chairman, Vice President, and board member of several companies within and outside Al-Kharafi Group. Mr. Al-Kharafi holds an Executive MBA from London Business School and a Bachelor's degree in Mechanical Engineering from Kuwait University.

3. Ossama Michel Matta – Member of the Board

Joining Zain Group in 2004, Mr. Ossama Matta was appointed Zain Group CFO in June 2010. He has more than 20 years track record of solid financial and managerial experience in the Middle East and is a strong advocate of firm corporate governance and transparency. He plays a critical role in the Zain Group senior executive management team, determining the Group's strategy, and is responsible for all financial, investment and investor relations issues. During his tenure at Zain, Mr. Matta has overseen and led M&A, various IPO and capital restructuring rights issues, and other financial related transactions and loans that exceed US$25 billion. Throughout his career, he has held many leading positions, including serving as a member of the Board of Directors in the Nexgen Advisory Group (a UAE-based LLC), Zain Procurement Facilities (a Bahrain-based LLC), Zain UK Facilities (Bahraini LLC), Morpeth Limited (UAE LLC), and Kuwait Sudan Holding Company, among others. Mr. Matta holds an Executive MBA (Emphasis in Finance, Strategic Management, and Project Management) from the American University of Beirut, Lebanon, and is a Certified Public Accountant.

4. Raied bin Ali Al-Seif – Member of the Board

Mr. Raied Al-Seif has a long history in the field of investment management, alongside his experience in banking. He has held many leadership positions, including serving as Chairman of the Arab National Investment Company (ANB Invest) and a member of the Board of Directors of the Arabian Shield Insurance Company, in addition to being a member of several other Boards of Directors. Mr. Raied holds a BSc in Accounting from King Saud University.

5. Saud bin Abdullah Al-Bawardi – Member of the Board

Mr. Saud Al-Bawardi served as the Executive Vice President and Chief Operating Officer of Zain KSA until the end of 2015. He has over 16 years of experience in the telecommunications, investment, and banking sectors. Mr. Al-Bawardi also holds several leadership positions, including being a Vice Chairman of the Board of Directors of the National Gypsum Company and board member of FALCOM Holding Company, Chairman of both the Excellent Foods Company and the Smart Parking Company. He holds an MBA in International Business from the Swiss Business School, Zurich, Switzerland, alongside a BSc in Media from King Saud University.

6. Hisham bin Mohammed Mahmoud Attar – Member of the Board

Mr. Hisham Attar is the Head of the Local Holdings Investment division at the Public Investment Fund (PIF) and has extensive experience in the field of investment portfolio management. He held several leadership positions, serving as a member of the Executive Committee of the Saudi Arabian Military Industries (SAMI) and a board member of the Industrialization and Energy Services Company (TAQA), in addition to holding several leadership positions in the Body Masters company. He also worked as Senior Broker at the National Commercial Bank. Mr. Attar holds a BA in Economics and Business from Brown University, Providence, Rhode Island, USA.

7. Martial Anthony Caratti – Member of the Board

Mr. Caratti has over 30 years of experience in the telecommunications industry in the Middle East and Europe. Caratti served as a member of the Board of Directors of Zain Group between November 2017 and December 2020, as well as having the key role of Omantel Group's Chief Financial Officer between September 2015 to December 2020. He began his career in 1986 at NCR France, an Omni-channel technology solution provider. He continued his career in communications in France, where he served as Chief Financial Officer at a subsidiary of France Telecom from 1992 to 1996. In 1996, he became France Telecom Group's Controller of customer branches and Financial Director at Itineris, part of the France Telecom / Orange Group. Between 2000-2006, he served as Vice President of Finance - Content Division at Orange Group France, along with the role of Orange International Finance Vice-President in London. In 2007 he joined KAZ Europe as CFO of EMEA region. Thereafter between 2008 and 2015 Mr Caratti served as CFO for Ooredoo Tunisia telecom operator. He holds a Bachelor's degree in Finance and Accounting from ESLSCA University in Paris.

8. Firas Oggar – Member of the Board

Joining Zain Group in 2017 as Head of Legal, Mr. Firas Oggar has extensive experience in legal affairs with a career spanning 20 years working for conglomerate organizations in the Middle East and France, whereby he received several certificates, including his accreditation as a qualified lawyer at the Paris Bar after taking oath at the Court of Appeal of Paris in 2003, and as an accredited lawyer from the University of Paris' Law Faculty, France, in 2001. He also holds a certificate in English law from UK Warwick University's School of Law in 1999. Prior to joining Zain Group, Mr. Oggar held several senior management positions, including serving as Head of Legal at Foulath Holding Company (Bahraini Public Joint Stock Company) between 2012 and 2015 and as Group General Counsel at Al Ghurair Investment Group between 2015 and 2017. Mr. Oggar holds a Master's degree in International and European Law from the University of Lille, France, and a Master's degree in International Business Law from the University of Paris, France. Mr. Oggar is a Board member and treasurer of the Association of Corporate Counsel (ACC), Middle East Chapter.

9. Mr. Kamil Hilali[1] – Member of the Board

Mr. Kamil Hilali was appointed Chief Strategy Officer at Zain Group in March 2018 and is responsible for the development and implementation of Zain Group's "4Sight" strategy. With 18 years of experience and a proven track record in developing corporate strategy, he is managing Zain Group's digital transformation, ICT and B2B development, digital infrastructure, wholesale, business development and mergers and acquisitions. Before joining Zain, he worked for North Africa Holding Company as a senior manager in investment. Mr. Hilali graduated with a Bachelor of Science in Industrial Engineering at the National School of Mineral Industry, Morocco (2001), attained a Master of Business Administration from Suffolk university in MA, USA (2005), Masters in Finance from London Business School, UK (2008) and professional Venture Capital training at Stanford university in CA, USA (2017). Mr. Hilali is also a Board member of the Moroccan telecom operator INWI Corp and a Board member of the Swiss based e-commerce platform Zoodmall.

9* Scott Gegenheimer – Member of the Board[2]

Mr. Scott Gegenheimer is a telecom veteran with over 25 years of experience and a track record of remarkable accomplishments. He served as CEO of Zain Group from December 2, 2012 until March 12, 2017 when he assumed his current position as Group CEO-Operations. He occupies various senior management positions including as Member of the Board of Directors/ Management in Nexgen Advisory Group (a UAE-based LLC), Zain Procurement Facilities (a Bahraini LLC) and FOO (a Lebanese Joint Stock Company). Mr. Gegenheimer holds a BSc in Finance and Management from Northern Illinois University MBA from DePaul University in Chicago.

[1] The company's board of directors approved by passing the resignation of Scott Gegenheimer and the appointment of Kamil Hilali to replace the resigned member.
[2] The company's board of directors approved by passing the resignation of Scott Gegenheimer in 06-12-2020 and the appointment of Kamil Hilali to replace the resigned member.

b. Executive Management

1. Eng. Sultan Bin Abdulaziz Al-Deghaither – Chief Executive Officer

Eng. Sultan Bin Abdulaziz Al-Deghaither serves as the Chief Executive Officer of Zain KSA as of July 2018. He possesses a track record of achievements and expertise in executive, operational and technical management, and he is an expert on the development and management of technologies to produce the best cost-effective solutions.

Al-Deghaither has led several projects that positioned Zain KSA as the leading telecom operator of choice, and a company of reference for data quality and service in the Kingdom, mainly Project Reload, one of the largest projects in the history of the company with a total investment of SAR 4.5 billion.

Al-Deghaither was deeply involved in the development and expansion of the company's networks within the Kingdom, where under his leadership, Zain KSA was able to roll-out the broadest 5G network coverage. He was also ranked among the ten best CEOs in the telecommunications sector out of more than 700 companies listed in the GCC.

Previously, Al Degaither was the Chief Operating Officer and the Chief Technology Officer of Zain KSA. Earlier, he had occupied a number of senior roles, including Network Engineering Director, where he immensely contributed to the Company's evolution and actively participated in developing Zain KSA's operations on the commercial, technical, and customer experience levels.

Al-Deghaither holds a bachelor's degree in Telecommunications and Electrical Engineering from King Saud University and an Advanced Management Program Degree from IESE.

2. Mehdi Khalfaoui – Chief Financial Officer

Mehdi Khalfaoui joined Zain KSA as Chief Financial Officer in February 2017, where he contributed to delivering strategic improvements in profitability and a strategic refocus on commercial investment and enhanced cash liquidity together with improved capital structure. Khalfaoui has international ICT sector experience in various areas within the telecommunications industry, namely: Financial Management, Performance Monitoring, Budgeting and Planning, Treasury, and Corporate Finance. He has occupied several roles within Zain Group since 2009, where he succeeded in achieving transformation in terms of cost optimization and reducing operational expenses.

Prior to joining Zain KSA, Khalfaoui held key strategic roles with leading international telecom companies, where he served as Budget & Planning Analyst for Orascom Telecom and as Financial Analyst for SGCIB.

Khalfaoui holds a master's degree in Corporate Finance from INSEEC and a Professional Learning Experience Degree from Harvard Business School for the Program of Leadership Development.

3. Eng. Sherif Tahoun – Chief Commercial Officer

Eng. Sherif Tahoun currently serves as Chief Commercial Officer of Zain KSA. By his outstanding performance, Tahoun rolled out solutions for the company's digital services which are centered on executing digital transformation initiatives, bringing about enterprise performance development, optimizing operations, and re-engineering customer experience.

Tahoun initially joined Zain KSA in 2015 as Chief Sales Officer. His professional career spans over 25 years working predominantly in delivering business growth and transformation across large organizations in high profile industries such as Telecoms, FMCG, Oil & Gas, and Investment Management.

Prior to joining Zain KSA, Tahoun held a number of commercial and customer-focused roles in a variety of technology and consulting companies including Vodafone and Etisalat where he served as Head of Consumer Sales and Channel Marketing, and Commercial Consultant respectively. He also held the post of Managing Director of Tristar LL Pylon S.A.E. Egypt from 2010 to 2015.

Eng. Tahoun holds a bachelor's degree in Civil Engineering from Cairo University and is a PMI Agile Certified Practitioner (ACP).

4. Eng. Saad Al-Sadhan – Chief Business and Wholesale Officer

Eng. Saad Al-Sadhan has held the position of Chief Business and Wholesale Officer since July 2018. In this role, Al-Sadhan is responsible for Zain KSA's wholesale business and the end-to-end management of its carrier customers and suppliers globally. He strives to improve the company's network capabilities through strategic investments to continually meet both retail and wholesale demand.

As a substantial contribution to Zain, Al-Sadhan played a key role in launching Zain Cloud, which is based in the Kingdom to enhance the capabilities of the business sector, to achieve big data capacity, and to process it quickly with enhanced responsiveness.

Al-Sadhan joined Zain KSA in July 2016 as Wholesale Senior Director. He previously served as the Executive General Manager within the Wholesale Commercial Department at major telecom companies in the Kingdom. Prior to that, he served as Communication Engineer of Ericsson.

Al-Sadhan has 15 years of experience in the telecommunications industry and holds a bachelor's degree in Electrical Engineering from King Fahad University of Petroleum and Minerals (KFUPM).

5. Eng. Abdulrahman Al-Mufadda – Chief Technology Officer

As the Chief Technology Officer of Zain KSA since February 2019, Eng. Abdulrahman Al-Mufadda leads the company's development teams and oversees technology and digital innovation development.

Al-Mufadda has successfully led his team in implementing Zain KSA's strategy in the installation of the 5G network across the Kingdom, achieving the most significant local and regional accomplishment of its kind, which has yielded the expansion of the company's services, solutions, and innovations offered, such as Augmented and Virtual Reality technologies (AR & VR), Artificial Intelligence, Robotics, and more.

At Zain KSA, Al-Mufadda further contributed to implementing Project Reload, one of the biggest projects in Zain KSA's history, and the USF Broadband Project, both of which are part of the 2020 National Transformation Program.

Al-Mufadda initially joined Zain KSA as Planning Delivery Manager in 2013 before assuming several managerial roles leading up to his current position. Al-Muffada brings in 15 years of experience in the telecommunications industry, where prior to joining Zain KSA, he held several senior technical positions, most notably, as R&D Engineer and as Project Manager within Ericsson Group.

Al-Mufadda is a certified Project Management Professional and holds a bachelor's degree in Electrical Engineering from King Saud University.

6. Eng. Maher Al – Fawaz – Chief Sales and Distribution Officer

Eng. Maher Al-Fawaz has served as Zain KSA's Chief Sales and Distribution Officer since September 2019. As incumbent of this position, Al Fawaz took part in expanding and promoting Zain KSA's distribution and market share, and registering innovative channels for sales solutions.

Al-Fawaz has substantial experience in Network Engineering and Customer Care Services. During his tenure in Zain KSA, he applied his expertise to drive the company's network development, customer care, and call center operations enhancement.

Al-Fawaz initially joined Zain KSA as Capacity Manager back in 2013. He also held the position of Chief Engineer in the network sector prior to that.

Al-Fawaz holds a bachelor's degree in Electrical Engineering from King Saud University and an MBA from Prince Sultan University.

7. Shatha Al-Nafeesa – Chief Human Resources Officer

Ms. Shatha Mutlab Al-Nafeesa has served as Chief Human Resource Officer of Zain KSA since September 2019. Al-Nafeesa is responsible for hand-picking competent assets to join the company's the workforce, fostering a culture of success and organization in the work environment, and constantly drawing-in talents to support the company's ongoing growth. With more than 15 years of experience in HR leadership, Al-Nafeesa took on several leadership positions in the healthcare industry, and served as an HR consultant for a number of leading entities in both the public and private sectors where she developed HR strategies that ensure profitability, growth, and long-term success. She is a member of several committees including the Human Resources and Labor Market Committee of the Riyadh Chamber.

Al-Nafeesa holds a bachelor's degree in Human Resources Management from King Abdulaziz University.

8. Tiago Rocha da Silva – Chief Marketing Officer

Tiago Rocha da Silva joined Zain KSA as Chief Marketing Officer in September 2020. Through his role, da Silva leads the company's commercial digital transformation to provide customers with the best CX journey and innovative products and services and ultimately position Zain KSA as the leading digital services provider in the Kingdom.

Tiago Rocha brings to Zain KSA over 13 years of experience in Marketing, S&D strategies, brand positioning, customer experience, and digital transformation. His previous roles include Chief Manager at Oliver Wyman, Senior Engagement Manager at Delta Partners, Executive Board Member at Emerge Solutions Group, and Marketing and Strategy Planning Director at Movicel.

Tiago Rocha holds a Business Administration degree from ISCTE Business School and an Executive MBA from ISCTE Business School.

9. Faris Al-Ribdi – Vice President, Regulatory Affairs and Compliance

Faris Al-Ribdi is Zain KSA's Vice President of Regulatory Affairs and Compliance since September 2019. Through his role, Al-Ribdi provides regulatory support and manages the company's affairs with the Regulatory Authorities at MCIT and CITC, ensuring compliance with regulatory decisions and company license obligations to facilitate the launch of Zain KSA's digital services.

Al-Ribdi began his journey with Zain KSA in January 2018, when he was firstly appointed as General Manager of Regulatory Affairs and Compliance. Al-Ribdi previously served as Director of Regulatory Relations and has over 15 years of experience working predominantly with several telecom providers, in the fields of regulation, legal commerce and telecom.

Al-Ribdi holds a bachelor's degree in Information Systems from the Imam Muhammad Ibn Saud Islamic University.

10. Eng. Salah Al-Ghamdi – Vice President, Digital and Analytics

Al-Ghamdi has served as Vice President for Digital and Analytics at Zain KSA since November 2016. He had a pivotal role in Zain KSA's digital transformation journey, and participated in setting the company's strategies and execution plans, particularly through utilizing drones and adopting new digital business models in several sectors including financial technology. Al-Ghamdi also worked on developing electronic channels, business intelligence, big data capability development, and its supportive infrastructure.

Al-Ghamdi has acquired 17 years of experience in marketing, finance and communications. Prior to joining Zain KSA, he held senior roles at several of the Kingdom's telecom providers and global companies such as Ericsson, Nokia, and Takamol Holding.

Al-Ghamdi holds a master's degree in Engineering Entrepreneurship and Innovation from McMaster University in Hamilton, Canada, and a bachelor's degree in Electrical Engineering from King Saud University.

11. Rayan Al-Turki – Vice President, Communication

Rayan Al-Turki has served as Zain KSA's Vice President of Communication since November 2018. As a marketing strategist with over 15 years of experience in marketing, communication, and branding, Al-Turki has contributed to the effective integration of Zain KSA's business units with its communication campaigns, and has led Zain's marketing strategy during the launch of its services and investments in futuristic technologies.

Al-Turki held several executive roles in both the private and public sectors, most notably as General Manager of Marketing at the Ministry of Transport, along with other leading organizations including Careem and the Ministry of Commerce and Investment.

Al-Turki holds an MBA from Rochester Institute of Technology in the US and a bachelor's degree in Computer Science from King Saud University.

12. Eng. Hamad Al-Katheri – Vice President, Risk Management and Information Security

Eng. Hamad Al-Katheri assumed the position of Vice President of Risk Management and Information Security at Zain KSA in September 2019. Al-Katheri took part in the development of a risk management process that is subject to regular reviews and continuous improvements. He oversees the development of a robust enterprise risk management strategy, business continuity, and data security management. Owing to his experience of over 15 years, Al-Katheri is skillful in linking business objectives to technologically enabling factors to fulfill strategic enterprise goals.

Al-Katheri held several leadership positions in cyber-security at a number of leading private and public sector entities, including the Ministry of Foreign Affairs and the National Information Center.

Al-Katheri holds a bachelor's degree in Computer Engineering from King Fahd University of Petroleum and Minerals, and earned an Executive Education degree from Carnegie Mellon University in the US, in addition to an Executive Education degree from INSEAD Business School.

13. Nada Al-Harthi – Vice President, Business Affairs

Nada Al-Harthi joined Zain KSA as Vice President for Business Affairs in 2019 and is responsible for Strategy, Projects, Governance, Sustainability, and supporting Business Excellence.

Backed by a track record in developing business strategies, Al-Harthi has previously taken charge of several leadership roles within the Saudi Technology Development and Investment Company (TAQNIA), the National Center for Privatization & PPP, and the Ministry of Media.

Passionate about sustainability and women empowerment, Al-Harthi is active in the non-profit space and is a Cofounder of LEAN IN Saudi and Rofaida Women's Health Society.

Al-Harthi holds a master's degree in Global Management from Thunderbird School of Global Management, and a bachelor's degree in Finance from the University of Oregon. She has also completed various executive education programs including Stanford GSB's Executive Program in Women's Leadership, INSEAD's Management Acceleration Program, and IFC's Corporate Directors Certification Program.

14. Taghreed Bahadeelah – Vice President, Investor Relations

Taghreed Bahadeelah has held Zain KSA's Investor Relations Vice President position since March 2020. Bahadeelah is in charge of developing Zain KSA's strategic position and building relationships with the international investor community. Her experience in the corporate investor relations governance and strategic planning has been valuable for Zain KSA in fulfilling its potential, driving market share growth, and enhancing Zain KSA's position among global investors.

Bahadeelah brings to Zain KSA more than 14 years of experience in strategic planning and business development, which she acquired by working at a number of enterprises, such as Riyad Bank where she was in charge of Corporate Finance Management. She represented the Kingdom at the International Monetary Fund Conference and the Davos Conference, in addition to her work experience at the Saudi British Bank. Bahadeelah has also worked at the National Center for Privatization and the Diriyah Gate Development Authority, and also held the position of Vice President for Abunayyan.

Bahadeelah holds an MBA from the University of Cambridge, a certificate of credit and financial analysis, and a bachelor's degree in accounting from King Saud University.

3. FINANCIAL REVIEW

Material difference in the operational results:

The operating profit was 1,002 million Saudi riyals in 2020, compared to an operating profit of 1,511 million Saudi riyals in the previous year as a result of a decrease in revenue by 5.6% and an increase in cost of revenue by 2.2% This was offset by a decrease in operating and administrative expenses by 6.6%.

1. Balance Sheet Highlights

The following table summarizes the financial position of Zain KSA as of December 31, 2016, 2017, 2018, 2019 and 2020:

SAR Million	2016 Audited	2017 Audited	2018 Audited	2019 Audited	2020 Audited	Change 19/20	% Change 19/20
Current Assets	3,356	3,710	3,515	3,404	**3,383**	(21)	-0.6%
Non-current Assets	23,158	22,230	22,808	24,334	**24,775**	441	1.8%
Total Assets	26,514	25,940	26,323	27,738	**28,158**	420	1.5%
Current Liabilities	6,582	11,488	7,352	4,517	**9,099**	4,582	101.4%
Non-current Liabilities	16,374	10,888	14,959	19,118	**10,330**	(8,788)	-46%
Total Liabilities	22,956	22,376	22,311	23,635	**19,429**	(4,206)	-17.8%
Shareholders' Equity	3,559	3,563	4,012	4,103	**8,729**	4,626	112.7%
Total Liabilities and Shareholders' Equity	26,515	25,940	26,323	27,738	**28,158**	420	1.5%

Source: Audited financial statements for the years ended 2016, 2017, 2018, 2019 and 2020
Note: Numbers may not sum up due to the rounding

The total assets of the company as of December 31, 2020, amounted to 28,158 million Saudi riyals, of which 13,471 million Saudi riyals (constituting 48% of the total assets) related to the book value of the license obtained by the company from the Communications and Information Technology Commission in 2007. In addition, property and equipment were valued at SAR 6,857 million, which is 24% of the total assets.

At the same date, the Company's total liabilities amounted to SAR 19,429 million, of which 59% amounting to SAR 11,524 million (loan and shareholders dues amount only) are related to the following:

- Murabaha Facility
- Shareholders' dues
- Governmental Loan
- Junior Murabaha

2. Overview of the Company's Borrowings

As of December 31, 2020, the outstanding balances of borrowing arrangements amounted to SAR 10,440 million. The following table summarizes those borrowing arrangements:

SAR Million	Term	Principal Amount	Net Repaid/ Added During 2020	Lender	Outstanding Balance	Maturity
Murabaha Facility	5 years	4,535	(2,707)	Consortium of 8 banks	1,828	30 September, 2025
Advances from Shareholders	Open	5,020	(2,703)**	Founding Shareholders	2,323	Open
Government Loan	14 years	Up to 800 per Year	-	Ministry of Finance	4,039	01 June, 2027
Junior Murabaha	3 years	2,250	-	Consortium of 5 banks	2,250	15 June, 2022
Total					10,440	

Source: Audited financial statements for the years ended 2020
Note: Numbers may not sum up due to the rounding
**It includes the non-cash amount of SR 1,667 which Zain Group has subscribed through a debt conversion from the principal outstanding.

Syndicated Murabaha Financing

On 27 September 2020, the Group refinanced and extended the maturity date of its existing five years syndicated Murabaha facility (MFA) until 2025 for a total amount available up to SR 6 billion with two years grace period, at better commercial terms. Moreover, the agreement includes a working capital facility of SR 1 billion (originally SR 0.65 billion in 2018) bringing the total facility amounting to SR 7 billion until 2025, bringing additional liquidity for the Group to fund its business growth plans. As at 31 December 2020, the Group utilized only the outstanding amount of the existing agreement SR 1.8 billion against 7 billion existing facility. As at 31 December 2020, total undrawn amount against Ministry of Finance is amounting to SR 5.2 billion.

On July 31, 2013, the Company 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 June 30, 2018, after it was due on July 31, 2013. This facility principal stood at SAR 8.6 billion with the SAR portion totaling SAR 6.3 billion and the USD portion totaling USD 0.6 billion (SAR 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 SAR 2.7 billion from this facility bringing the outstanding principal to SAR 5.9 billion at the maturity date.

On June 5, 2018, the Company has refinanced 2013 "Murabaha financing agreement" and extended the maturity date for additional five years until June 29, 2023 with a three years' grace period. The new facility principal stands, at the financing day, at SAR 5.9 billion with the SAR portion totaling SAR 4.25 billion and the USD portion totaling USD 0.45 billion (SAR 1.705 billion). Moreover, the agreement includes a working capital facility of SAR 647.3 million with the SAR portion totaling SAR 462.4 million and the USD portion totaling USD 49.3 million (SAR 184.9 million) for two years. 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 Telecommunication Company K.S.C and a pledge of Company shares owned by some of the founding shareholders, alongside the assignment of certain contracts and receivables and fixed assets up to the outstanding balance.

The Company is complying with the existing loan covenants.

Syndicated Murabaha Financing voluntary payments

- During the third quarter of 2018, the Company made an early voluntary payment of SAR 600 million (SAR portion: SAR 428.3 million, and the USD portion: USD 45.8 million).
- During the fourth quarter of 2018, the Company made a second early voluntary payment of SAR 525 million (SAR portion: SAR 374.81 million, and the USD portion: USD 40.05 million).
- During the second quarter of 2019, the Company made the third early voluntary payment of SAR 300 million (SAR portion: SAR 214.2 million, and the USD portion: USD 22.88 million).
- During the second quarter of 2020, the "Group" made a fourth early voluntary payment for (Saudi Riyals portion: SAR 481.9 million, and the USD portion: USD 51.5 million) totaling SAR 675 million.
- The Group recalculates the gross carrying amount of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate and accordingly adjusted the gross carrying amount of the loan to reflect actual and revised estimated contractual cash flows. The difference between the existing carrying amount of the Murabaha facility and the revised gross carrying amount amounts to SR 136 million which has been recognized in consolidated statement of profit and loss and other comprehensive income as gain on modification of borrowings.

Dues to Shareholders

The founding shareholders have provided and they continue to provide financial support to the Company since 2007. The outstanding balance as of December 31, 2020 amounted to SAR 3.6 billion. Financing cost began to take place in August 2009 following the refinancing of the Syndicated Murabaha Financing, which took place at that time, while the loans carry financing costs as agreed with the Founding Shareholders.

The Company initially obtained these advances from the founding shareholders in order to serve the following purposes:

- Partially finance the acquisition of CITC license
- Finance the working capital requirements
- Provide security required by syndicated Murabaha financing agreement
- Pay for all dues on junior debt and loans

Payable to M.O.F

During 2013, the Company has signed an agreement with the Ministry of Finance, Saudi Arabia to defer payments of its dues to the government for the next seven years, estimated at SAR 5.6 billion. These deferred payments under this agreement will be bearing commercial commission payable annually, while the amount due will be repayable in equal installments starting June 2021. The amount deferred by the Company as of December 31, 2020 amounted to SAR 4,039 million (December 31, 2019: SAR 3,578 million).

Junior Murabaha

On June 16, 2019, the Company has signed a new Junior Murabaha facility agreement amounting to SAR 2.25 billion with a consortium of five banks to settle its existing commercial loan which has been obtained from the 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 the 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.

3. Statements of Operation Highlights

The following table summarizes the statements of operation for the years ended on December 31, 2016, 2017, 2018, 2019 and 2020

SAR Million	2016 Audited	2017 Audited	2018 Audited	2019 Audited	2020 Audited	Change 19/20	% Change 19/20
Revenues	6,927	7,306	7,531	8,386	**7,917**	(469)	-5.6%
Cost of Revenues	(2,526)	(2,510)	(2,106)	(2,418)	**(2,472)**	(54)	2.2%
Gross Profit	4,401	4,796	5,425	5,968	**5,445**	(523)	-8.8%
Operating and administrative expenses	(2,605)	(2,279)	(2,416)	(2,146)	**(2,004)**	142	-6.6%
EBITDA	1,796	2,517	3,009	3,822	**3,441**	(381)	-10.0%
Depreciation and Amortization	(1,850)	(1,614)	(1,790)	(2,312)	**(2,439)**	(127)	5.5%
Net profit / (Loss) before finance fees and other income and Zakat	(54)	903	1,219	1,510	**1,002**	(508)	-33.6%
Income from loan modification	-	-	-	-	**136**	136	100%
Finance & other Income	32	18	44	37	**40**	3	8.1%
Financial Charges	(956)	(910)	(931)	(1,045)	**(898)**	147	-14.0%
Net Profit / (Losses) for The Year before Zakat	(979)	12	332	503	**280**	(223)	-44.4%
Zakat	-	-	-	(19)	**(20)**	(1)	5.2%
Net profit / (Loss) for the year	(979)	12	332	485	**260**	(225)	-46.4%

Source: Audited financial statements for the years ended 2016, 2017, 2018, 2019 and 2020
Note: Numbers may not sum up due to the rounding

- Revenue reached SAR 7,917 million for 2020 compared to SAR 8,386 million the previous year posting a decrease of 5.6%, where data revenue represents 50% (excluding value added services & SMS).
- Gross profit reached SAR 5,445 million in 2020 compared to SAR 5,968 million in the previous year, posting a decrease of 8.8%, with gross profit margin reaching 69% compared to 71% in previous year.
- Operating and administrative expenses reached SAR 2,004 million in 2020; a decrease of 6.6% compared to SAR 2,146 million the previous year.
- EBITDA reached SAR 3,441 million in 2020 compared to SAR 3,822 million the previous year, posting a decrease of 10%, with EBITDA margin reaching 43% compared to 46% in previous year.
- Depreciation and amortization expenses reached SAR 2,439 million in 2020 compared to SAR 2,312 million the year before, posting an increase of 5.5%.
- Operational profit reached SAR 1,002 million in 2020 compared to operational loss of SAR 1,510 million the previous year.
- Net profit after zakat and tax reached SAR 260 million in 2020 compared to net profit after zakat and tax of SAR 485 million the previous year.
- Total comprehensive income reached SAR 182 million in 2020 compared to total comprehensive income of SAR 384 million in the previous year.
- Profit per share reached SAR 0.379 in 2020 compared to profit per share of SAR 0.716 (restated after the right issue of the share capital) in the previous year.
- Total shareholders' equity (there is no minority interest) reached SAR 8,729 million for 2020 compared to SAR 4,103 million the previous year, an increase of 113%.
- The shareholders' equity has been increased mainly due to the reduction of the share capital by absorbing the accumulated losses by 1,350 million and issuing additional share capital of SAR 4,500 million.
- The accumulated deficit reached SAR 54 million for 2020, representing 0.60% of the Company share capital of SAR 8,987 million, compared to an accumulated deficit of SAR 1,608 million the previous year representing 28% of the Company share capital of 5,837 million.
- Zain KSA's subscriber base comprised 7 million subscribers in 2020 compared to 7.6 million the prior capital.

4. The following table presents revenue breakdown for years, 2016, 2017, 2018, 2019 and 2020:

SAR Million	2016	2017	2018	2019	2020	Change 19/20	% Change 19/20
Mobile Telecommunications Group	6,926	7,306	7,531	8,085	**7,641**	(444)	-5%
Zain Sales Company	-	-	-	2,875	**2,360**	(515)	-18%
Zain Payment - Tamam			-	0.023	**0.729**	0.706	3070%
Zain Drones	-	-	-	-	**-**	-	0%
Eliminations	-	-	-	(2,573)	**(2,085)**	-	-
Total Revenue	6,926	7,306	7,531	8,386	**7,917**	(470)	5.6%

Source: Audited financial statements for the years ended 2016, 2017, 2018, 2019 and 2020:
Note: Numbers may not sum up due to the rounding

It's worth mentioning that the geographical analysis of revenue does not apply due to the nature of the Company's operations. This is attributed to the mobility of the customer within the Kingdom; so, the customer's information might be registered in some region while the telecommunication activities are initiated from different regions depending on the location. Furthermore, revenue generated by international calls couldn't be linked to any region since they occur overseas.

Basis of Preparation of the Financial Statements

These consolidated financial statements of "the Group" have been prepared in accordance with International Financial Reporting Standard "IFRS" that is endorsed in the Kingdom of Saudi Arabia along with other pronouncement issued by Saudi Organization for Certified Public Accountant (SOCPA).

Description of the class and number of any convertible debt instruments, contractual securities, preemptive right or similar rights issued or granted by the company during 2020

The Company has no debt instruments, options, guarantees or similar rights that are convertible until the date of this report. Apart from what is stated above, the Company has no debt instruments, options, guarantees, or similar rights that are convertible until the date of this report.

Description of any conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted by the Company

During the year the Company's board of director's approved the reduction and the further reduction of the share capital and given the improvements in the company's operations and reduction of the share capital the accumulated losses were reduced from around 28% to around 0.6%. The details of the events are as follows; the company's board of directors approved the reduction and the further issue of the share capital through a right issue as follows:

1. Capital Reduction

On 08 October 2020, Extraordinary General Assembly Meeting (EGA) was conveyed in which share capital reduction has been approved by the shareholders. As per the approval of the EGA, the shareholders approved to reduce the share capital through the cancelation of 135,000,000 shares. The share capital before the reduction amounted to SR 5,837,291,750 and the share capital after reduction was SR 4,487,291,750 by reducing of SR 1,350,000,000. The percentage change in share capital, after the share capital reduction ratio was 23.1%, therefore the reduction ratio per share is 0.23.

2. Rights Issue

On 14 October 2020, Extraordinary General Assembly Meeting (EGA) was conveyed in which capital increase of the Company through right issue has been has been approved by the shareholders. As per the approval of the EGA, the shareholders had approved to increase the share capital through the issuance of 450,000,000 shares. The revised share capital after the right issue has been SR 8,987,291,750 by increasing the capital by SR 4,500,000,000; out of which Zain Group subscribed through a debt conversion of SR 1,667 million from the principal outstanding which is considered as a non-cash entry. The Percentage increase per share is 1.003 Rights per share.

The Company anticipates that this capital reduction and rights issue will pave the way for dividend distribution to the Company's shareholders after extinguishing all accumulated losses, in addition as this capital increase is used to reduce the Company's debt on the balance sheet and therefore result in significant interest savings which is evident from the decrease in the finance cost by 14%. The capital re-structuring is expected to improve the financial performance profitability, and leverage ratios of the Company.

Statutory Payments

The Company had finalized its zakat and tax status up to 2008 and obtained the related certificate.
The Company had submitted its consolidated financial statements along with group zakat and returns for the years 2009 to 2019 and paid zakat and withholding tax according to the filed returns.

On 18 Ramadan 1436 H (corresponding to 07 July 2015), 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.

Zain KSA 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), Zain KSA 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, Zain KSA 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.

Zain KSA received additional assessment for the remaining years until 2019. The company is in the process of appealing those assessments in early 2021.
There is no financial impact as "the Group" has sufficient provisions to cover these amounts.

The following table includes the statutory payments paid in 2020 or outstanding as on December 31, 2020 as well as brief description and reasons thereof:

Paid	2020		Brief Description / Reasons
	SAR Million	Outstanding as on December 31	
Communications and Information Technology Commission	534	1,531	These amounts are related to the amount paid to CITC against spectrum fees, revenue shares and other fees. Outstanding balance relates to the Spectrum fees.
Ministry of Finance	164	4,039	These mounts are related to the Ministry of Finance Loan. The amount paid was Interest fees whereas the outstanding amount will be payable in equal installments starting June 2021.
General Organization for Social Insurance	44	-	These amounts are related to GOSI Payment for Zain Employees.
General Authority for Zakat and Tax	324	143	These amounts are related to Value Added Tax, Withholding tax and Zakat provision.

Other than that, there are no other statutory payments.

Employees' End-of-Service Benefits

The value of the employees' end-of-service benefits, provided by Zain KSA, amounted to SAR 125 million as at December 31, 2020.

4. GOVERNANCE

a. Shareholders

Zain KSA has a dedicated team to manage the relations with shareholders and investors in order to meet the requirements of local and global investors, respond to their inquiries, and take their comments and suggestions. The team works to manage market expectations and provide a comprehensive disclosure of all relevant information.

The importance of investor relations comes to achieve Saudi Vision 2030's goals of diversifying the economy, opening the financial market to foreign investors, and promoting Investor Relations best practices in line with the inclusion of the Saudi stock market in global indices. This is in continuation of the pioneering role played by the Capital Market Authority (CMA) and the Saudi Capital Market (Tadawul).

The Investor Relations function works to have a proactive communication with the financial community and build effective relationships with all stakeholders. It undertakes to open a dialogue between the Board and CEO on the investors' perceptions and expectations, as it provides several channels of communication including mail (at investor.relations@sa.zain.com) and telephone calls (at +966-59-244-8888), as well as attending local and international conferences.

The Investor Relations department receives suggestions, remarks, or inquiries from shareholders or investors relating to the Company and its performance, and updates the Board of Directors and the Executive Management on them in order to take the necessary actions, if needed, that serve the best interests of the Company.

i. Substantial Shareholders

The following table includes information related to substantial shareholders who own 5% or more of the Company's shares, and their respective shareholding details during 2020[1]:

	Substantial Shareholder	As on January 1, 2020		As on December 31, 2020		Net change (Shares)	Change %
		No. of Shares	Ownership %	No. of Shares	Ownership %		
1	Mobile Telecommunication Company K.S.C.P	216,243,575	37.05%	332,935,919	37.05%	116,692,344	0
2	Faden Trading & Contracting Establishment	34,856,143	5.97%	53,665,694	5.97%	18,809,551	0
3	Saudi Plastic Factory	34,125,198	5.85%	26,357,300	2.93%	7,767,898	-2.92%

[1] During 2020, the company reduced its capital and then increased it by offering Rights issue shares.

ii. Important Announcements

The following table lists the significant announcements the Company made during 2020:

#	Date	Announcement	Link
1	Feb 05, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announces its consolidated Annual Financial Results for the Period Ending on 31-12-2019	Link
2	Feb 10, 2020	Mobile Telecommunications Company Saudi Arabia (Zain KSA) announces the latest developments regarding the board of directors' recommendation to reduce the Company's capital and a subsequent capital increase through a rights issue	Link
3	Feb 10, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announces the latest developments on its announcement on board of directors' recommendation to reduce the Company's capital and a subsequent capital increase through a rights issue	Link
4	Apr 30, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announces its Interim Financial Results for the Period Ending on 31-03-2020 (Three Months)	Link
5	May 10, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) (the "Company") invites its Shareholders to attend the Ordinary General Assembly Meeting (First Meeting)	Link
6	June 04, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announces the results of the Ordinary General Assembly Meeting (First Meeting)	Link
7	Jul 05, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announces signing a Memorandum of Understanding with Etihad Etisalat Company (Mobily)	Link
8	Jul 14, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announces its Interim Financial Results for the Period Ending on 30-06-2020 (Six Months)	Link
9	Jul 28, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announces an update in regards to signing an MoU with Etihad Etisalat Company (Mobily) to increase its participation in the communication towers, with the objective of achieving maximum efficiency and upgrading the communications and information technology system, with the support and supervision of the CITC	Link
10	Aug 27, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announces the latest developments regarding its Board of Directors' recommendation to reduce the Company's capital and a subsequent capital increase through a rights issue	Link
11	Sep 17, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) invites its Shareholders to attend the Extraordinary General Assembly Meeting for Capital Decrease (First Meeting)	Link
12	Sep 21, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) invites its Shareholders to attend the Extraordinary General Assembly Meeting for Capital Increase (First Meeting)	Link
13	Sep 29, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announces refinancing Murabaha facility offered by Al Rajhi Banking and Investment Corporation, Banque Saudi Fransi, Arab National Bank, National Bank of Kuwait, SAMBA Financial Group, Bank AlJazira, Gulf International Bank, Credit Agricole CIB	Link
14	Sep 30, 2020	Addendum Announcement from Mobile Telecommunication Company Saudi Arabia (Zain KSA) in regards of inviting its Shareholders to attend the Extraordinary General Assembly Meeting for Capital Decrease (First Meeting)	Link
15	Sep 30, 2020	Addendum Announcement from Mobile Telecommunication Company Saudi Arabia (Zain KSA) in regards of inviting its Shareholders to attend the Extraordinary General Assembly Meeting for Capital Increase (First Meeting)	Link
16	Oct 05, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announces the date of the commencement date of electronic voting agenda items for the Extraordinary General Assembly Meeting which includes Capital Decrease (First Meeting)	Link
17	Oct 11, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announces the date of the commencement date of electronic voting agenda items for the Extraordinary General Assembly Meeting which includes Capital Increase (First Meeting)	Link

18	Oct 11, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA)'s announcement of the results of the Extraordinary General Assembly Meeting on which its capital reduction has been approved (First Meeting)	Link
19	Oct 11, 2020	Addendum announcement from Mobile Telecommunication Company Saudi Arabia (Zain KSA) in regards to results of the Extraordinary General Assembly Meeting on which its capital reduction has been approved (first meeting)	Link
20	Oct 15, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA)'s announcement of the results of the Extraordinary General Assembly meeting containing the approval to increase the Company's capital (First Meeting)	Link
21	Oct 15, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announcement as to the allocation of the period of Rights Issue Trading and New Shares Subscription	Link
22	Oct 19, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announces the Start of the Rights Issue Trading and Subscription to New Shares Period (Reminder)	Link
23	Oct 26, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announces the Last Day for Rights Issue Trading and New Shares Subscription (Reminder)	Link
24	Nov 01, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announces the Results of Rights Issue trading and New Shares Subscription, as well as the details of Unsubscribed Shares sale	Link
25	Nov 03, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announces its Interim Financial Results for the Period Ending on 30-09-2020 (Nine Months)	Link
26	Nov 08, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announces the deposit of sums resulting from selling fractional shares following decrease of the company's share capital in the accounts of eligible shareholders	Link
27	Nov 09, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announces the Results of the Rump Offering and Final Allocation of Rights Issue Shares	Link
28	Nov 19, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announces the Compensation to be distributed to Holders of Rights Issue who have not exercised their Rights to Subscribe to the Newly Issued Shares	Link
29	Dec 07, 2020	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announces Resignation and Appointment of a Board Member	Link

iii. Shareholders Meetings

The table below includes the detailed record of Zain KSA's Board of Director's attendance of the General Assembly Meetings

1. The Ordinary General Assembly Meeting was held on June 03, 2020 at 20:30 at Zain KSA Headquarters in Riyadh, and was attended by shareholders via modern technologies.

#	Name	Attendance
1	HH Prince Naif bin Sultan bin Mohammed bin Saud Al-Kabeer	✓
2	Bader Nasser Al-Kharafi	✓
3	Ossama Michel Matta	✓
4	Raied bin Ali Al-Seif	✓
5	Saud Abdullah Al-Bawardi	✓
6	Hisham Mohammed Attar	✓
7	Martial Caratti	✓
8	Firas Oggar	✓
9	Scott Gegenheimer[1]	✓

During this meeting, the Ordinary General Assembly deliberated on the following agenda items and approved them by a great majority of the votes attended:

#	Name
1	Approved the Board of Directors' report for the fiscal year ending on 31 December 2019.
2	Approved the External Auditor's report for the fiscal year ending on 31 December 2019.
3	Approved the financial statements for the fiscal year ending on 31 December 2019.
4	Approved the appointment and fees of Dr. Mohamed Al-Amri & Co.(BDO) as the External Auditor, amongst the list of nominees, to review and audit the Company's financial statements for the second, third and fourth quarters and annual financial statements of fiscal year 2020, in addition to the first quarter of fiscal year 2021.
5	Approved the transactions and contracts concluded between the Company and Almarai Company in which the Chairman: Prince Naif bin Sultan bin Mohammed bin Saud Al-Kabeer has indirect interest, and approved it for the following year. The transaction represents telecommunication services contract based on common commercial terms, and without any preferable conditions, with a total amount of SAR 2,886,332 during the fiscal year 2019.
6	Approved the transactions and contracts concluded between Zain KSA and Archiving and Warehousing Storage Solutions Company where the Chairman Prince: Naif bin Sultan bin Mohammed bin Saud Al-Kabeer has an indirect interest. For the provision of archiving and storing services for an annual amount of SAR 916,793. The contract terminated on 30 June 2019.
7	Approved the transactions and contracts concluded between the Company and Arabian Shield for Cooperative Insurance in which the Chairman: Prince Naif bin Sultan bin Mohammed bin Saud Al-Kabeer and Board Member Mr. Raed Ali Al-Seif have indirect interest, and approved it for the following year. The transaction represents services contract based on common commercial terms, and without any preferable conditions, with a total amount of SAR 531,981 during the fiscal year 2019.
8	Approved the transactions and contracts concluded between the Company and Al Yamamah Cement Company in which the Chairman: Prince Naif bin Sultan bin Mohammed bin Saud Al-Kabeer has indirect interest, and approved it for the following year. The transaction represents telecommunication services contract based on common commercial terms, and without any preferable conditions, with a total amount of SAR 539,423 during the fiscal year 2019.
9	Approved discharging the Board of Directors against their work during the fiscal year ending 31 December 2019.
10	Approved the payment of total SAR 3,675,000 to board and committees' members collectively as remuneration for the fiscal year ending 31 December 2019.

[1] The company's board of directors approved by passing the resignation of Scott Gegenheimer in 06-12-2020 and the appointment of Kamil Hilali to replace the resigned member.

1. The Extraordinary General Assembly Meeting was held on Oct 08, 2020 at 18:30 at Zain KSA Headquarters in Riyadh, and was attended by shareholders via modern technologies.

#	Name	Attendance
1	HH Prince Naif bin Sultan bin Mohammed bin Saud Al-Kabeer	✓
2	Bader Nasser Al-Kharafi	×
3	Ossama Michel Matta	×
4	Raied bin Ali Al-Seif	✓
5	Saud Abdullah Al-Bawardi	✓
6	Hisham Mohammed Attar	✓
7	Martial Caratti	×
8	Firas Oggar	✓
9	Scott Gegenheimer[1]	×

- **During this meeting, the Extraordinary General Assembly deliberated on the following agenda items and approved them by a great majority of the votes attended:**

#	Schedule of Work
1	**Approved the Board of Directors' recommendation to reduce the Company's capital as follows:** • Capital before the reduction: five billion eight hundred and thirty-seven million two hundred ninety-one thousand seven hundred and fifty (5,837,291,750) SAR. • The capital after the reduction: Four billion four hundred and eighty-seven million two hundred and ninety-one thousand seven hundred and fifty (4,487,291,750) SAR. • The number of shares before the reduction: five hundred and eighty-three million seven hundred and twenty-nine thousands and one hundred and seventy five shares (583,729,175). • The number of shares after the reduction: four hundred forty-eight thousand seven hundred and twenty-nine and one hundred and seventy-five shares (448,729,175). • Pursuant to the auditor's report, the reason for capital's reduction is to extinguish most of the Company's accumulated losses, there shall be no significant impact on the Company's financial obligations as a result of the capital's reduction. • Capital reduction method: through the cancelation of one hundred and thirty-five million (135,000,000) shares (with a nominal value of 10 SAR per share) from the current company's shares. • Date of reduction: The reduction's resolution shall be applicable on all the shareholders as registered in the Company's register at the Securities Depository Center Company (Edaa) at the end of the second trading day after the Extra Ordinary General Assembly Meeting during which the capital's reduction was resolved. • Amendment of Article (7) of the Company's bylaw related to the capital and shares. • Amendment of Article (8) of the Company's bylaw related to subscribing to shares. • The capital reduction ratio will be 23.1%, therefore the reduction ratio per share is 0.23.

[1] The company's board of directors approved by passing the resignation of Scott Gegenheimer in 06-12-2020 and the appointment of Kamil Hilali to replace the resigned member

3. The Extraordinary General Assembly Meeting was held on Oct 14, 2020 at 18:30 at Zain KSA Headquarters in Riyadh, and was attended by shareholders via modern technologies.

#	Name	Attendance
1	HH Prince Naif bin Sultan bin Mohammed bin Saud Al-Kabeer	✓
2	Bader Nasser Al-Kharafi	×
3	Ossama Michel Matta	×
4	Raied bin Ali Al-Seif	✓
5	Saud Abdullah Al-Bawardi	✓
6	Hisham Mohammed Attar	✓
7	Martial Caratti	×
8	Firas Oggar	✓
9	Scott Gegenheimer[1]	×

- **During this meeting, the Extraordinary General Assembly deliberated on the following agenda items and approved them by a great majority of the votes attended:**

#	Schedule of Work
1	**Approved the Company's Board of Directors' recommendation to increase the Company's capital by way of Rights Issue in accordance with the following:** • Capital before the increase: Four billion four hundred and eighty-seven million two hundred ninety-one thousand seven hundred fifty Saudi riyals (SAR 4,487,291,750). • Capital Change Percentage: 100.3% • Capital after the increase: Eight billion nine hundred and eighty-seven million two hundred and ninety-one thousand seven hundred fifty Saudi riyals (SAR 8,987,291,750). • The total amount of the increase: Four billion five hundred million Saudi riyals (SAR 4,500,000,000). • Number of shares before the increase: 448,729,175 shares. • Number of shares after the increase: 898,729,175 shares. • Percent increase per share: 1.003 Rights per share. • Reason for the capital increase: Capitalizing part of the amounts due to Zain Kuwait, and paying part of the Murabaha facility. • Capital increase method: Offering and listing Rights Issue shares with four hundred fifty million (450,000,000) ordinary shares. • Eligibility date: Shareholders who own shares on the day of the Extraordinary General Assembly and who are registered in the Company's Shareholder Register at the Securities Depository Center Company (Edaa Center) as at the close of the second trading day following the date of the Extraordinary General Assembly meeting 01/03/1442H, corresponding to 18/10/2020G. • Offering value and nominal value Per share: 10 SAR. • Number of Offer shares: four hundred fifty million (450,000,000) ordinary shares. • Amending Article 7 of the Company's bylaws related to the capital and shares. • Amending Article 8 of the Company's bylaws related to share subscriptions.

[1] The company's board of directors approved by passing the resignation of Scott Gegenheimer in 06-12-2020 and the appointment of Kamil Hilali to replace the resigned member.

iv. Shareholders' Books

The Company requested a total of 24 shareholders' registers during the year 2020 in order to analyze and interact with investors, and complete the Company's capital reduction procedures, and the subsequent capital increase. Details of such requests are shown in the below table:

#	Date of request	Date of shareholder register	Purpose
1	02/12/2020	01/12/2020	Analysis and interaction with shareholders and completing the Company's capital reduction procedures and subsequent capital increase
2	23/11/2020	23/11/2020	
3	18/11/2020	18/11/2020	
4	18/10/2020	15/10/2020	
5	18/10/2020	18/10/2020	
6	18/10/2020	14/10/2020	
7	14/10/2020	14/10/2020	
8	08/10/2020	08/10/2020	
9	07/10/2020	06/10/2020	
10	05/10/2020	05/10/2020	
11	29/09/2020	29/09/2020	
12	30/08/2020	27/08/2020	
13	09/08/2020	31/07/2020	
14	09/08/2020	31/07/2020	
15	30/06/2020	30/06/2020	
16	01/06/2020	31/01/2020	
17	01/06/2020	30/04/2020	
18	01/06/2020	31/05/2020	
19	26/04/2020	31/03/2020	
20	24/03/2020	24/03/2020	
21	02/03/2020	27/02/2020	
22	02/03/2020	29/02/2020	
23	21/01/2020	20/01/2020	
24	09/01/2020	31/12/2019	

b. Board of Directors

The Board of Directors represents all shareholders and performs its duties in managing Zain KSA's affairs with care and loyalty. The Board undertakes all actions in the general interest of the Company and strives to develop it and maximize its value.

In order to take on this sensitive role, the Board has the broadest powers in managing the Company and guiding its activities to achieve its strategic objectives.

i. Composition

During its meeting held on April 18, 2019, the Ordinary General Assembly of Zain KSA elected the Board of Directors for the next term which started on April 26, 2019 and shall end on April 25, 2022. The Board of Directors comprised the following members during 2020:

#	Name	Membership Classification
1	HH Naif bin Sultan bin Mohammed bin Saud Al-Kabeer (Chairman)	Independent
2	Bader Nasser Al-Kharafi (Vice-chairman)	Non-executive
3	Ossama Michel Matta	Non-executive
4	Raied bin Ali Al-Seif	Independent
5	Saud Abdullah Al-Bawardi	Non-executive
6	Hisham Mohammed Attar	Independent
7	Martial Caratti	Non-executive
8	Firas Oggar	Non-executive
9	Kamil Hilali[1]	Non-executive
*9	Scott Gegenheimer[2]	Non-executive

ii. Meetings

The following table includes the details of the meetings held by the Board of Directors during 2020.

	Name	The Board of Directors held four (4) meetings during 2020				Total
		1st meeting February 04, 2020	2nd meeting June 29, 2020	3rd meeting November 15, 2019	4th meeting December 06, 2020	
1	HH Naif bin Sultan bin Mohammed bin Saud Al-Kabeer	✓	✓	✓	✓	4
2	Bader Nasser Al-Kharafi	✓	✓	×	✓	3
3	Ossama Michel Matta	✓	✓	✓	✓	4
4	Raied bin Ali Al-Seif	✓	✓	✓	✓	4
5	Saud bin Abdullah Al-Bawardi	✓	✓	✓	✓	4
6	Hisham bin Mohammed Mahmoud Attar	✓	✓	✓	✓	4
7	Martial Anthony Caratti	✓	✓	✓	✓	4
8	Firas Oggar	✓	✓	✓	✓	4
9	Kamil Hilali[3]	NA	NA	NA	✓	1
9*	Scott Gegenheimer[4]	✓	✓	✓	NA	3
The date of the last General Assembly meeting held was October 14, 2020.						

[1] The company's board of directors approved by passing the resignation of Scott Gegenheimer in 06-12-2020 and the appointment of Kamil Hilali to replace the resigned member.
[2] The company's board of directors approved by passing the resignation of Scott Gegenheimer in 06-12-2020 and the appointment of Kamil Hilali to replace the resigned member.
[3] The company's board of directors approved by passing the resignation of Scott Gegenheimer in 06-12-2020 and the appointment of Kamil Hilali to replace the resigned member.
[4] The company's board of directors approved by passing the resignation of Scott Gegenheimer in 06-12-2020 and the appointment of Kamil Hilali to replace the resigned member.

iii. Other Capacities of Board Members

The following table lists the companies inside and outside the Kingdom of Saudi Arabia in which Board Members serve or have previously served as Board Members or Senior Executives:

Name	Current Board Memberships / Executive Roles in other Companies	Previous Board Memberships / Executive Roles in other Companies
HH Prince Naif bin Sultan bin Mohammed bin Saud Al-Kabeer	• Board Chairman at Al Marai (Joint Stock Company) • Board Member at Yamama Saudi Cement (Joint Stock Company) • Chairman of the Board of Directors at Arabian Shield Cooperative Insurance Company (Joint Stock Company) • Board Member at Farabi Petrochemicals Company • Board Member at Tarabot Investment & Development Company • Board Member at Ideal Factory for Sweets and Pastries Company • Board Member at Alnafoura Food Supply Company • Board Member at Alnafoura Fishery Company • Board Member at Alnafoura Catering • Chairman of the Board of Managers at Taste of Diplomats for Sweets Company • Chairman of the Board of Directors at Diplomat Factory for Sweets and Pastries • Chairman of the Board of Managers at Dar Alsulal Company • Member of the Board of Directors at Tejoury Company	• General Manager of Technical Projects & Contracting Co. • General Manager of Ashbal Al Arab Contracting Est
Bader Nasser Al-Kharafi	• Chairman of the Board at Gulf Cable & Electrical Industries Co. KSCP, Kuwait • Board Member at Foulath Holding B.S.C (c) Bahrain • Vice Chairman at Diamond International Motors, Egypt • Vice Chairman at Mobile Telecommunications Company, KSCP, Kuwait • Board Member at Refreshment Trading Company, Kuwait • Board Member at Gulf Bank KSCP, Kuwait • Board Member at Al-Khatem for Telecommunication • Board Member at Coutts & Co. England – Middle East Consultant Member • Member of the Board of Athir Telecommunications Iraq • Chairman of Board of Managers Sudanese Mobile Telephone co. "Ltd" • Chief Executive Officer at M. A. Kharafi & Sons • Managing Director at Al-Khatem for Telecommunication (Iraq) • Group Chief Executive Officer at Mobile Telecommunications Company, KSCP, Kuwait	• Vice Chairman of the Board of Jusoor Holding Company
Ossama Matta	• Board Member at Zain Charlotte • Member of the Board of Managers of NEXGEN Advisory Group FZ-LLC • Board Member at Zain UK Facilities Company • Board Member at Zain Dilmun Facilities Company • Board Member at Zain Victoria Facilities Company • Board Member at Zain Procurement Company • Board Member at Morpeth Limited Company • Member of the Board of Managers Sudanese Mobile Telephone co. "Ltd" • Board Member at Zain Ajyal Company • Board Member at Wana Company • Chief Financial Officer at Mobile Telecommunications Company, KSCP, Kuwait	• None
Raied bin Ali Al-Seif	• Chairman of the Board at ANB Invest • Board Member at Ideal Factory for Sweets and Pastries Company • Board Member at Alnafoura Food Supply Company • Board Member at Arabian Shield Insurance Company (Joint Stock Company) • Board Member at Alnafoura Fishery Company • Board Member at Alnafoura Catering • Board Member at Managers at Taste of Diplomats for Sweets Company • Board Member at the Diplomat Factory for Sweets and Pastries • Board Member at Dar Alsulal Company • Head of Investment and Business Development at the Office of HH Prince Sultan Bin Mohammed Bin Saud Al-Kabeer	• Vice Chairman of the Board of Jusoor Holding Company
Saud Abdullah Al-Bawardi	• Vice Chairman of the Board of Directors of the National Gypsum Company (Joint Stock Company) • Board member at the FALCOM Holding Company • Chairman of the Board of Directors at Excellent Foods Company • Chairman of the Board of Directors at Smart Parking Company	• Vice president and Chief Operating Officer at Mobile Telecommunication Company Saudi Arabia (Zain KSA) • Chief Commercial Officer at Mobile Telecommunication Company Saudi Arabia (Zain KSA)
Hisham Attar	• Member of the Board at Saudi Industrial Investment Company (Dussur) • Chairman of the Board at Saudi Jordanian Investment Fund • Member of the Board at Alfarabi Medical Company • Member of the Board at Marketing and Trading Co. Ltd • Member of the Board of Managers of the Distinguished Academy for Sports Training • Member of the Executive Committee at the Saudi Arabian Military Industries (SAMI) • Senior Vice President at the Public Investment Fund	• Board Member at Industrialization & Energy Services Company (TAQA) • Senior Vice President of Government Investments Department at the Public Investment Fund. • General Manager at Amwal Alkhaleej Investment Company

Martial Caratti	• Member of the Board at Mobile Telecommunications Company, KSCP, Kuwait • Chief Financial Officer at Oman Telecommunications Company (Omantel)	• Chief Financial Officer at Ooredoo Tunisia Telecommunications Company
Firas Oggar	• Head of Legal at Mobile Telecommunications Company, KSCP, Kuwait	• Head of Legal at Foulath Holding B.S.C (c) Bahrain • Head of Legal at Al Ghurair Group
Kamil Hilali[1]	• Chief Strategic Affairs Officer for Zain Group • Board Member in the Moroccan Telecom Company INWI Crop	• Senior Investment Manager in the Private Equity Division of North African Holding Company • Board Member in two subsidiaries of the Kuwait Projects Company • Director of Asset Management at Co & JPMorgan Chase in the USA
Scott Gegenheimer[2]	• Board Member at Zain Charlotte • Member of the Board of Managers of NEXGEN Advisory Group FZ-LLC • Board Member at Zain UK Facilities Company • Board Member at Zain Dilmun Facilities Company • Board Member at Zain Victoria Facilities Company • Board Member at Zain Procurement Company • Board Member at Morpeth Limited Company • Board Member at FOO Off-shore Company • Board Member at FOO Company • Board Member at FOO Holding • Chief Executive Officer of Operations at Mobile Telecommunications Company, KSCP, Kuwait	• Chief Executive Officer at Mobile Telecommunications Company, KSCP, Kuwait

[1] The company's board of directors approved by passing the resignation of Scott Gegenheimer in 06-12-2020 and the appointment of Kamil Hilali to replace the resigned member.
[2] The company's board of directors approved by passing the resignation of Scott Gegenheimer in 06-12-2020 and the appointment of Kamil Hilali to replace the resigned member.

c. Board Committees

Board Committees play a pivotal role in enabling the Board to effectively perform its duties. Each Committee is responsible before the Board for its activities without prejudice to the Board's overall responsibility of the Company's affairs. Accordingly, and in line with Article (101) of the Companies Law, and Articles (50) and (54) of the Corporate Governance Regulations of CMA, the Audit Committee and Nomination and Remuneration Committee have been formed to undertake their respective roles and competences under the applicable laws and regulations.
The following sections include a brief description of their competencies and information related to their composition and activities.

i. Audit Committee

The Audit Committee is composed of three members who were reappointed by the General Assembly of Zain KSA in its meeting held on April 18, 2019, for a three-year term which started on April 26, 2019 and will end on April 25, 2022.

The Audit Committee in 2020 oversaw the efficiency and effectiveness of internal control at Zain KSA. To assess that, a number of meetings were held during 2020 with the Internal Audit General Manager, Senior Management, and External Auditor. This section briefly introduces the Committee's roles and responsibilities, composition, and the meetings conducted.

The Committee's roles and responsibilities include its statutory duties as per the CMA Corporate Governance Regulations, the Companies Law, as well as the responsibilities assigned to it by the Board of Directors which were carried by the Committee through meetings and discussions with the Executive Management, the Internal Audit team, and the External Auditor. The main responsibilities of the Audit Committee are outlined as follows:

- Assist the Board of Directors in its evaluation of the adequacy and efficiency of the internal and financial control systems, accounting practices, information systems, and auditing processes applied within the Company.
- Review and monitor the Company's management, Internal Auditors, External Auditors and the Company's finance policies to reasonably assure the adequacy of accounting principles and financial practices applied.
- Review and discuss the accounting policies adopted and any changes made to them, and submit recommendations and views to the Board of Directors.
- Review and analyze the interim (quarterly) and annual financial statements prior to presenting them to the Board of Directors to take their recommendations thereon and ensure the integrity, fairness and transparency of the statements.
- Nominate and recommend the appointment of External Auditors and their remuneration, and monitor their effectiveness.
- Supervise and monitor the Company's Internal Audit department to verify its effectiveness in performing the duties and tasks assigned to it.
- Review the effectiveness of the system in monitoring compliance as per applicable laws and regulations, including company governance regulations, the results of management's investigation, and any instances of non-compliance.
- Approve the Internal Audit charter as well as Internal Audit policies and procedures.
- Meet individually and periodically with the Internal Audit General Manager to discuss any matters that the Audit Committee or the Internal Audit General Manager may consider necessary.

The following table includes the composition and meetings of the Audit Committee as well as the attendance record throughout the year 2020:

#	Name	Capacity	The Committee held three (4) meetings during 2020				Total
			February 3rd, 2020	April 29th, 2020	July 7th, 2020	October 27th, 2020	
1	Mr. Raied Bin Ali Al-Seif	Chairman	✓	✓	✓	✓	4
2	Mr. Ossama Michael Matta	Member	✓	✓	✓	✓	4
3	Mr. Martial Antoine Caratti	Member	✓	✓	✓	✓	4

ii. Nomination and Remuneration Committee

The Nomination and Remuneration Committee is composed of three members who were appointed by the Board of Directors. It plays a significant role in assisting the Board of Directors to meet the regulatory requirements relating to sensitive matters such as the nomination, remunerations and performance review of the Board of Directors and Executive Management.

The main responsibilities of the Nomination and Remuneration Committee include, but are not limited to, the following:

- Recommend clear policies and standards for the membership in the Board of Directors and assist the Board in the implementation thereof.
- Recommend key executive position appointments to the Board of Directors.
- Ensure independence of the independent Board members and the absence of any conflicts of interest if a Board member also acts as a member of the Board of Directors of another company.
- Draw clear policies regarding the remuneration of Board members, Committee's members, and senior executives, and provide recommendations thereon.
- Perform an annual review on suitable skills required for membership of the Board and for the appointment of senior executives, including an annual performance review of Board and Committees.

The following table includes the composition and meetings of the Nomination and Remuneration Committee as well as the attendance record throughout the year 2020:

#	Name	Capacity	The Committee held two (2) meetings during 2020		Total
			1st meeting February 04, 2020	2nd meeting December 14, 2020	
1	Mr. Hisham Attar[1]	Chairman	NA	✓	1
2	Mr. Raed bin Ali Al-Saif[2]	Member	✓	NA	1
3	Mr. Ossama Michel Matta	Member	✓	✓	2
4	Kamil Hilali[3]	Member	NA	✓	1
5	Scott Gegenheimer[4]	Former Chairman	✓	NA	1

[1] The board of directors of Zain KSA in its meeting held on 09/21/2020, approved the appointment of Mr. Hisham Attar as Chairman of the Nominations and Remuneration Committee.

[2] The board of directors of Zain KSA in its meeting held on 09/21/2020, approved the resignation of Mr. Raed Al-Seif from the Nominations and Remuneration Committee.

[3] The company's board of directors approved by passing the resignation of Scott Gegenheimer in 06-12-2020 and the appointment of Kamil Hilali to replace the resigned member.

[4] The company's board of directors approved by passing the resignation of Scott Gegenheimer in 06-12-2020 and the appointment of Kamil Hilali to replace the resigned member.

d. Interest in Shares and Debt Instruments

i. Board of Directors

The following table includes all available details about interest, contractual securities or rights issue of the Board members and their relatives in the Company's shares during 2020:

#	Name	Shares owned		Net Change	% Change
		January 1, 2020	December 31, 2020		
1	HH Naif bin Sultan bin Mohammed bin Saud Al-Kabeer	1,000	768	(232)	-23%
2	Bader Nasser Al-Kharafi	1,540	1,183	(357)	-23%
3	Raied bin Ali Al-Saif	113,033	263,191	150,158	133%
4	Saud bin Abdullah Al-Bawardi	1,000	1,538	538	54%
5	Hisham bin Mohammed Attar	986	757	(229)	-23%

- None of the Board members and their relatives (mentioned above) have any interest in the Company's debt instruments during 2020

ii. Executive Management

The following table includes all available details about interest, contractual securities or rights issue of the executive management members and their relatives in the Company's shares during 2019:

#	Name	Shares owned		Net Change	% Change
		January 1, 2020	December 31, 2020		
1	Saad A. Al-Sadhan	15	22	7	47%
2	Rayan Al-Turki	15	11	4	-27%
3	Taghreed Abdullah Bahadeelah	15	11	4	-27%

- None of the executive management members and their relatives have any interest in the Company's debt instruments during 2020

e. Remuneration and Compensation

i. Remuneration Policy

As per Article 61 of the Corporate Governance Regulations of the Capital Market Authority ("CMA"), the Nomination and Remuneration Committee developed the Remuneration Policy of Zain KSA which governs the remunerations of Board members, committees' members and members of the Executive Management. This Policy was approved by the Board of Directors on December 5, 2017 and recommended to the General Assembly which approved it on December 12, 2017.

The Remuneration Policy aims at governing the remuneration practices of Zain KSA with respect to the remunerations of members of the Board of Directors, Board Committees and Executive Management in line with the applicable laws and regulations. In addition to other objectives, the Remuneration Policy intends to align the remunerations with Zain KSA's strategy and objectives, and make them consistent with the magnitude, nature and level of risks faced by the Company and takes into consideration other regional and global telecom, ICT and TASI companies, as well as companies listed in the Saudi Stock Exchange (Tadawul), considering their size and operations in relevance to Zain KSA.

The Policy states that members shall be entitled to a fixed amount (basic remuneration) which shall be approved by the General Assembly. Board members are also entitled to variable remuneration tied to distribution of dividends (if any) in line with Article 76 of the Companies Law. Members of the Board and Board Committees shall be reimbursed for certain expenses, such as travel and accommodation, which are associated with the attendance of Board and Committees meetings.

In line with the provisions of the Policy, it was recommended that each Board member is entitled to an amount of SAR 375,000 and each Committee member is entitled to SAR 50,000 subject to the approval of the General Assembly.

In all cases, the total amount of remuneration for each Board member shall not exceed SAR 500,000 of financial or in-kind benefits annually in line with Article 76 of the Companies Law.

In respect to executive management, the Policy aims at attracting and retaining the best talents, as executives are offered packages consisting of basic salary, allowances, variable components, performance-based bonuses, and end-of-service benefits. These benefits are based on many factors including experience, expertise, qualifications and others, and all benefits are subject to the approved policies and approval of the competent level of authority.

You may view the Remuneration Policy here.

In line with Articles 90 and 93 of the Corporate Governance Regulations, remunerations are disclosed in the following two sections as required. It is worth mentioning that there is no significant deviation between the remunerations granted and the approved policy.

The General Assembly of the Company approved, on its meeting held on June 03, 2020, the disbursement of SAR 3,675,000 in total as remunerations to the Board of Directors and the Board Committees for the financial year that ended on December 31, 2019. There is no arrangement or agreement under which a Board Member or a Senior Executive waived any remuneration. The following sections contain details of bonuses paid during the year 2020:

i. Board Remuneration (all figures in SAR)

Board members	Fixed remuneration							Variable remuneration						End of Service Gratuity	Grand Total	Expense Allowance
	Base amount	Attendance allowance for meetings of the Board of Directors	Total attendance allowance for committee meetings	In-kind benefits	Fiscal, administrative and advisory work	Remuneration of the President of the Board of Directors, the Managing Director or the Secretary	Total	percentage of profits	Periodic Remunerations	Short - term incentive plans	Long - term incentive plans	Shares Given (Value Added)	Total			
First: Independent members																
HH Prince Naif bin Sultan bin Mohammed bin Saud Al-Kabeer	375,000						375,000								375,000	
Raied bin Ali Al-Saif	375,000						375,000								375,000	
Hisham Mohamed Mahmoud Attar	375,000						375,000								375,000	
Total	1,125,000						1,125,000								1,125,000	
Second: Non-executive members																
Bader Nasser Al-Kharafi	375,000						375,000								375,000	
Ossama Michel Matta	375,000						375,000								375,000	
Saud bin Abdullah Al-Bawardi	375,000						375,000								375,000	
Abdulaziz bin Yaqoub Al-Nafisi[1]	93,750						93,750								93,750	
Martial Anthony Caratti	375,000						375,000								375,000	
Firas Oggar[2]	187,500						187,500								187,500	
Scott Gegenheimer	375,000						375,000								375,000	
Total	2,156,250						2,156,250								2,156,250	

[1] Mr. Abdulaziz Al-Nafisi has not been nominated for membership of the Board of Directors in the current session of the Board, which was approved by the Ordinary General Assembly held on 13-08-1440 corresponding to 18/04/2019. Mr. Abdulaziz bin Yaqoub AlNafisi eligibility for this remuneration (25% of SAR 375,000) is based on his attendance of 1 out of 4 meetings the Board held during 2019.

[2] Mr. Firas Oggar's appointment was approved by the General Assembly on April 18, 2019 and his eligibility for this remuneration (50% of SAR 375,000) is based on his attendance of 2 out of 4 meetings the Board held during 2019 resigned member.

iii. Board Committees Remuneration (all figures in SAR)

	Committee members	Fixed remuneration	Attendance Allowance for meetings	Total
Members of the Audit Committee				
1	Raied bin Ali Al-Saif	50,000	-	50,000
2	Ossama Michel Matta	50,000	-	50,000
3	Martial Anthony Caratti[1]	50,000	-	50,000
	Total	150,000	-	150,000
Members of the Remuneration and Nominations Committee				
1	Scott Gegenheimer	50,000	-	50,000
2	Ossama Michel Matta	50,000	-	50,000
3	Raied bin Ali Al-Saif	50,000	-	50,000
	Total	150,000	-	150,000

i. Executive Management Remuneration (all figures in SAR)

The following table includes details relating to remunerations of five executives who received the highest remuneration from Zain KSA, including the CEO and CFO. It is worth mentioning that the remunerations are in line with the approved remunerations policy and pay-scale approved by the Board of Directors with no significant deviations recorded during the year 2020.

Five Senior Executives including CEO and CFO (All amounts are in Saudi Riyals)	Fixed Remunerations				Variable Remunerations						End-of-service award	Aggregate Amount
	Salaries	Allowances	In-kind benefits	Total	Periodic remunerations	Profits	Short-term incentive plans	Long-term incentive plans	Granted shares (insert the value)	Total		
Total	7,517,077	1,259,520	-	8,776,597	7,330,308	-	-	-	-	7,330,308	-	16,106,904

[1] Mr. Martial Anthony Caratti was appointed on December 9, 2018, and his appointment was approved by the General Assembly on April 18, 2019.

f. Related Party Transactions

g. The following table includes amounts due to related parties:

	2020 SAR'000	2019 SAR'000	Note
Mobile Telecommunications Company K.S.C.P	1,326,583	1,356,121	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.
Mobile Telecommunications Company K.S.C.P	2,159,267	4,856,420	These amounts are payable to shareholders and bear interest at market rates. The amounts are unsecured and cannot be repaid until certain conditions are met in the Syndicated Murabaha facility. These amounts include accrued financial charges of SAR 1,413 million (2018: SAR 1,838 million).
Infra Capital Investments	32,698	32,256	
Founding shareholders	130,861	130,861	This amount relates to accrued finance charges and is payable to the Company's founding shareholders. The amount is unsecured, bear interest at market rates and do not have any fixed terms of repayment but is not repayable until certain conditions are met in the Syndicated Murabaha facility.
Other related parties	105	105	Telecom Services
Total	**3,649,514**	**6,375,763**	

The following tables include details relating to the transactions between Zain KSA and related parties during 2020:

Description	2020 SAR'000
Revenue from entities related to Zain Group[1]	24,904
Purchases from entities related to Zain Group[1]	94,331
Management and Branding Fees charged by MTC KSCP	120,338
Finance charges charged by MTC KSCP	256,306

[1] Details of such transactions are outlined in item No. 3 of the following table.

#	Related Party	Nature and conditions of transaction, business or contract	Duration / Term	Net Value / amount during 2020 SAR'000	Related party relationship with Zain KSA	Interested Board members / senior executives (directly or indirectly)
1	MTC KSCP	Operational	Open	(3,661)	Founding Shareholder of Zain KSA	
2	MTC KSCP / Zain Kuwait	Telecom Services	Open	-	Founding Shareholder of Zain KSA	
3	Oman Tel, Zain Bahrain, Zain Jordon, MTC Lebanon S.A.R.L., Zain Kuwait, Zain Sudan, Zain Iraq "IRQAT" and Zain Global Communications Co.)	Telecom Services (Interconnect/ roaming)	Open	(69,427)	Oman Tel is a shareholder in MTC KSCP whereas Zain Bahrain, Zain Jordon, MTC Lebanon S.A.R.L., Zain Kuwait, Zain Sudan, Zain Iraq "IRQAT" and Zain Global Communications Co. are subsidiaries to MTC KSCP which is a Founding Shareholder of Zain KSA	- Mr. Bader Nasser Al-Kharafi (Vice-chairman) - Mr. Scott Gegenheimer (Board Member) - Mr. Ossama Matta (Board Member) - Mr. Martial Caratti (Board Member) - Mr. Firas Oggar (Board Member)
4	Zain Global Communications Co. SPC	Telecom Services	Open	(71,945)	Zain Global Communications Co. SPC is a subsidiary to MTC KSCP which is a Founding Shareholder of Zain KSA	
5	Arabian Shield Cooperative Insurance Company	Insurance Services	Open	(19)	Arabian Shield Cooperative Insurance Company is chaired by HH Naif bin Sultan bin Mohammed bin Saud Al-Kabeer, and Mr. Raied Al-Seif serves as member of its Board	- HH Naif bin Sultan bin Mohammed bin Saud Al-Kabeer (Chairman) - Mr. Raied bin Ali Al-Saif (Board Member)
6	Al Marai Company	Telecom services	Open	4,841	HH Naif bin Sultan bin Mohammed bin Saud Al-Kabeer serves as a Board Member in Tejoury Company which owns the Archiving and Warehousing Storage Solutions Company	HH Naif bin Sultan bin Mohammed bin Saud Al-Kabeer (Chairman)
7	Archiving and Warehousing Storage Solutions Company	Archiving Services	Open	(917)	HH Naif bin Sultan bin Mohammed bin Saud Al-Kabeer serves as a Board Member in Yamama Cement Company	HH Naif bin Sultan bin Mohammed bin Saud Al-Kabeer (Chairman)
8	Yamama Cement Company	Telecom services	Open	878	HH Naif bin Sultan bin Mohammed bin Saud Al-Kabeer serves as a Board Member in Yamama Cement Company	HH Naif bin Sultan bin Mohammed bin Saud Al-Kabeer (Chairman)

h. Dividends Distribution

Based on the Company's bylaws approved by the Extraordinary General Assembly on April 13, 2017, and the Shareholders Rights Policy approved by the Board of Directors on December 5, 2017, the Company's Dividends Distribution Policy is as follows:

The Company's annual net profit shall be distributed after deducting all general expenses and other costs as follows:

1. 10% of the net profits shall be set aside to form a statutory reserve. The Ordinary General Assembly may decide to discontinue setting aside such percentage when the said reserve reaches 30% of the paid-up share capital.
2. The Ordinary General Assembly may, upon recommendation from the Board of Directors, set aside a percentage that does not exceed 20% of the annual net profits to form a provisional reserve allocated for one or several purposes.
3. The Ordinary General Assembly may decide, based on the proposal of the Board of Directors, to distribute an initial dividend to shareholders from the remaining amount. The dividend to be distributed shall not be less than 5% of the Company's paid-up share capital.
4. Subject to the provisions stipulated in the Company's Bylaws and the Companies Law, the General Assembly may, after the above, allocate no more than 5% of the remainder as a remuneration to members of the Board of Directors, provided that the remuneration is proportionate with the number of meetings attended by each member.
5. The Ordinary General Assembly may decide, based on the proposal of the Board of Directors, to distribute the remainder to shareholders as an additional dividend.

The Company may distribute interim dividends to shareholders, on a semi-annual or quarterly basis, in accordance with the regulations set by the Capital Market Authority, based on an authorization issued by the Ordinary General Assembly to the Board of Directors to distribute such dividends.

The shareholders' entitlement to the dividends shall be subject to the General Assembly's resolution - or the Board's resolution for interim dividends - issued in this regard. The resolution shall specify the eligibility date and distribution date. Shareholders who are registered in the shareholders register at the end of the eligibility day shall be entitled to dividends.

As for the distribution of dividends for preferred shares, if no dividends were distributed for any fiscal year, dividends for subsequent years may not be distributed except upon payment of the prescribed percentage, as stated in Article (114) of the Companies Law, to holders of preferred shares.

If the Company fails to pay the percentage stipulated in Article (114) of the Companies Law of the profits for three (3) consecutive years, the Special Assembly of holders of such shares, held in accordance with the provisions of Article (89) of the Companies Law, may decide either to attend the Company's general assembly meetings and participate in the voting, or appoint representatives in the Company's Board of Directors in proportion to their shares of the capital, until profits designated for preferred shares are fully paid by the Company to the holders of such shares for previous years.

It is worth mentioning that no dividends were distributed to shareholders during the fiscal year or proposed for distribution at the end of the fiscal year, and there are no arrangements or agreements under which a shareholder waived any rights to dividends.

i. Internal Control

The internal control system has an important role to play in the success of any organization. Zain KSA is committed to ensuring an effective internal control system to achieve regulatory objectives, asset protection, accurate internal and external reporting, risk reduction, and adherence to regulatory requirements.

The Audit Committee oversees the Internal Audit work, which periodically reviews the adequacy and effectiveness of the internal control system, to provide a continuous assessment of the internal control system and its effectiveness. The Committee also reviews the External Auditor's reports and management letter, which might include any lack of internal control noted by the External Auditor as part of his internal control assessment.

Based on the above, the Audit Committee believes that the internal control system within the Company is appropriately designed and effectively serves organizational objectives, operational efficiency, financial reporting reliability and regulatory compliance without any material deficiency or material weakness.

j. External Auditor

The Audit Committee evaluated the proposals of External Auditors and provided recommendations to the Board of Directors to nominate an External Auditor for the Company. After evaluation of all proposals with consideration of experience and qualifications, Dr. Mohamed Al-Amri & Co. (BDO) and Ibrahim Ahmed Albassam & Co. (Albassam & Co.) (PKF), were recommended on April 28, 2020 to the Board to present this recommendation to the Annual General Assembly to select one of them as an external auditor.

The General Assembly held on Jun 03, 2020 selected Dr. Mohamed Al- Amri & Co. (BDO), to be the External Auditor to review and audit the Company's quarterly financial statements for the second, third, and fourth quarters of 2020, the annual statement of the year 2020, and the first quarter of 2021.

k. Corporate Governance Compliance

Zain KSA adopts a Corporate Governance framework that was developed based on the Companies Law as well as the Corporate Governance Regulations and other relevant implementing regulations of the Capital Market Authority (CMA) in addition to the local and international best practices. This framework is implemented by multiple stakeholders within Zain KSA and a dedicated Corporate Governance department is regularly enhancing the framework and monitoring compliance therewith.

As part of Zain KSA's commitment to implement the Corporate Governance Regulations of CMA, Zain KSA confirms its implementation of all articles within the regulations, with the exception of the following:

Mandatory Articles			
#	Article No.	Article	Justification
1	Article 90 (19)	**The Board's Report** The Board's report shall include the Board's operations during the last fiscal year and all factors that affect the company's businesses. It shall include the following: 19) Geographical analysis of the company's and its affiliates' revenues.	Geographic analysis of the Company's total revenues is not available due to the nature of the Telecoms Sector, as the revenue generated by subscribers is not linked to a certain location or area.
Guiding Articles			
2	Article 39	**Training** The Company shall pay adequate attention to the training and preparation of the Board members and the Executive Management, and shall develop the necessary programs required.	This article was implemented in terms of members of the Executive Management. In respect to Board members, the Board of Directors did not see the necessity of training and preparing its members in view of their capabilities and expertise.

3	Article 41	**The Assessments** a) The Board shall develop, based on the proposal of the nomination committee, the necessary mechanisms to annually assess the performance of the Board, its members and committees, and the Executive Management, using key performance indicators linked to the extent to which the strategic objectives of the Company have been achieved, the quality of the risk management and the efficiency of the internal control systems, among others, provided that weaknesses and strengths shall be identified and solutions shall be proposed for the same in the best interests of the Company. b) The procedures of performance assessment shall be in writing and clearly stated and disclosed to the Board members and parties concerned with the assessment. c) The performance assessment shall entail an assessment of the Boards' skills and experiences, an identification of its weaknesses and strength, and shall attempt to resolve such weaknesses using the available methods, such as nominating competent professional staff able to improve its performance. The performance assessment shall also entail the assessment of the mechanisms of the Board's activities in general. d) The individual assessment of Board members shall take into account the extent of effective participation of the member and his/her commitment to performing his/her duties and responsibilities, including attending the Board and its committees' meetings and dedicating adequate time thereof. e) The Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent third party every three years. f) Non-Executive Directors shall carry out a periodic assessment of the performance of the Chairman of the Board after getting the opinions of the Executive Directors, without the presence of the Chairman of the Board in the discussion on this matter, provided that weaknesses and strengths shall be identified and solutions shall be proposed for the same in the best interests of the Company.	This article was not implemented in 2020 with respect to the assessment of the Board, Committees and Board members' performance. However, it is planned to have the necessary mechanisms in place in 2021 to ensure compliance with the Article.
4	Article 70 and subsequent articles 71 and 72	**Composition of the Risk Management Committee** The Company's Board shall, by resolution therefrom, form a committee to be named the "Risk Management Committee". The Chairman and the majority of Board members shall be Non-Executive Directors. The members of that committee shall possess an adequate level of knowledge in risk management and finance.	The Board of Directors did not establish a Risk Management Committee during 2020 as there was no need to form a dedicated committee for that purpose.
5	Article 85 – Paragraphs (2) and (3)	**Employee Incentives** The Company shall establish programs for developing and encouraging the participation and performance of the Company's employees. The programs shall particularly include the following: 2) establishing a scheme for granting Company shares or a percentage of the Company's profits and pension programs for employees, and setting up an independent fund for such program; 3) establishing social organizations for the benefit of the Company's employees.	These two items were not implemented in 2020 as there was no need to establish such schemes, programs and social organizations.
6	Article 87	**Social Responsibility** The Ordinary General Assembly, based on the Board's recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community, for purposes of developing the social and economic conditions of the community.	As outlined in the Corporate Sustainability section, Zain KSA participated in various activities during the year under the supervision of the Executive Management. This article will be implemented in the future.
7	Article 88	**Social Initiatives** The Board shall establish programs and determine the necessary methods for proposing social initiatives by the Company.	Currently the Executive Management undertakes this responsibility and this article will be implemented in the future.
8	Article 95	**Formation of a Corporate Governance Committee** If the Board forms a corporate governance committee, it shall assign to it the competences stipulated in Article (94) of CMA CG Regulations. Such committee shall oversee any matters relating to the implementation of governance, and shall provide the Board with its reports and recommendations at least annually.	The Board of Directors did not establish a Corporate Governance Committee during the year as there was no need to establish a dedicated committee to perform the competences outlined in Article (94) of the regulations. However, the Corporate Governance Department is undertaking such responsibilities.

5. CORPORATE SUSTAINABILITY

Since inception, Corporate Sustainability has been a key driver within the company. For Zain KSA, the Corporate Sustainability agenda is rooted on the belief that contributing to the socio-economic development of the Kingdom creates value for all.

Grounded on Saudi Arabia's 2030 Vision goals and the United Nations Sustainable Development Goals (SDGs), Zain KSA's pillars have been set to achieve meaningful connectivity, guided by metrics that measure the impact Zain's investments make in its operating communities that lead to socio-economic development across the region. The Company's Corporate Sustainability focus areas are based on: ensuring the sustainability of the social business, inclusion, youth empowerment, and addressing climate change.

In 2020, Zain KSA considered several international standards and focused on 8 United Nations Sustainable Development Goals (SDGs) mentioned below to address social responsibility:

1 NO POVERTY

• Addressing Goal 1 – No Poverty

Zain with your Action: an initiative in collaboration with Ministry of Housing for Zain KSA employees to contribute to secure one residential unit (220K SAR) for a family in need through Jood Eskan platform during the holy month of Ramadan.

Zain KSA confirmed its commitment to its sustainability and social responsibility goals, and demonstrated its eagerness to support the collaborative national efforts in the face of the challenges posed by COVID-19, especially during total lockdown periods. As such, the Company led several initiatives that touched on various aspects of life in the Kingdom, and contributed to the sustainability of the included activities. These included:

1. Supporting education through donating 30,000 internet data subscriptions to male and female students in the Kingdom in support of «We are all givers» initiative, and supporting «Be part of an educational journey for someone, and donate your additional device» initiatives launched by the MCIT in partnership with other government entities, private and non-profit companies, with the aim of achieving educational inclusiveness, overcoming obstacles to distance learning, and bridging the gap experienced by students of low-income families in the Kingdom.

3 GOOD HEALTH AND WELL-BEING

• Addressing Goal 3 – Good Health and Well-Being

Zain KSA confirmed its commitment to its sustainability and social responsibility goals, and demonstrated its eagerness to support the collaborative national efforts in the face of the challenges posed by COVID-19, especially during total lockdown periods. As such, the Company led several initiatives that touched on various aspects of life in the Kingdom, and contributed to the sustainability of the included activities. These included:

1. Supporting business bundles subscribers by allowing company employees to make unlimited calls amongst each other as they were earlier constrained with a certain limit, in order to facilitate their work from home and support initiatives on working remotely, in addition to maintaining the service for SMEs for a month even if bills are not being paid.
2. Providing Zain KSA's services free of charge to subscribers confirmed to be infected with COVID-19 and kept under quarantine in homes and hospitals, within the framework of official initiatives to promote humanitarian welfare and safety in the Kingdom.
3. Launching an interactive initiative through the hashtag #بيتك_أزين (Your Stay at Home Just Got Better) to encourage people to stay home and away from crowds and follow the precautionary measures and directives to ensure the safety of the Kingdom's citizens and residents alike and to urge them to take responsibility in preventing the spread of infection.
4. Renaming its network as "Stay Home" instead of Zain, and adding an audio prompt to all calls to urge callers to stay at home.

Zain KSA conducted initiatives, activities and campaigns that focus on placing much needed awareness such as:

1. "Live it Zain": an initiative that aims to raise health awareness while helping Zain KSA employees embrace a healthier lifestyle.
2. "Movember Marathon": For the fourth year in a row, Zainers participated in the Movember marathon to raise awareness on the importance of prostate cancer prevention.
3. "Blood donations": Since 2011, the company has continued with its blood donation drive in collaboration with different government entities to address the lack of blood supply in blood banks. The company provided employees across the Kingdom the opportunity to donate blood on a regular basis. In 2020, Zain KSA collaborated with Wateen to donate blood from home during times of lock-down.
4. "Make their Wishes": an initiative to provide gifts for children who have cancer. Zain KSA's employees fulfilled all 10 wishes of the children at King Faisal Specialist Hospital and Research Center, and at the King Fahad Medical City in less than 24 hours, and distributed gifts to the young patients.
5. Spreading Awareness: Setting up awareness workshops and conferences on topics such as health, bullying, diabetes, breast cancer awareness and employee burnout.

4 QUALITY EDUCATION

• Addressing Goal 4 – Quality Education

ZainXAlnahda: Zain KSA contributed with AlNahda Society's "Thaber Project" that aims to enable the education process during COVID-19 and support remote learning by providing students with SIMs with data packages and routers.
Zain KSA confirmed its commitment to its sustainability and social responsibility goals, and demonstrated its eagerness to support the collaborative national efforts in the face of the challenges posed by COVID-19, especially during total lockdown periods. As such, the Company led several initiatives that touched on various aspects of life in the Kingdom, and contributed to the sustainability of the included activities. These included:

1. Supporting education through donating 30,000 internet data subscriptions to male and female students in the Kingdom in support of "We are all givers" initiative, and supporting "Be part of an educational journey for someone, and donate your additional device" initiatives launched by the MCIT in partnership with other government entities, private and non-profit companies, with the aim of achieving educational inclusiveness, overcoming obstacles to distance learning, and bridging the gap experienced by students of low-income families in the Kingdom.
2. Granting users free browsing on educational platforms to facilitate distance learning in addition to governmental and health websites and applications, through the National Education Portal "iEN", the Ministry of Education's unified education system portal, and the Ministry of Health website.

• Addressing Goal 5 – Gender Equality

The initiatives below demonstrate the efforts undertaken by Zain KSA:

1. "WE Together" is the first initiative of its kind in the region which aims to encourage diversity and equality in the workplace through four pillars: HR Policy Transformation, Female Leadership Development, Female Recruitment, and Culture Transformation.
2. Women Empowerment Principles (WEP): Zain KSA's CEO signed the statement of support for the WEP positioning Zain KSA as one of 7 companies listed on Tadawul to do so in 2020.
3. Zain KSA joined EMPOWER, a G20-led network which supports women's advancement to leadership positions in the private sector.
4. Zain KSA joined GROW, the Gulf Region Organization for women, an initiative by Aramco, dedicated to female employability and career progression.

• Addressing Goal 8 – Decent Work and Economic Growth

The initiatives below highlight Zain KSA's efforts in support of Decent Work and Economic Growth:

1. The COOP internship training in collaboration with universities aims to provide university students with training opportunities in different functions throughout the organization to prepare them for the workforce. In 2020, Zain KSA trained a total of 57 students.
2. Fresh graduate volunteers: Zain KSA opened the opportunity for a number of fresh graduates to volunteer in the Legal and communication departments to participate in knowledge exchange.

• Addressing SDG 10 – Reduced Inequality

The initiatives below provide a brief description of the efforts undertaken by Zain KSA:

1. With the WE ABLE Initiative, Zain KSA aims to recruit and empower people with disabilities by providing a suitable work environment, in alignment with Saudi Vision 2030. This initiative will offer additional job opportunities, better social protection and the required training to people with disabilities.
2. In December, a special discount on Zain KSA packages was introduced to cater to People with Disabilities.

• Addressing Goal 16 – Peace, Justice, and Strong Institutions

Studies have shown that 71% of parents do not supervise their children's internet use after the age of 14, yet a shocking 72% of all missing children's cases that begin online involve children who are 15 or older. To address the challenge parents and caregivers currently face, Zain KSA provides its employees with tools and resources that offer tips and advice on how to protect their children's online presence.

• Goal 17 – Partnership to Achieve the Goals

Zain KSA aims to build bridges with various parties, striving for sustainable and effective partnerships to achieve shared goals. Zain KSA has entered partnerships with different associations and charities to support them and to raise awareness about their efforts while backing them through sending SMS to Zain KSA's users requesting donations throughout the year. In addition, Zain KSA participated in workshops held by the Ministry of Commerce to raise awareness of the National Sustainability Standards, preparing to apply these standards in the future.

6. RISK MANAGEMENT

The Board of Directors of Zain KSA has adopted a framework and a policy for managing the Company's risks. The framework is in accordance with the Corporate Governance Regulations issued by the Capital Market Authority and in line with the leading practices in this field. Zain KSA is committed to the formal, systematic, and structured management of risks across the organization. Furthermore, Zain KSA benefits from the support of Zain Group to identify the top strategic risks on an annual basis, and leverages the knowledge of the Group in mitigating such risks as well as developing KRIs (Key Risk Indicators) to monitor the progress of the risk mitigation and risk trends across the identified risks with Zain KSA Management.

Risk is intrinsic in all aspects of Zain KSA's business and activities due to the nature of its business and dynamic work. Therefore, it is important for risks to be identified and controlled. That will support in making informed business decisions and in pursuing new opportunities.

The Enterprise Risk Management methodology has been benchmarked with leading global risk management standards and guidance available such as Committee of Sponsoring Organization (COSO) framework and ISO 31000:2018-02. It has been designed to provide simplicity and practicality necessary for implementing an enterprise-wide process.

Zain KSA Enterprise Risk Management process is part of every decision-making and monitoring process. In this regard, specific roles and responsibilities, tools, enablers and guidance have been developed and have been made available for reference. Risks will be systematically assessed, mitigated and monitored, thus embedding the desired risk management culture in undertaking business activities.

The following section includes the risks facing the company and details about the company's policy to manage and mitigate such risks:

Strategic Risk(s)

Deviation in implementation of strategy

The strategy is based on key pillars that include driving growth in market share, digital value proposition, and B2B dealings. Thus, failure to effectively implement the business strategy may result in opportunity loss, brand erosion, increased costs, degrading services, and non-adherence to service level. This risk is efficiently mitigated through a number of controls, including establishing a centralized PMO to track and report progress to the executives so as to balance operations with the strategic goals.

Adapting to changing regulatory frameworks

As Governments race to drive the digital society worldwide, with fiber and 5G infrastructure at the forefront of their concern, and since telecommunications is increasingly becoming an enabler of digital transformation across a number of industry verticals, insufficient engagement with sectors involved in telecommunications industry, regulatory forums, and other public sector regulators may result in delays in launching new cross-industry solutions, and in regulatory non-compliances. Therefore, and to mitigate this risk, the Company is proactively engaging with cross-sector industry ecosystems to help unlock new use cases and business models. Also, the Company is working to develop a greater understanding of industry specific transformation and regulatory compliances requirements, upon which it would align its operations.

Financial Risk(s)

Increasing Capex Burden

Operators worldwide are contending with a new wave of capex as a result of the 5G rollout and the focus on full-fiber connectivity, which will also stimulate a new wave of fiber investments. Also, IoT-centric 5G use cases are in their infancy and require a more localized approach to network planning, while the perception of broadband as a utility may undermine the premium pricing of fiber. The company is containing any additional 5G capex within the company envelope through smart investment. Moreover, capex projects are self-funded from the Company's operating cash flow and any excess cash generated through the operation or its working capital will cater for any increase in debt or shareholders liability. With respect to lower profitability, the related return on investment will naturally kick-in after a number of years.

High Leverage

Increased debt over the years has resulted in higher financing costs, and this, in return, lead to a decrease in profits and a decrease in the financing activities of the cash flow. The Company is mitigating this risk by increasing EBIDTA margins through growth in revenue through B2B / Digital offerings, alongside cost optimization, smart capex investments, as well as from the proceed of the capital restructuring; conducted in Nov 2020; that led to injecting SAR 4.5 Billion (cash SAR 2.83 Billion and debt conversion SAR 1.67 Billion) to deleverage the company.

Compliance Risk

Compliance to regulations

Regulatory maturity, as defined by the ITU, remains inconsistent worldwide, amidst a rising focus on telecommunications as a national strategic asset which could prompt further evolution of regulatory approaches. Noncompliance with regulatory requirements (issued by CMA, CITC, MCIT etc.) may expose the Company to the risk of Penalties, or a rating downgrade which would result in higher volatility, weigh down on share price and increase cost of capital. The Company has adopted mitigation plans and controls to enhance the governance and compliance through the implementation and monitoring of a comprehensive compliance checklist and the creation of a functional and escalation matrix for compliance monitoring and reporting.

Operational Risk(s)

Information Security & Cyber Risks

Information Security & Cyber Risks are unquestionably a growing cause of concern globally. The proliferation of devices, interfaces and networks introduces higher potential for security compromise, and ecosystem partnerships in IoT may blur the lines of service provider responsibility for privacy and security. Such risks are mitigated through regular internal and external assessments to ensure compliance with best practices / frameworks, in addition to investing in security projects to mitigate new types of attacks and ensuing threats.

Through various projects and programs with Zain Group, the Zain KSA team is leveraging and enhancing its Information Security and Cyber Risks domain of knowledge and mitigation plans. Continuously involved with Zain Group in determining the best solutions to mitigate those risks, Zain KSA is also coordinating efforts with other Zain Group operations since all operators are prone to similar information and cyber risks in the telecommunication industry. Furthermore, Zain KSA takes part in an annual risk synergy forum where all Zain Group companies participate and widely discuss specific approaches which lead to enhancing Zain KSA's Information Security and Cyber Risks plans.

Inability to recruit adequately-skilled resources

With the transformation the Kingdom is going through under the umbrella of Saudi Vision 2030 and the participation of ministries and semi-government organizations, there is a huge demand for skilled resources who are often more oriented towards joining government / semi-government sectors. As Zain KSA invests and expands in new Enterprise & Digital service offerings, resources with modern-age skill sets (Data Science, IoT, RPA) need to be recruited. There is an overlap in the skill sets required by the private and public sectors, hence leading to uneven competition. As a result, Zain KSA may not be able to achieve the desired results/benefits /operational efficiencies, if it is unable to retain key employees. As a way of mitigating this risk, Zain KSA is entering into partnerships with universities to attract resources with the right skill sets, in addition to conducting an upskill program for competency gap mitigation. In parallel, the Company redesigned internship programs for specific degree holders and created a parallel work environment, with different policies, to attract specialized human resources.

7. FINES AND PENALTIES

Zain KSA persistently seeks to comply with the laws, regulations and instructions applicable to the Company in order to protect its interests and to build a culture of compliance among its employees so as to create an effective partnership with all supervisory and regulatory authorities. This section contains the details of the penalties imposed on the Company from the supervisory, regulatory and judicial authorities and a description of the controls that the Company has implemented in order to avoid these penalties in the future and to comply with the instructions of these regulatory authorities:

Fine / penalty	Reasons for non-compliance	Authority	Controls to remedy the violation and avoid it in the future
Imposing fines worth SAR 1,031,000	Issuing SIM cards that are not in accordance with the regulations.	Communications and Information Technology Commission (CITC)	Establishing procedures to prevent such violations and follow-up with the relevant departments to ensure compliance with the laws and regulations.
Imposing fines worth SAR 100,000	Delay in transferring a group of numbers to another service provider within a specified period, in violation of the Telecommunications law.		Establishing procedures to ensure that the required service is provided according to the specified dates.
Imposing fines worth SAR 1,100,000	Presenting a promotional offer in violation of the Telecommunications law.		Establishing procedures to verify that the promotional offers presented by the company have been approved by the authority.
Imposing fines worth SAR 100,000	Failure to implement CITC's directives.		Establishing procedures to ensure the implementation of CITC's directives.
Imposing fines worth SAR 10,000	Objecting to signing up for and Failure of the company to provide the Authority with the information required of it in violation of the Telecommunications Law.		Establishing procedures to ensure that the required information is submitted according to the specified dates.
Imposing financial fines worth SAR 50,000	Refraining from implementing the request of one of the company's customers to cancel a service number in violation of the Telecommunications law.		Establishing procedures to ensure that the required information is submitted according to the specified dates.
Imposing fines worth SAR 10,000	Failure to implement the directive in a complaint and failure to comply with providing the Authority with the required information within the specified time limit in violation of the Telecommunications Law.		Establishing procedures to ensure that the required service is provided according to the specified dates.
Imposing fines worth SAR 20,000	Failure to implement the authority's decision in two complaints within the specified time limit in violation of the Telecommunications Law.		Establishing procedures to ensure that the required information is submitted according to the specified dates.
Imposing fines worth SAR 10,000	Failure to open a company file at the labor law office.	Ministry of Human Resources	Issuing commercial records in all administrative regions in the kingdom to avoid freezing the company's services.

A number of the fines imposed by CITC had no financial impact on Zain KSA as they were cross-charged to distributors responsible for the violations in accordance with the agreements executed between Zain KSA and distributors.

Relevant lawsuits

There are a number of lawsuits between Zain KSA and the Communications and Information Technology Commission at the Administrative Court (Board of Grievances) related to violations and fines cited by CITC. Thus, the Company is keen to resort to the competent judicial authorities to ensure that CITC's decisions regarding it are fair and reasonable and adhere to the applicable laws and regulations in the Kingdom of Saudi Arabia. While the outcome of the above-mentioned cases cannot be predicted, the Company will spare no effort and will use all legitimate means to defend its rights.

During 2020, CITC issued 63 administrative decisions against Zain KSA including imposing fines of varied amounts. According to CITC, the decisions are due to the Company's violations of CITC's directives, including Directive No. 4174994. As a result, the company's legal department complained about most of these decisions before the Administrative Court (Board of Grievances), as guaranteed by the law.

Throughout 2020, the Administrative Court and the Administrative Appeal Court examined 48 administrative cases filed by the company against the CITC during the year. The Administrative Court issued a number of preliminary rulings in 2020 that were in favor of the Company, and according to which the court decided to annul CITC's decisions. No final rulings were issued in favor of Zain KSA during 2020 and, as of the date of this report, the Administrative Court and the Administrative Appeal Court are still hearing a number of cases.

8. DECLARATIONS

Zain KSA declares that:

1. Proper books of account have been maintained.
2. The system of internal control is sound in design and has been effectively implemented.
3. There are no significant doubts concerning the company's ability to continue its activity.
4. There is no emphasis of a matter by the external auditor.
5. The external auditor's report did not contain reservations on the annual financial statements.
6. There was no inconsistency with the standards approved by the Saudi Organization for Certified Public Accountants (SOCPA).
7. The Board did not recommend replacing the external auditor before the end of its term.
8. There are no treasury shares retained by the Company.
9. No investments were made or reserves set-up for the benefit of employees.
10. No redeemable debt instruments were redeemed, purchased, or cancelled by the Company as of the date of this report.
11. No shares or debt instruments were issued by any subsidiaries.
12. There was no notification of any interest in a class of voting shares held by persons (other than the company’s directors, Senior Executives and their relatives) or of any change in these rights during the final financial year, under Article Sixty-Eight of the CMA’s Rules on The Offer of Securities and Continuing Obligations.
13. There is a fully-fledged and independent internal audit function operating throughout the year.
14. There was no conflict between the Audit Committee’s recommendations and the Board’s resolutions regarding the appointment, dismissal, performance assessment or determining the remuneration of the external auditor, or relating to the appointment of the internal auditor.

9. FINANCIAL STATEMENTS

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

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR’S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

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الدكتور محمد العمري وشركاه
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Independent Audit Report

Independent auditor's Report

To the shareholders of
Mobile Telecommunication Company Saudi Arabia (A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Opinion

We have audited the consolidated financial statements of Mobile Telecommunication Company (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on 4 Feb 2020.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Partners: Dr. Mohamed Al-Amri (60), Jamal M. Al-Amri (331), Gihad M. Al-Amri (362), Maher Al-Khatieb (514), Ahmed Al-Jumah (621)
• Jeddah: Tel. 6394477, Fax. 6394058 • Dammam: Tel. 8344311, Fax. 8338553
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BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Key audit matters	
Revenue Recognition	
Key audit matter	***How the Key audit matter was addressed in our audit***
The Group's revenue consists primarily of subscription fees for telecommunication, data packages and other services through the use of the network amounting to SR 7.9 billion for the year ended 31 December 2020 (31 December 2019: SR 8.4 billion). We considered this a key audit matter as the application of accounting standard for revenue recognition in the telecommunication sector includes number of key judgments and performance obligations. Additionally, complexity associated with the network environment, dependency on IT applications, large volumes of data, changes due to price updates and promotional offers affecting the various products and services offered during the accounting period, as well as the materiality of the amounts involved.	Our audit procedures included, among others, the following: • Involved our IT specialists in testing the design, implementation and operating effectiveness of system internal controls related to revenue recognition. • Evaluated the appropriateness of revenue recognition policies. • Reviewed a sample of revenue reconciliations prepared by management between the primary billing system and the general ledger. • Performed tests over the allocation of transactions price against different performance obligations involve in contracts. • Assessed the transactions taken place before and after year end to ensure that revenue recognized in the appropriate period. • Assessed the relevant disclosures in the consolidated financial statement.
Refer to note 5 of the consolidated financial statements for the accounting policy and note 24 for related disclosures.	

Key audit matters (continued)	
Capitalization of property and equipment	
Key audit matter	***How the Key audit matter was addressed in our audit***
The Group has recorded additions to property and equipment amounting to SR 2.07 billion during the current year. The Group continues to incur capital expenditure in connection with the expansion of its network coverage and improvements to network quality. The initial recognition and classification of property and equipment and certain elements of expenditure as either assets or expenses. We considered this as a key audit matter since it involves management's assumptions and estimates as well as the materiality of the amounts involved.	Our audit procedures included, among others, the following: • Evaluated the appropriateness of the capitalization policy. • Obtained a schedule of capitalized costs during the year and tested completeness and accuracy of the schedule. • Tested on sample basis, costs capitalized during the year with underlying supporting documentation; • Assessed the nature of cost incurred meet the criteria for capitalization under the relevant accounting standard; • Tested on sample basis, the cost of completed projects from assets under construction to operating property and equipment with supporting documentation and compared the date of capitalization with supporting documentation; • Tested whether the depreciation has been correctly computed from the date of capitalization. • Assessed the relevant disclosures in the consolidated financial statement.
Refer to note 5 of the consolidated financial statements for the accounting policy and note 12 for related disclosures.	

Key audit matters (continued)	
Modification of long term borrowings	
Key audit matter	***How the Key audit matter was addressed in our audit***
During the year the Group modified its terms of long term borrowings with the banks resulted in gain on modification of long term borrowing of SR 0.136 billion. IFRS 9 "financial instruments" require the Group to assess whether modification of terms of long term borrowings are substantial or not by considering the net present value of the cash flows under the modified terms with the net present value of original cash flows using the original effective interest rate. Based on the revised net present value of cash flows, it needs to be determined whether derecognition is required in accordance with the principals set out in IFRS 9. We considered this as a key audit matter since the complexity of the calculations and the significance of the amounts involved.	Our audit procedures included, among others, the following: • Obtained the amended agreement for the long term borrowings and assessed the new terms and conditions. • Obtained the management's calculation for the test over modification and assessed whether management's calculation over modification including modification gain complies with the requirements of IFRS 9. • Verified the transaction cost and cash flows used in the management calculation is in accordance with the agreement. • Ensured that the rates used to discount the cash flows are in accordance with the agreement. • Checked the arithmetical accuracy of the calculation. • Assessed the relevant disclosures in the consolidated financial statement.
Refer to note 5 of the consolidated financial statements for the accounting policy and note 16 for related disclosures.	

Other information

Other information consists of the information included in the Group's 2020 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and Those Charged With Governance ("TCWG") for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA and Regulations for Companies and the Company's Bylaws / Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Dr. Mohamed Al-Amri & Co.
Accountants & Consultants

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For BDO Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Riyadh, on: 13 Rajab 1442(H)
Corresponding to: 25 February 2021(G)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7	**1,103,401**	1,157,438
Trade and other receivables	8	**1,996,013**	1,730,294
Contract assets - current	9	**96,450**	274,956
Inventories	10	**187,103**	241,972
Total current assets		**3,382,967**	3,404,660
Non-current assets			
Contract assets non-current	9	**220,072**	131,253
Right-of-use assets	11	**1,284,888**	1,448,479
Property and equipment	12	**6,856,837**	6,079,981
Capital advances	13	**132,832**	457,952
Intangible assets	14	**16,280,159**	16,215,928
Total non-current assets		**24,774,788**	24,333,593
TOTAL ASSETS		**28,157,755**	27,738,253
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	15	**4,585,780**	3,532,016
Deferred income and contract liabilities	9	**544,086**	621,319
Lease liabilities-current	17	**319,150**	364,098
Amounts due to related parties	18	**3,649,514**	-
Total current liabilities		**9,098,530**	4,517,433
Non-current liabilities			
Amounts due to related parties	18	**-**	6,375,763
Lease liabilities non-current	17	**1,065,097**	1,112,127
Other non-current liabilities	19	**5,097,608**	4,690,271
Long-term borrowings	16	**3,836,145**	6,707,034
Derivative financial instruments	20	**206,210**	127,899
Provision for employees' end of service benefits	21	**125,082**	104,875
Total non-current liabilities		**10,330,142**	19,117,969
EQUITY			
Share capital	23	**8,987,292**	5,837,292
Hedging reserve	20	**(206,210)**	(127,899)
Other reserve	21	**2,018**	1,584
Accumulated deficit		**(54,017)**	(1,608,126)
Total equity		**8,729,083**	4,102,851
TOTAL LIABILITIES AND EQUITY		**28,157,755**	27,738,253

Mehdi Khalfaoui
CFO

Sultan Al-Deghaither
CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

The accompany notes (1) to (40) form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2020	2019
Revenue	24	**7,916,545**	8,386,227
Cost of revenue	25	**(2,471,907)**	(2,417,721)
Operating and administrative expenses	26	**(1,762,980)**	(1,898,652)
Depreciation and amortization	11,12,14	**(2,439,122)**	(2,311,551)
Allowance for expected credit loss on financial assets.	8,9	**(240,572)**	(247,249)
Finance income		**11,939**	26,338
Other income	27	**27,574**	10,891
Gain on modification of long-term borrowings	16-1	**136,255**	-
Finance costs	28	**(898,206)**	(1,044,501)
Profit before zakat		**279,526**	503,782
Zakat charged for the year	29	**(19,581)**	(18,607)
Net profit for the year		**259,945**	485,175
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of employees' end of service benefits	21	**434**	4,886
Item that may be reclassified subsequently to profit or loss:			
Net change in fair value on hedging instruments entered into for cash flow hedges	20	**(78,311)**	(106,313)
Total comprehensive income for the year		**182,068**	383,748
Earnings per share (in Saudi Riyals)			***Restated***
Basic and diluted	30	**0.37863**	0.71613

Mehdi Khalfaoui	Sultan Al-Deghaither	Naif bin Sultan bin Mohammed bin Saud Al Kabeer
CFO	CEO	Chairman

The accompany notes (1) to (40) form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Hedging reserve	Other reserve	Accumulated deficit	Total
Balance at 1 January 2019	5,837,292	(21,586)	(3,302)	(2,093,301)	3,719,103
Net profit for the year	-	-	-	485,175	485,175
Other comprehensive (loss) / income	-	(106,313)	4,886	-	(101,427)
Total comprehensive income for the year	-	(106,313)	4,886	485,175	383,748
Balance at 31 December 2019	5,837,292	(127,899)	1,584	(1,608,126)	4,102,851
Balance at 1 January 2020	**5,837,292**	**(127,899)**	**1,584**	**(1,608,126)**	**4,102,851**
Reduction of share capital to absorb accumulated deficit	**(1,350,000)**	**-**	**-**	**1,350,000**	**-**
Right issue	**4,500,000**	**-**	**-**	**-**	**4,500,000**
Right issue cost	**-**	**-**		**(55,836)**	**(55,836)**
	3,150,000	**-**	**-**	**1,294,164**	**4,444,164**
Net profit for the year	**-**	**-**	**-**	**259,945**	**259,945**
Other comprehensive (loss) / income	**-**	**(78,311)**	**434**	**-**	**(77,877)**
Total comprehensive income for the year	**-**	**(78,311)**	**434**	**259,945**	**182,068**
Balance as at 31 December 2020	**8,987,292**	**(206,210)**	**2,018**	**(54,017)**	**8,729,083**

Mehdi Khalfaoui	Sultan Al-Deghaither	Naif bin Sultan bin Mohammed bin Saud Al Kabeer
CFO	CEO	Chairman

The accompany notes (1) to (40) form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat		**279,526**	503.782
Adjustments to reconcile net profit for the year before zakat to net cash from operating activities:			
Allowance for expected credit loss on financial assets.	8.9	**240,572**	247.249
Depreciation and amortization	11.12.14	**2,439,122**	2.311.551
Other provisions		**29,200**	4.547
Reversal of provision for Inventory		**(1,533)**	-
Finance costs	28	**898,206**	1.044.501
Gain on disposal of property and equipment		**(554)**	(2.847)
Foreign currency (gain)/ loss		**(6,449)**	1.246
Gain on modification of long term borrowings		**(136,255)**	-
Provision for employees' end-of-service benefits	21	**25,771**	21.911
		3,767,606	4.131.940
Changes in working capital			
Trade and other receivables		**(707,633)**	(666.335)
Inventories		**56,402**	(18.967)
Movement of cash under lien		**40,929**	(1.227)
Contract assets		**89,687**	(101.569)
Trade and other payables		**471,361**	(433.598)
Contract liabilities		**(77,232)**	(99.158)
Other non-current liabilities		**407,337**	520.066
Cash flows generated from operating activities		**4,048,457**	3.331.152
Zakat paid	29	**(13,934)**	-
Employees' end of service benefits paid	21	**(5,564)**	(5.575)
Net cash generated from operating activities		**4,028,959**	3.325.577
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	12	**(1,571,243)**	(1.779.900)
Proceed from disposal of property and equipment	12	**895**	3.384
Purchase of intangible assets	14	**(254,728)**	(258.287)
Net cash used in investing activities		**(1,825,076)**	(2.034.803)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		**(3,507,000)**	(2.550.000)
Proceeds from long terms borrowings		**800,000**	2.930.097
Proceed from right issue of share capital	1.3 (b)	**2,772,527**	-
Payment against amount due to related parties		**(878,646)**	-
Lease liabilities paid	17	**(315,569)**	(414.538)
Finance cost paid		**(1,086,288)**	(1.516.266)
Net cash used in financing activities		**(2,214,976)**	(1.550.707)
Net change in cash and cash equivalents		**(11,093)**	(259.933)
Effect of movements in exchange rates on cash and cash equivalents		**(2,015)**	(587)
Cash and cash equivalents at beginning of the year		**895,902**	1.156.422
Cash and bank balances at end of the year	7	**882,794**	895.902

Mehdi Khalfaoui	Sultan Al-Deghaither	Naif bin Sultan bin Mohammed bin Saud Al Kabeer
CFO	CEO	Chairman

The accompany notes (1) to (40) form an integral part of these consolidated financial statements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

1 ORGANIZATION AND ACTIVITIES

1.1 *General Information*

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

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 Group 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 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.

On 16 Jumada I 1440 H (corresponding to 22 January 2019) the Company acquired 2600 MHz spectrum for a period of 15 years starting from 1 January 2020, for a total license fee of SR 324 million payable in equal annual installments for 15 years starting from 1 January 2020.

On 10 Rajab 1440 H (corresponding to 17 March 2019) the Company acquired 100 MHz of additional spectrum in the 3.5 GHz spectrum, for a period of 15 years starting from 1 January 2020, for a total license fee of SR 624 million payable in equal annual installments for 13 years starting from 1 January 2022.'

The Group realized net profit for the year ended 31 December 2020, SR 260 million (31 December 2019: SR 485 million) and had an accumulated deficit of SR 54 million as at this date (31 December 2019: SR 1.6 billion) and the current liabilities of the Group exceed the current assets of the Group by SR 5.7 billion (refer note 31) which includes SR 3.6 billion related to due to related parties (refer note 18). Based on the latest approved business plan, the Group's management believes that the Group will be successful in meeting its obligations in the normal course of operations considering the undrawn part of the MFA amounting SR 5.2 billion (refer note 1.4). The directors of the Group have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

1 ORGANIZATION AND ACTIVITIES (continued)

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-Tamam is engaged in provide fintech services. Share capital SR 100,000. The company started its operation during the fourth quarter of 2019. In 2020, the Company has revised its share capital amounting to SR 20,000,000.
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*

a) On 08 October 2020 Extraordinary General Assembly Meeting (EGA) was conveyed in which share capital reduction has been approved by the shareholder's. As per the approval of the EGA, the shareholders had approved to reduce the share capital through the cancelation of 135,000,000 shares. The share capital before the reduction amounted to SR 5,837,291,750 and the share capital after reduction was SR 4,487,291,750 by reducing of SR 1,350,000,000. The percentage change in share capital, after the share capital reduction ratio was 23.1%, therefore the reduction ratio per share is 0.23.

b) On 14 October 2020 Extraordinary General Assembly Meeting (EGA) was conveyed in which capital increase of the Company through right issue has been has been approved by the shareholder's. As per the approval of the EGA, the shareholders had approved to increase the share capital through the issuance of 450,000,000 shares. The revised share capital after the right issue has been SR 8,987,291,750 by increasing the capital by SR 4,500,000,000; out of which Zain Group subscribed through a debt conversion of SR 1,667 million from the principal outstanding which is considered as a non-cash entry. The Percentage increase per share is 1.003 Rights per share.

1.4 *Refinancing arrangements*

On 27 September 2020, the Group refinanced and extended the maturity date of its existing five years syndicated Murabaha facility until 2025 for a total amount available up to SR 6 billion with two years grace period, at better commercial terms. Moreover, the agreement includes a working capital facility of SR 1 billion (originally SR 0.65 billion in 2018) bringing the total facility amounting to SR 7 billion until 2025, bringing additional liquidity for the Group to fund its business growth plans. Therefore, on 30 September 2020, the Group utilized only the outstanding amount of the existing agreement (SR 3.85 billion). The Group has settled SAR 2.832 billion on November 30, 2020. The Group made an additional withdrawal of SAR 0.8 billion on 31 December 2020 as per the Group's business requirements. The undrawn part of the MFA amounts to SR 5.2 billion as at 31 December 2020. (Refer note 16)

2 BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standard "IFRS" that is endorsed in the Kingdom of Saudi Arabia along with other pronouncement issued by Saudi Organization for Certified Public Accountant (SOCPA).

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except derivative financial instruments measure at fair value and the end of service benefits provision, which has been actuarially valued using the Projected Unit Credit Method.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

These consolidated financial statements comprising the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements of the Group, including assets, liabilities and the results of the operations of the Group and its fully owned subsidiaries, as set out in (note 1.2). Subsidiaries are consolidated from the date on which ownership commences until the date its ceases. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Group and its fully owned subsidiaries have the same reporting periods. All intragroup assets and liabilities, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals (SR) which is the functional currency of the Group. All the amounts have been rounded off to the nearest thousand unless otherwise stated.

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Following is the change in accounting policies during the year ended 31 December 2020.

As permitted by IFRS 9, the Group has elected to transition to applying the hedge accounting requirements of IFRS 9 effective from 1 July 2020. On transition to IFRS 9 in 2018, the Group had elected to continue to apply the hedge accounting requirements of IAS 39.

The IFRS 9 general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group's qualifying hedging relationships in place as at 1 July 2020 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on transition. As the critical terms of the hedging instruments match those of their corresponding hedged item, the hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Group has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

The application of the IFRS 9 hedge accounting requirements has had no impact on the results and financial position of the Group for the current and/or prior years.

Hedge accounting policy

For hedge accounting, the Group designates derivatives as either hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge) or hedges of a net investment in a foreign operation (net investment hedge).

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:
- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight-line amortization. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVOCI in which case it is recognised in other comprehensive income. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income.

When the hedged item is an equity instrument designated at FVOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument. Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the foreign currency forward contracts relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Gains and losses on the hedging instrument accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

Certain amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial information of the Group.

4 STANDARDS, INTERPRETATIONS AND AMENDMENTS

a) New standards, interpretations and amendments effective in current year.

The following are the new standards, interpretations and amendments to standards that are effective in the current year which have given rise to changes in the Group's accounting policies:

IFRS 3: Definition of a Business
The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. The Group is under the process of analyzing the possible impact of this reform and it's not practicable now to provide a reasonable estimate of the effects of application of this amendment until the Company performs a detailed review.

Other standards

New standards that have been adopted in the annual consolidated financial statements for the year ended 31 December 2020, but have not had a significant effect on the Group are:
• IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative - Definition of Material); and
• Revisions to the Conceptual Framework for Financial Reporting.

4 STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early

The following amendments are effective for the period beginning on or after 1 January 2021:

Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities
These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

The following amendments are effective for the period beginning 1 January 2022:

• Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
• Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
• Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
• References to Conceptual Framework (Amendments to IFRS 3).

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the group.

5 SIGNIFICANT ACCOUNTING POLICIES

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses except for assets under construction and land.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of annual reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

The Group applies the following annual rates of depreciation to its property and equipment:

Leasehold Improvements	20% or shorter of lease term
Telecommunications equipment	5% to 33.3%
IT systems and servers	20% to 33.3%
Furniture and office equipment	20% to 33.3%
Transportation equipment	20%

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Assets under construction are stated at cost and not depreciated. Depreciation on assets under construction commences when the assets are ready for their intended use. When assets are ready for their intended use, they are transferred to property and equipment or intangible assets. Finance costs on borrowings to finance the construction of qualified assets are capitalized during the period that is required to complete and prepare the asset for its intended use.

Capital advances

Capital advances is paid to supplier of capital equipment. The amount continues to be disclosed as capital advances till such time the asset is delivered. Once the equipment is supplied, the Capital advances is either transferred to telecom equipment or assets under construction.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The Group applies the following annual rates of amortization to its intangible assets:

License fee	2.5%
Computer software licenses	20% to 50%
Indefeasible Rights of Use (“IRU”)	6.67% to 10%
Spectrum	6.67%

Brands have an indefinite useful life and are assessed for impairment at annual reporting date.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss when the asset is derecognized.

Impairment of non-financial assets.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

Cash and bank balances

Cash and cash equivalents comprise cash on hand and deposits held with banks whose original maturities do not exceed three months and are available for use by the Group unless otherwise stated.

Employee benefits

End of service benefits

The end-of-service indemnity provision is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Re-measurements, comprising actuarial gains and losses, are reflected immediately in the statement of changes in equity as a remeasurement reserve with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurements recognized in other comprehensive income will not be reclassified to profit or loss in subsequent periods. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- Re-measurements

The Group presents the first two components of defined benefit costs in profit or loss in the line item “Operating and administrative expenses”.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefits

The Group pays retirement contributions for its Saudi Arabian employees to the General Organization for Social Insurance. This represents a defined contribution plan. The payments made are expensed as incurred.

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, sick leave and air tickets in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to the property and equipment are recorded as a deduction from the cost of the assets in arriving at the respective carrying amount. Any advance amount received is recorded as deferred grant and adjusted against recorded capital expenditure on assets. An excess realized is recorded under other income.

Grant related to income (reimbursement of expenses) are adjusted against the related expenses.

Foreign currencies

Transactions in currencies other than the Group's functional currency (foreign currencies), which is Saudi Riyals, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

Zakat

Zakat is calculated and provided for by the Group in accordance with Saudi Arabian fiscal regulations and is charged to profit or loss. The zakat is submitted on a group basis. It is calculated using zakat rates that have been enacted or substantively enacted by the end of the reporting period.

Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies

Contingent assets are not recognized as an asset until realization becomes virtually certain. Contingent liabilities, other than those arising on acquisition of subsidiaries, are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Contingent liabilities arising in a business combination are recognized if their fair value can be measured reliably.

Leases

The Group as a lessee

The Group assesses whether contract is or contains a lease, at inception of the Contract. The Group recognizes a right of use asset and a corresponding lease liability on the date on which the lessor makes the asset available for use by the Group (the commencement date).

On that date, the Group measures the right of use at cost, which comprises of:

- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and

an estimate of costs to be incurred to restoring the underlying asset to the condition required by the terms and conditions of the lease as a consequence of having used the underlying asset during a particular period; this is recognised as part of the cost of the right of use asset when the Group incurs the obligation for those costs, which may be at the commencement date or as a consequence of having used the asset during a particular period.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. On that date, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Lease payments included in measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with leases of short term leases and low-value assets are recognized on a straight-line basis as an expense in profit or loss.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Subsequent Measurement

After the commencement date, the Group measures the right-of-use asset at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight line basis over the shorter of the asset's useful life and the lease term. The Group determines whether a right of use asset is impaired and recognizes any impairment loss identified in the statement of profit or loss. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss.

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Where the Group is the lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

Revenues from operations consist of recurring revenues, such as billings to customers for monthly subscription fees, roaming, leased line and airtime usage fees, and non-recurring revenues, such as one-time connection fees, and telephone equipment and accessory sales.

Handsets and telecommunication services

Revenue from mobile telecommunication services provided to postpaid and prepaid customers is recognized as services are transferred. When the customer performs first, for example, by prepaying its promised consideration, the Group has a contract liability. If the Group performs first by satisfying a performance obligation, the Group has a contract asset. Consideration received from the sale of prepaid credit is recognized as contract liability until such time the customer uses the services when it is recognized as revenue.

The Group provides subsidized handsets to its customers along with mobile telecommunication services. IFRS 15 requires entities to allocate a contract’s transaction price to each performance obligation based on their relative stand-alone selling price. This resulted in reallocation of a portion of revenue from trading revenue to service revenue which was earlier recognized upfront on signing of the customer contract and correspondingly a creation of contract asset, which includes also some items previously presented as trade and other receivables. Contract asset represents receivable from customers that has not yet legally come into existence. The standalone selling prices are determined based on observable prices. Revenue from device sales is recognized when the device is delivered to the customer. This usually occurs when a customer signs the contract. For devices sold separately, customer pays in full at the point of sale. Revenue from voice, messaging, internet services etc. are included in the bundled package and are recognized as the services are rendered during the period of the contract.

Value added services - Principal vs. agent

Revenue from value added services (VAS) sharing arrangements depend on the analysis of the facts and circumstances surrounding these transactions. Revenue from VAS is recognized when the Group performs the related service and, depending on the Group’s control or lack of control on the services transferred to the customer, is recognized either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

Significant financing component

If a customer can pay for purchased equipment or services over a period, IFRS 15 requires judgement to determine if the contract includes a significant financing component. If it does, then the transaction price is adjusted to reflect the time value of money.

Commissions and other contract costs

Under IFRS 15, certain incremental costs incurred in acquiring a contract with a customer is deferred on the consolidated statement of financial position and amortized as revenue is recognized under the related contract; this will generally lead to the later recognition of charges for some commissions payable to third party distributors and employees.

Intermediaries are given incentives by the Group to acquire new customers and upgrade existing customers. Activation commission and renewal commission paid on post-paid connections are amortized over the period of the contract. In case of prepaid customers, commission costs are expensed when incurred.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (continued)

Customer loyalty programs
The Group operates a customer loyalty program that provides a variety of benefits for customers. The Group allocates the consideration received between products and services in a bundle including loyalty points as separate performance obligation based on their stand-alone selling prices.

Installation and activation services
Revenue from sale of SIM is recognized at the point in time upon activation when end customer takes control of the SIM. The Group provides installation services that are bundled together with the sale of devices to a customer. Contracts for bundled sales of devices and installation services are comprised of one performance obligations because the promises to transfer devices and provide installation services are not capable of being distinct. Accordingly, the Group recognizes revenue from bundled sales of devices and installation services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Financial instruments

Financial assets

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group's accounting policy for each category is as follows:

Fair value through profit or loss (FVTPL)

Financial assets fair valued through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of profit or loss in the finance income or expense line. The Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

Fair value through other comprehensive income (FVOCI)

Financial assets fair valued through other comprehensive income are carried at fair value with changes in fair value recognized in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to statement of profit or loss and other comprehensive income.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognized on settlement date with any change in fair value between trade date and settlement date being recognized in the fair value through other comprehensive income reserve. The Company does not have any such financial assets. The Company does not have any financial instruments measured at FVOCI.

Amortized cost

These assets arise principally from the provision of services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective profit rate method, less provision for impairment, if any.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments *(continued)*

Subsequent measurement of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group does not have any debt instruments measured at FVOCI.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). The Group does not have any financial assets measured at FVTPL.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Subsequent measurement of financial assets.

Financial assets at amortized cost
These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses (see below). Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

Impairment of financial assets

The financial assets at amortized cost consist of trade receivables, cash and cash equivalents, and other receivables. Under IFRS 9, loss allowances are measured on either of the following bases:

– 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
– Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

– Debt securities that are determined to have low credit risk at the reporting date; and

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments *(continued)*

Impairment of financial assets (continued)

- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.
When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- The financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).
ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment
Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment loss allowance related to trade and other receivables, including contract assets, are presented separately in statement of profit or loss and other comprehensive income.

De-recognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

5 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments *(continued)*

Fair value through profit or loss

Financial liabilities fair valued through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of profit or loss account. The Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in statement profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

Loans and borrowings, lease liabilities, Accounts and other payables, which are initially recognized at fair value and subsequently carried at amortised cost using the effective interest method.

De-recognition

When an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATED AND ASSUMPTIONS

The preparation of consolidated financial statements in accordance with IFRSs 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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Significant estimates in applying accounting policies

Gross versus net presentation

When the Group sells goods or services as a principal, revenue and payments to suppliers are reported on a gross basis in revenue and operating costs. If the Group sells goods or services as an agent, revenue and payments to suppliers are recorded in revenue on a net basis, representing the margin earned.

Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgements impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or cash flows.

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATED AND ASSUMPTIONS (continued)

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes

Impairment of Trade receivable and Contract assets

An estimate of the collectible amount of trade receivable and contract assets is made based on the expected credit loss model at an amount equal to the life time ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Arrangements with multiple performance obligation

In revenue arrangements where more than one good or service is provided to the customer, customer consideration is allocated between the goods and services using relative fair value principles. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a stand-alone basis. Revision to the estimates of these fair values may significantly affect the allocation of total arrangement consideration among the individual elements

Useful lives and residual values of property and equipment and intangible assets

An estimate of the useful lives and residual values of property and equipment and intangible assets, which comprise a significant portion of the Group's total assets, is made for the purposes of calculating depreciation and amortization respectively. These estimates are made based on expected usage for useful lives. Residual value is determined based on experience and observable data where available.

Provision for employees' end of service benefits

The Group makes various estimates in determining the provision for employees' end of service benefits provision. These estimates are disclosed in note 18.

Zakat assessments

Provision for zakat and withholding taxes is determined by the Group in accordance with the requirements of the General Authority of Zakat and Tax ("GAZT") and is subject to change based on final assessments received from the GAZT. The Group recognizes liabilities for any anticipated zakat and withholding tax based on management's best estimates of whether additional zakat/taxes will be due. The final outcome of any additional amount assessed by the GAZT is dependent on the eventual outcome of the appeal process which the Group is entitled to. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences could impact the consolidated statement of profit or loss in the period in which such final determination is made.

6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATED AND ASSUMPTIONS (continued)

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 31 for further disclosures.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

7 CASH AND CASH EQUIVALENTS

	2020	2019
Cash in hand	**1,297**	1,119
Cash at banks	**1,102,104**	556,319
Time deposits	**-**	600,000
	1,103,401	1,157,438
Cash at bank under lien	**(220,607)**	(261,536)
	882,794	895,902

The Group invests part of the surplus cash in time deposits with maturity period of three month or less with local commercial banks. The annual commission average rates on these deposits during 2020 were 1.4% (2019: 2.47 %). The total commission earned by the Group during 2020 was SR 12 million (2019: SR 26.3 million).

8 TRADE AND OTHER RECEIVABLES

	2020	2019
Trade receivables	**2,857,922**	2,258,132
Less: Allowance for expected credit loss	**(1,269,863)**	(1,008,828)
Net trade receivables	**1,588,059**	1,249,304
Advances to suppliers	**19,430**	59,684
Prepayments	**60,176**	51,693
Advances for transmission lines and fiber links	**17,975**	51,731
Other receivables	**310,373**	317,882
	1,996,013	1,730,294

(All amounts in Saudi Riyals thousands unless otherwise stated)

8 TRADE AND OTHER RECEIVABLES (continued)

The breakdown of the Trade receivables is in Note31. The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2020	2019
Saudi Riyals	**1,860,292**	1,716,549
US Dollars	**135,721**	13,745
	1,996,013	1,730,294

The average credit period on sales of goods and services is 30 days. No interest is charged on trade receivables. Historical loss experience and derives loss rates based on historical loss rates to reflect the information about current conditions and reasonable and supportable forecast of future economic conditions. The Group recognizes an allowances against expected credit loss based on ECL model considering the ageing of its overdue debtors which increases as the debtors become more overdue as historical experience indicates that the likelihood of amounts being recoverable decreases the more the amount is overdue.

The Group performs credit-vetting procedures before granting credit to new customers. These procedures are reviewed and updated on an ongoing basis. There have been no changes to these procedures from the previous year.

Two of the Group's debtors comprise 19% of the total trade receivables balance (2019: 23%). There are no other customers who comprise more than 10% of the total trade receivables balance.

Trade receivables totaling SR 721 million (2019: SR 736 million) existed at the reporting date which were past due which had not been provided for, as per the policy, the amounts are still considered to be recoverable and there has not been a significant decrease in credit quality since credit was initially granted.

Age of overdue trade receivables not provided for

	2020	2019
60 to 90 days	**398,945**	443,249
120 to 180 days	**94,775**	103,880
180 to 360 days	**84,108**	111,583
Above 360 days	**143,181**	77,235
	721,009	735,947

There were no amounts at the reporting date that were neither past due nor impaired for which the credit quality had reduced since the initial granting of credit.

Movement on the allowance for doubtful debts

	2020	2019
Opening balance	**1,008,828**	764,822
Charged for the year	**261,035**	244,006
Amounts reversed during the year	**-**	-
Closing balance	**1,269,863**	1,008,828

Total amount charge in profit and loss

	2020	2019
Expected credit loss for the year	**261,035**	244,006
Reversal during the year*	**(19,759)**	-
Closing balance	**241,276**	244,006

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. The Group does not hold any collateral over the impaired trade receivables.

* Represents the prior period non recoverable balance provided as bad debt for VAS.

9 CONTRACT BALANCES

Contract assets

	2020	2019
Unbilled revenue	**319,061**	409,452
Less: Allowance for impairment losses	**(2,539)**	(3,243)
	316,522	406,209
Current	**96,450**	274,956
Non-current	**220,072**	131,253
	316,522	406,209

Movement on the expected credit allowance on contract assets

	2020	2019
Opening balance	**3,243**	-
Amounts reversed during the year	**(704)**	3,243
Closing balance	**2,539**	3,243

Deferred income and contract liabilities	2020	2019
Contract liabilities – Prepaid Customers	**490,254**	621,319
Deferred income- Government Grant (refer note 34)	**53,832**	-
	544,086	621,319

10 INVENTORIES

	2020	2019
Handsets and accessories	**195,341**	255,796
Sim cards	**6,169**	1,676
Prepaid recharge cards	**1,661**	1,072
Other inventories	**1,560**	2,589
	204,731	261,133
Less: provision for obsolescence	**(17,628)**	(19,161)
	187,103	241,972
Cost of inventories recognized as an expense	**810,750**	1,113,967

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 RIGHT OF USE ASSETS

The recognized right-of-use assets relate to the following types of assets:

2020

	Land and building	Cellular and other equipment	Total
Opening Balance	**1,295,627**	**152,852**	**1,448,479**
Add: Additions	**228,111**	**-**	**228,111**
Less: Amortizations	**(281,894)**	**(65,142)**	**(347,036)**
Less: Retirements	**(29,185)**	**(15,481)**	**(44,666)**
Closing balance	**1,212,659**	**72,229**	**1,284,888**

2019

	Land and building	Cellular and other equipment	Total
Opening Balance	**1,218,222**	**366,981**	**1,585,203**
Add: Additions	**400,725**	**14,639**	**415,364**
Less: Amortizations	**(301,832)**	**(104,908)**	**(406,740)**
Less: Retirements	**(21,488)**	**(123,860)**	**(145,348)**
Closing balance	1,295,627	152,852	1,448,479

The total amount recorded in profit or loss for right of use assets includes 26 million with respect to site rent.

Land and building comprises mainly of telecommunication sites on lease.

The Group does not have any lease contracts with variable lease payments which are not included in the measurement of the lease liabilities.

The Group's leasing activities and how these are accounted for;
The Group mostly leases indoor and outdoor spaces for installation of its telecommunications sites. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes

12 PROPERTY AND EQUIPMENT

	Land	Leasehold improvements	Telecom equipment	IT systems and servers	Furniture and office equipment	Transportation equipment	Assets under construction	Total
Cost								
At 1 January 2020	**6,549**	**313,886**	**13,794,841**	**631,180**	**144,854**	**3,851**	**78,828**	**14,973,989**
Additions	**-**	**2,580**	**1,443,558**	**39,754**	**2,267**	**-**	**581,561**	**2,069,720**
Transfer	**-**	**809**	**27,822**	**2,634**	**-**	**-**	**(35,926)**	**(4,661)**
Disposals				**(3,086)**	**(254)**	**-**	**-**	**(3,340)**
At 31 December 2020	**6,549**	**317,275**	**15,266,221**	**670,482**	**146,867**	**3,851**	**624,463**	**17,035,708**
Depreciation								
At 1 January 2020	**-**	**289,147**	**7,946,197**	**531,560**	**123,293**	**3,811**	**-**	**8,894,008**
Additions	**-**	**14,210**	**1,218,734**	**42,875**	**12,093**	**16**	**-**	**1,287,928**
Disposals	**-**	**-**	**-**	**(2,811)**	**(254)**	**-**	**-**	**(3,065)**
At 31 December 2020	**-**	**303,357**	**9,164,931**	**571,624**	**135,132**	**3,827**	**-**	**10,178,871**
Net book value	**6,549**	**13,918**	**6,101,290**	**98,858**	**11,735**	**24**	**624,463**	**6,856,837**

	Land	Leasehold improvements	Telecom equipment	IT systems and servers	Furniture and office equipment	Transportation equipment	Assets under construction	Total
Cost								
At 1 January 2019	6,549	359,047	12,543,247	642,727	182,433	3,851	272,423	14,010,277
Additions	-	4,049	1,158,286	13,237	4,480		53,175	1,233,227
Transfer	-	4,674	103,674	42,020	29		(181,015)	(30,618)
Disposals		(53,884)	(10,366)	(66,804)	(42,088)		(65,755)	(238,897)
At 31 December 2019	6,549	313,886	13,794,841	631,180	144,854	3,851	78,828	14,973,989
Depreciation								
At 1 January 2019	-	321,471	6,859,280	555,164	147,954	3,794	-	7,887,663
Additions	-	21,400	1,097,006	41,591	17,305	17	-	1,177,319
Disposals	-	(53,724)	(10,089)	(65,195)	(41,966)	-	-	(170,974)
At 31 December 2019	-	289,147	7,946,197	531,560	123,293	3,811	-	8,894,008
Net book value	6,549	24,739	5,848,644	99,620	21,561	40	78,828	6,079,981

The Group has capitalized, internal technical salaries, during the year ended 31 December 2020 amounting to SR 25 million.
During the year, the net additions in property and equipment amounted to SR 2,066 million, including non-cash addition with an amount of SR 498 million

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13 CAPITAL ADVANCES

	2020	2019
Capital advances	**132,832**	457,952

The Capital advances relate to the payment to supplier in advance and before completion of the project for telecom equipment. Upon completion, the amounts recognized as Capital advances are reclassified to Property and Equipment.

14 INTANGIBLE ASSETS

Cost	**License fee***	**Computer software licenses**	**IRU ****	**Brand**	**Spectrum*****	**Total**
At 1 January 2020	**23,364,230**	**437,182**	**1,226,082**	**7,500**	**1,277,992**	**26,312,986**
Additions	**-**	**13,817**	**217,979**	**-**	**605,497**	**837,293**
Transfers in	**-**	**2,661**	**-**	**-**	**2,000**	**4,661**
Disposals	**-**	**(840)**	**-**	**-**	**-**	**(840)**
At 31 December 2020	**23,364,230**	**452,820**	**1,444,061**	**7,500**	**1,885,489**	**27,154,100**
Amortization						
At 1 January 2020	**9,376,116**	**330,038**	**258,657**	**-**	**132,247**	**10,097,058**
Additions	**517,134**	**38,588**	**96,235**	**-**	**125,698**	**777,655**
Disposals	**-**	**(772)**	**-**	**-**	**-**	**(772)**
At 31 December 2020	**9,893,250**	**367,854**	**354,892**	**-**	**257,945**	**10,873,941**
Net book value	**13,470,980**	**84,966**	**1,089,169**	**7,500**	**1,627,544**	**16,280,159**

Cost	**License fee***	**Computer software licenses**	**IRU ****	**Brand**	**Spectrum*****	**Total**
At 1 January 2019	23,364,230	428,456	1,127,617	7,500	705,716	25,633,519
Additions	-	8,966	92,724	-	571,776	673,466
Transfers in	-	24,377	5,741	-	500	30,618
Disposals	-	(24,617)	-	-	-	(24,617)
At 31 December 2019	23,364,230	437,182	1,226,082	7,500	1,277,992	26,312,986
Amortization						
At 1 January 2019	8,858,983	309,791	177,019	-	47,047	9,392,840
Additions	517,133	43,520	81,638	-	85,200	727,491
Disposals	-	(23,273)	-	-	-	(23,273)
At 31 December 2019	9,376,116	330,038	258,657	-	132,247	10,097,058
Net book value	13,988,114	107,144	967,425	7,500	1,145,745	16,215,928

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14 INTANGIBLE ASSETS (continued)

The net book value and expiry dates of the most significant are as follows:

	End of amortization period	**2020**	2019
License fee	Jan 2047	**13,470,980**	13,988,114
Right of Use (multiple items)	Between 2023 & 2034	**1,089,168**	967,425
Spectrum 2x10Mhz of 1800Mhz	Dec 2032	**564,574**	611,620
Spectrum 2x10 of 800 Mhz	Dec 2033	**495,972**	534,125
Spectrum 2600 & 3500 Mhz	Dec 2034	**566,998**	-
		16,187,692	16,101,284

During the year, the net additions in intangible assets amounted to SR 805 million out of which the spectrum additions amounts to SR 605 million. The additions includes non-cash addition with an amount of SR 582 million.

License fee

Pursuant to the Ministerial Resolutions No. 176 dated 25 Jumada I, 1428H (corresponding to June 11, 2007) and No. 357 dated 28 Dhu Al-Hijjah, 1428H (corresponding to January 7, 2008) and Royal Decree No. 48/M dated 26 Jumada I, 1428H (corresponding to June 12, 2007), the 3rd license to provide mobile telecommunication services within the Kingdom of Saudi Arabia over 25 years was granted to the Group for an amount of SR 22.91 billion. The license fee also comprises an amount equal to SR 449.18 million relating to financing costs which were capitalized as part of the license cost in accordance with accounting standards applicable in the Kingdom of Saudi Arabia at that time.

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), directed the Communications and Information Technology Commission (CITC) to coordinate with Mobile Telecommunication Company Saudi Arabia (Zain) to extend its license for an additional 15 years' period. This extended the remaining period to 32 years ending on 21/Rabi Al Awwal 1469 H (corresponding to 18 January 2047).

Indefeasible Rights of Use ("IRU")

IRUs corresponds to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognized at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. They are amortized on a straight-line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 20 years.

*****Spectrum***

Spectrum corresponds to the radio frequency allocated to the mobile acquired through a bid from CITC. Spectrum is recognized at discount using the interest effective method and amortized on a straight-line basis over contractual payment term. The liability amount related to the Spectrum capitalized under intangible assets is recorded under other non-current liabilities.

******Brand***

Brand corresponds to the brand "Alo" that the Group acquired, in 2015 for an indefinite useful life, with all its benefits. The brand is not subject to amortization as its life is indefinite. Brand is annually tested for impairment.

(All amounts in Saudi Riyals thousands unless otherwise stated)

15 TRADE AND OTHER PAYABLES

	2020	2019
Trade payables	**1,400,769**	966,001
Accruals	**1,231,689**	677,614
Notes payable	**559,533**	432,085
Accrued government charges	**205,481**	819,540
M.O.F Accrued Finance Cost	**52,051**	87,384
Employee related accruals	**43,566**	74,720
Zakat provision	**24,254**	18,607
Payable to M.O.F-Current	**538,006**	-
Accrued Financial Charges	**1,587**	872
Other payables	**528,844**	455,193
	4,585,780	3,532,016

Accrued government charges and other payables contain regulatory and legal provisions for the amount of SR 400 million (2019: SR 999 million). This movement in the provision is a non-cash transaction.

Trade payables includes amount due to related parties amounting to SR 2.3 million (2019: SR 4.4 million) for providing telecommunication services to related parties.

No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

16 LONG-TERM BORROWINGS

	2020	2019
Syndicate Murabaha facility (refer to note 16.1)	**1,591,309**	4,471,085
Junior Murabaha Facility Agreement (refer to note 16.2)	**2,244,836**	2,235,949
Long term borrowings	**3,836,145**	6,707,034

The carrying amounts of the Group borrowings are denominated in the following currencies:

	2020	2019
Saudi Riyals	**3,538,002**	5,427,873
US Dollar	**298,143**	1,279,161
	3,836,145	6,707,034

16 LONG-TERM BORROWINGS (continued)

16-1 Syndicated Murabaha facility

On 27 September 2020, the Group refinanced and extended the maturity date of its existing five years syndicated Murabaha facility (MFA) until 2025 for a total amount available up to SR 6 billion with two years grace period, at better commercial terms. Moreover, the agreement includes a working capital facility of SR 1 billion (originally SR 0.65 billion in 2018) bringing the total facility amounting to SR 7 billion until 2025, bringing additional liquidity for the Group to fund its business growth plans. As at 31 December 2020, the Group utilized only the outstanding amount of the existing agreement SR 1.8 billion against 7 billion existing facility. As at 31 December 2020, total undrawn amount against MFA is amounting to SR 5.2 billion

On 31 July 2013, the Group 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 Group 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 Group 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 0.6473 billion with the SR portion totaling SR 0.4624 billion and the USD portion totaling USD 0.0493 billion (SR 0.1849 billion) for two years. 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 and a pledge of shares of the Group owned by some of the founding shareholders and assignment of certain contracts and receivables and fixed assets up to the outstanding balance at the date of reporting as mentioned above.

The Group is complying with the existing loan covenants.

During the third quarter of 2018, the Group 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 Group 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 Group 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 Group made a fourth early voluntary payment for (Saudi Riyals portion: SR 481.9 million, and the USD portion: USD 51.5 million) totaling SR 675 million.

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 LONG-TERM BORROWINGS (continued)

Syndicated Murabaha facility (continued)

The Group recalculates the gross carrying amount of the of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate and accordingly adjusted the gross carrying amount of the loan to reflect actual and revised estimated contractual cash flows. The difference between the existing carrying amount of the Murabaha facility and the revised gross carrying amount amounts to SR 136 million which has been recognized in consolidated statement of profit and loss and other comprehensive income as gain on modification of borrowings.

16-2 Junior Murabaha

On 16 June 2019, the Group 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 Group'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.

17 LEASE LIABILITIES

	2020	2019
Opening Balance	**1,476,225**	1,609,819
Additions	**196,604**	373,200
Finance Cost	**79,103**	83,808
Retirements/ termination	**(52,116)**	(176,064)
Payments	**(315,569)**	(414,538)
Closing Balance	**1,384,247**	1,476,225
Current	**319,150**	364,098
Non-Current	**1,065,097**	1,112,127
	1,384,247	1,476,225

Majority of the lease liabilities contracts are denominated in Saudi Riyals. Please refer to note 31 for the maturity analysis of the lease liabilities.

18 AMOUNTS DUE TO RELATED PARTIES

	2020	2019
Mobile Telecommunications Company K.S.C (refer to note 18.1)	**1,326,583**	1,356,121
Mobile Telecommunications Company K.S.C (refer to note 18.3)	**2,159,267**	4,856,420
Founding shareholders (refer to note 18.2)	**130,861**	130,861
Infra Capital Investments (refer to note 18.3)	**32,698**	32,256
Other related parties	**105**	105
	3,649,514	6,375,763
Current	**3,649,514**	-
Non-Current	**-**	6,375,763

18 AMOUNTS DUE TO RELATED PARTIES (continued)

18-1 Mobile Telecommunications Company K.S.C

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 16.1.

18-2 Founding shareholders

This amount relates to accrued finance charges and is payable to the Company's founding shareholders. The amount is unsecured 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 16.1.

18-3 Mobile Telecommunications Company K.S.C and Infra Capital Investments

These amounts are payable to shareholders. The amounts are unsecured and cannot be repaid until certain conditions are met in the Syndicated Murabaha facility referred to in note 16.1. These amounts include accrued financial charges of SR 1,122 million (2019: SR 1,413 million).

19 OTHER NON-CURRENT LIABILITIES

	2020	2019
Payable to M.O.F	**3,500,614**	3,578,590
Long-term Payable - Spectrum	**1,389,951**	922,688
Other	**207,043**	188,993
	5,097,608	4,690,271

During 2013, the Group 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 September 2021. The amount deferred by the Group as of 31 December 2020 amounted to SR 4,039 million out of which SR 538 million is recognised under trade and other payables (31 December 2019: SR 3,578 million). The accrued interest related to the MOF payable is recorded under trade and other payables.

20 DERIVATIVE FINANCIAL INSTRUMENTS

The Group entered into profit rate swaps, which matures in 2025. The maturity of the profit rate swap has been extended till the extended maturity of the refinanced loan (refer note 16-1). The outstanding notional amount of the contract as at 31 December 2020 was SR 1,827 million (31 December 2019: SR 2,980 million) and the fair value was a negative amount of SR 206 million as at 31 December 2020 (31 December 2019: SR 127.9 million). The group has changed the accounting policy to account for the hedging instruments from IAS 39 to IFRS 9 however the existing accounting treatment followed by the group is consistent with the requirement of IFRS 9 (refer note 3). The average contracted fixed interest rate ranges from 2% to 3%. A loss of SR 78.3 million was recognized in other comprehensive loss for the year ended 31 December 2020 (31 December 2019: SR 106.3 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

21 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

The Group provides end of service benefits to its employees. The entitlement is based upon the employees' final salary and length of service, subject to the completion of a minimum service year, calculated under the provisions of the labor Law and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the year of employment.

The Group's plan is exposed to actuarial risks such as: discount rate and salary risk.

- Discount risk: A decrease in the discount rate will increase the plan liability.
- Salary risk: The present value of the end of service benefit plan liability is calculated by reference to the estimated future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability

	2020	2019
Opening balance	**104,875**	93,425
Current service cost	**21,683**	17,596
Interest cost	**4,522**	4,315
Payments	**(5,564)**	(5,575)
Actuarial gain	**(434)**	(4,886)
Closing balance	**125,082**	104,875

The most recent actuarial valuation was performed by Lux Actuaries & Consultants and was performed using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	2020	2019
Attrition rates	**10% to 13%**	10% to 13%
Salary increases	**3%**	4%
Discount rate	**3.65%**	4.45%

All movements in the end of service benefits liability are recognized in statement of profit or loss except for the actuarial gain which is recognized in other comprehensive income.

	2020	2019
Base Scenario	**125,082**	104,875
Discount Rate: Increase by 1%	**112,964**	94,927
Discount Rate: Decrease by 1%	**139,333**	117,200
Salary Escalation Rate: Increase by 1%	**139,281**	117,130
Salary Escalation Rate: Decrease by 1%	**112,783**	94,291

Particulars	**2020**	2019
Change in Financial Assumption	**2,720**	(4,912)
Change in the Salary Escalation Rate Assumption	**12,549**	-
Change in the Discount Rate	**(9,829)**	(4,912)
Change in Demographic Assumption	**-**	-
Change in the Mortality Rate Assumption	**-**	-
Change in the Attrition Rate Assumption	**-**	-
Experience Adjustment	**(2,286)**	9,798
Total Actuarial Gain	**434**	4,886

21 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS (continued)

Other reserve	**2020**	2019
Opening balance	**1,584**	(3,302)
Remeasurement	**434**	4,886
Closing balance	**2,018**	1,584

22 RETIREMENT BENEFIT CONTRIBUTIONS

The Group paid retirement contributions for its Saudi Arabian employees for year 2020 to the General Organization for Social Insurance SR 22 million (2019: SR 25 million)

23 SHARE CAPITAL

The share capital of the Group as at 31 December 2020 comprised 898,729,175 shares (31 December 2019: 583,729,175) stated at SR 10 per share owned (Refer note 1.3).

Reconciliation of Equity shares at the start and end of the year

	2020
Number of share as at 01 January 2020	583,729,175
Adjustment of shares against accumulated losses	(135,000,000)
Total shares before the right issue	448,729,175
Issue of shares	450,000,000
Number of shares as at 31 December 2020	898,729,175

24 REVENUE

24.1 Disaggregated revenue information

The total revenue disaggregated by major service lines is:

	2020	2019
Usage charges	**5,165,575**	5,168,081
Subscription	**1,802,983**	1,921,340
Sale of goods	**774,791**	1,135,921
Other revenue	**173,196**	160,885
	7,916,545	8,386,227

Timing of revenue recognition		
PO satisfied over period of time – airtime and data	**7,141,754**	7,250,306
PO satisfied a point in time – trading income	**774,791**	1,135,921

25 COST OF REVENUE

	2020	2019
Access charges	**1,311,696**	1,071,244
Cost of devices	**807,082**	1,106,428
Other	**353,129**	240,049
	2,471,907	2,417,721

(All amounts in Saudi Riyals thousands unless otherwise stated)

26 OPERATING AND ADMINISTRATIVE EXPENSES

	2020	2019
Employees' salaries and related charges	**560,403**	622,825
Rent expenses	**30,956**	51,461
Repairs and maintenance	**529,553**	478,904
Service rendered and Branding fees (Note 18-1)	**120,338**	215,504
Biometric Expense	**11,538**	22,241
Microwave Frequency	**93,740**	94,390
Advertising	**91,474**	112,098
Leased lines	**60,147**	56,140
Utilities	**91,923**	75,003
Consulting	**31,676**	56,568
Other	**141,232**	113,518
	1,762,980	1,898,652

27 OTHER INCOME

	2020	2019
Foreign exchange (loss) / gains	**6,449**	(1,246)
Income from government grant	**-**	9,290
Gain on disposal of assets	**1,296**	2,847
Gain on leases	**16,625**	-
Other	**3,204**	-
	27,574	10,891

28 FINANCE COST

	2020	2019
Syndicate Murabaha facility	**286,857**	342,560
Related parties	**256,305**	323,893
Ministry of finance	**128,687**	131,326
Interest on leases liability	**79,103**	83,808
ICBC facility	**-**	69,661
Murabaha facility junior	**63,191**	39,584
Interest on spectrum	**84,063**	53,669
	898,206	1,044,501

29 PROVISION FOR ZAKAT

Components of zakat base

The significant components of the Group's approximate zakat base, for the year ended 31 December 2020, which are subject to certain adjustments under zakat and income tax regulations, principally comprise the following:

	2020	2019
Shareholders' equity at beginning of year	**7,369,141**	4,037,136
Provisions at beginning of year	**1,418,294**	1,130,340
Long-term borrowings and shareholders' advances	**12,963,297**	16,662,260
Other non – current liabilities	**2,031,084**	922,688
Adjusted net profit for the year (see below)	**783,255**	744,268
Zakat Provision opening balance	**4,672**	
Property and equipment	**(8,138,032)**	(6,079,981)
Intangible assets	**(16,283,853)**	(16,215,928)
Capital advances	**(132,832)**	(457,952)
Approximate positive Zakat base of the Group	**(768,229)**	742,831

Zakat is payable at 2.5% of the higher of the approximate Zakat base or adjusted net income.

Components of adjusted net profit

	2020	2019
Net profit for the year	**279,526**	485,175
Provision for employees' end of service benefits	**20,207**	11,450
Allowance for doubtful debts and slow moving inventory	**500,073**	244,006
Other provisions	**(16,551)**	3,637
Adjusted net profit for the year	**783,255**	744,268

Zakat provision	**2020**	2019
Balance at beginning of the year	**18,607**	-
Charge for the year	**19,581**	18,607
Payment made during the year	**(13,934)**	-
Balance at end of the year	**24,254**	18,607

Zakat provision is mentioned under Note 15.

(All amounts in Saudi Riyals thousands unless otherwise stated)

29 COMPONENTS OF ZAKAT BASE (continued)

Status of assessments

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

The Group had submitted its consolidated financial statements along with group zakat and returns for the years 2009 to 2019 and paid zakat and withholding tax according to the filed returns.

On 18 Ramadan 1436 H (corresponding to 07 July 2015), the Group 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.

Zain 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), Zain 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, Zain 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.

Zain received additional assessment for the remaining years until 2019. The company is in the process of appealing those assessments in early 2021.

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

30 EARNINGS PER SHARE

Profit attributable to ordinary shareholders

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Group as the numerator, i.e. no adjustments to profit were necessary in 2020 or 2019. Profit attributable to the shareholders use in calculating EPS is 259 million for the year 2020 (2019: SR 485 million)

Weighted average number of ordinary shares

The weighted average number of shares in the calculation of basic earnings per share is as follows:

	2020	2019
		Restated
Outstanding during the year	**686,539**	677,495
Basic earnings per share (SR)	**0.37863**	0.716131

Basic earnings per share is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. There is no dilutive effect on the earnings per share of the Group.

31 FINANCIAL INSTRUMENTS

The Group's use of financial instruments exposes it to a variety of financial risks. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework and developing and monitoring the risk management policies in close co-operation with the Group's operating units. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities. The Group through its training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Group's Board Committee oversees how management monitors compliance with the risk management policies and procedures and reviews adequacy of the risk management framework in relation to the risks faced by the Group. The Board Committee is assisted in its oversight role by the internal audit and the Group risk management department.

The Group is exposed through its operations to the following financial risks:

- Market risk
- Foreign exchange risk
- Credit risk
- Interest rate risk, and;
- Liquidity risk.

These risks are discussed below:

Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Group is exposed to foreign currency risk and interest rate risk only. The Group uses derivatives to manage market risk

Foreign currency risk management

Saudi Riyal currency is considered as the functional currency of the Group which is pegged against the United States Dollar. Therefore, the Group is only exposed to exchange rate fluctuations from transactions denominated in foreign currencies other than United States Dollar.

The Group undertakes transactions denominated in foreign currencies which float against the Saudi Riyal and consequently, exposures to exchange rate fluctuations arise. These amounts are not hedged as the exposures are not considered to be material to the Group.

The carrying amounts of the Group's foreign currency denominated monetary liabilities at the end of the reporting year were as follows:

Foreign currency risk management

Details	**Date**	**Foreign currency**	**Foreign currency amount**	**Exchange rate**	
Trade and other payables	**2020**	**Euro**	**865**	**4.48**	**3,875**
Trade and other payables	2019	Euro	307	4.06	1,245

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 FINANCIAL INSTRUMENTS (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting year were as follows:

2020 Details	**Foreign currency**	**Foreign currency amount**	**Exchange rate**	
Cash and bank balances	**Euro**	**133**	**4.49**	**597**
Cash and bank balances	**GBP**	**293**	**5.47**	**1,602**
				2,199

2019 Details	Foreign currency	Foreign currency amount	Exchange rate	
Cash and bank balances	Euro	144	4.20	607
Cash and bank balances	GBP	361	4.84	1,749
				2,356

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of Europe (Euro) and the United Kingdom (GBP).

The following table details the sensitivity to a 5% increase and decrease in the Saudi Riyal against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the yearend for a 5% change in foreign currency rates. A positive number below indicates a decrease in profit where the Saudi Riyal strengthens 5% against the relevant currency. For a 5% weakening of the Saudi Riyal against the relevant currency, there would be a comparable impact on profit and the balances below would be negative.

2020 Currency	**Impact on profit**
Euro	**30**
GBP	**80**

2019 Currency	Impact on profit
Euro	30
GBP	87

Interest and liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. There has been no change to this strategy from the previous year.

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. The risk is managed by the Group by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

31 FINANCIAL INSTRUMENTS (continued)

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for all unhedged instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2020 would decrease or increase by SR 44,910,296 (31 December 2019: 54,252,164). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings;

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Potential concentrations of credit risk consist principally of trade receivables, amounts due from a related party and short-term cash investments. Details of how credit risk relating to trade receivables is managed is disclosed in note 8. The amounts due from a related party are monitored and provision is made, where necessary, for any irrecoverable amounts. Short-term cash investments are only placed with banks with a high credit rating.

Expected credit loss (ECL) measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition wherein if a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and if the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.

Significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, the Group considers quantitative, qualitative information and backstop indicators and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information. For customer, distributors, roaming and interconnect trade receivables significant increase in credit risk criteria does not apply since the Group is using simplified approach which requires use of lifetime expected loss provision.

For amounts due from banks, the Group uses the low credit risk exemption as permitted by IFRS 9 based on the external rating agency credit grades. If the financial instrument is rated below BBB- (sub investment grade) on the reporting date, the Group considers it as significant increase in credit risk.

Financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

31 FINANCIAL INSTRUMENTS (continued)

Credit impaired assets

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, there is sufficient doubt about the ultimate collectability; or the customer is past due for more than 90 days.

Incorporation of forward looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group has performed historical analysis and identified Gross Domestic Product (GDP) of each geography in which they operate as the key economic variables impacting credit risk and ECL for each portfolio. Relevant macro-economic adjustments are applied to capture variations from economic scenarios. These reflect reasonable and supportable forecasts of future macro-economic conditions that are not captured within the base ECL calculations. Incorporating forward-looking information increases the degree of judgement required as to how changes in GDP will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The following table contains an analysis of the maximum credit risk exposure of financial instruments for which an ECL allowance is recognized:

	2020 Simplified approach Lifetime Total	2019 Simplified approach Lifetime Total
Customers	**1,984,900**	1,638,123
Distributors	**262,567**	274,039
Contract assets	**319,061**	409,452
Less: ECL	**(1,266,430)**	(1,009,403)
	1,300,098	1,312,211
Roaming partners	**60,166**	43,834
Other operators (interconnect)	**541,710**	289,233
Less: ECL	**(5,890)**	(2,586)
	595,986	330,481
Other receivables	**8,579**	12,903
Less: ECL	**(82)**	(82)
	8,497	12,821

ECL allowance of trade and other receivables are assessed as follows:

	2020	2019
Collectively assessed	**1,266,430**	1,009,403
Individually assessed	**5,972**	2,668
	1,272,402	1,012,071

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31 FINANCIAL INSTRUMENTS (continued)

The following table shows the movement in the loss allowance that has been recognized for trade and other receivables:

	Collectively assessed	**Individually assessed**	**Total**
1 January 2020 under IFRS 9	**1,009,403**	**2,668**	**1,012,071**
Amounts reversed	**(704)**	**-**	**(704)**
Net increase in loss allowance	**257,731**	**3,304**	**261,035**
31 December 2020	**1,266,430**	**5,972**	**1,272,402**

For customer, distributor and contract assets, the Group uses a provision matrix based on the historic default rates observed and adjusted for forward looking factors to measure ECL as given below.

	2020			2019		
Aging brackets of postpaid trade receivables	Estimated total gross carrying amount at default	Expected credit loss rate %	Lifetime ECL	Estimated total gross carrying amount at default	Expected credit loss rate %	Lifetime ECL
Not due /< 30 days	**895,214**	**0.37%**	**3290**	899,860	0.40%	3,606
31 – 60 days	**45,444**	**0.28%**	**127**	87,086	0.12%	108
61 – 90 days	**40,963**	**0.42%**	**170**	36,328	0.13%	47
91 – 180 days	**123,742**	**23.41%**	**28,967**	129,374	19.71%	25,494
> 181 days	**168,510**	**50.09%**	**84,402**	187,608	40.52%	76,025
> 361 days	**1,292,655**	**88.92%**	**1,149,474**	981,358	92.13%	904,123
	2,566,528		**1,266,430**	2,321,614		1,009,403

Credit quality of roaming, interconnect and other balances:

	2020	2019
Credit quality – Performing	**602,560**	343,972
Impaired	**7,895**	1,998
ECL	**(5,972)**	(2,668)
	604,483	343,302

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group has accumulated deficit as of that date. These conditions indicate that the Group's ability to meet its obligations as they become due and to continue as a going concern are dependent upon the Group's ability to arrange adequate funds in a timely manner. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are made available to meet any future commitments. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity and/or undrawn committed credit facilities at all times to meet its obligations. As 31 December 2020 the Group have the undrawn working capital facility of SR 1 billion and the undrawn term facility amounting to SR 4.2 billion. The directors have a reasonable expectation that the Group has adequate resources along with the undrawn credit facilities to continue in operational existence for the foreseeable future. The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total contractual cash flows	Carrying amount
At 31 December 2020						
Borrowings	**136,207**	**3,003,086**	**1,577,364**	**-**	**4,716,657**	**3,836,145**
MOF payable	**722,305**	**684,743**	**1,891,809**	**1,514,467**	**4,813,324**	**4,038,620**
Trade and notes payable	**2,489,146**	**-**	**-**	**-**	**2,489,146**	**2,489,146**
Due to related parties	**3,828,408**	**-**	**-**	**-**	**3,828,408**	**3,649,514**
Lease liabilities	**379,975**	**288,941**	**544,479**	**330,941**	**1,544,336**	**1,384,247**
Long term payables – Spectrum	**140,698**	**377,396**	**377,396**	**1,164,596**	**2,060,086**	**1,530,649**
Net Settled derivative liabilities) Interest rate Swap	**56,651**	**64,018**	**85,348**	**-**	**206,017**	**206,210**
	7,753,390	**4,418,184**	**4,476,396**	**3,010,004**	**19,657,974**	**17,134,531**
At 31 December 2019						
Borrowings	328,186	5,549,410	1,904,126	-	7,781,722	6,707,034
MOF payable	153,879	953,879	3,050,106	-	4,157,864	3,578,590
Trade and notes payable	1,853,279	-	-	-	1,853,279	1,853,279
Due to related parties	-	-	7,521,651	-	7,521,651	6,375,763
Lease liabilities	484,563	378,002	724,521	549,068	2,136,154	1,476,225
Long term payables – Spectrum	119,098	238,196	357,294	538,195	1,252,783	922,688
Net Settled derivative liabilities) Interest rate Swap	66,363	77,394	88,146	-	231,903	127,899
	3,005,368	7,196,881	13,645,844	1,087,263	24,935,356	21,041,478

31 FINANCIAL INSTRUMENTS (continued)

31.1 Fair value of financial instruments

Assets and liabilities measured at fair value in the 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 Group are carried at amortized cost except for derivative financial instruments. Therefore, the fair value hierarchy disclosure which requires a three-level category of fair value is not disclosed.

31.2 Carrying amount vs fair value

The group considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

- Cash and cash equivalents
- Trade and other receivables
- Trade and other payables
- Borrowings
- Other non-current liabilities

	Fair value measurement hierarchy	**31 December 2020** Carrying value	Fair value	31 December 2019 Carrying value	Fair value
Derivative financial instruments	Level 2	**206,210**	**206,210**	127,899	127,899

31.3 Valuation techniques

These derivatives are valued using widely recognized valuation models. The Group 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 FINANCIAL INSTRUMENTS (continued)

	2020	2019
Financial Assets		
Financial assets at amortized cost:		
Cash and banks	**1,103,401**	1,157,438
Trade receivables	**1,588,059**	1,249,304
Total financial assets at amortized cost	**2,691,460**	2,406,742
Total financial assets	**2,691,460**	2,406,742
FINANCIAL LIABILITIES		
Financial liabilities at amortized cost:		
Trade payables, Notes payable	**2,489,146**	1,853,278
MOF payable-current	**538,006**	-
Due to related parties	**3,649,514**	6,375,763
Other non-current liabilities	**4,890,565**	4,501,278
Borrowings	**3,836,145**	6,707,034
Total Financial liabilities at amortized cost:	**15,403,376**	19,437,353
Financial liabilities at fair value:		
Derivative Financial Instruments	**206,210**	127,899
Total financial liabilities at fair value	**206,210**	127,899
Total financial liabilities	**15,609,586**	19,565,252

31.4 LIBOR Reform Transition

In July 2017, the United Kingdom Financial Conduct Authority (‘FCA’), which regulates the London Interbank Offered Rate (‘LIBOR’), announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates.

LIBOR reforms and expectation of cessation of LIBOR will not significantly impact the Group’s current risk management strategy and possibly accounting for certain financial instruments. The Group has certain USD dominated long-term loans, amounting to SAR 148.8 million, which are exposed to the impact of LIBOR. The Group has adopted Secured Overnight Financing Rate (“SOFR”), as a benchmark rate in place of LIBOR, that is recommended by the Alternative Reference Rates Committee (“ARRC”) appointed by US Federal Reserves Board.

Mitigation actions:

The Group has established program across all its business lines, operational areas and geographical regions that focuses on:

- assessing and reducing the Group’s and clients’ exposure to legacy LIBOR contracts by amending or replacing existing contracts to either include robust fall back provisions and or replace LIBOR with risk free rates or an alternative rate. (refer note 20)
- Enhancing existing infrastructure and financial models to prepare for a smooth transition to alternative risk-free reference rates.

The Group continues to develop and implement plans to mitigate the risks associated with LIBOR cessation as alternative reference rates develop.

32 RELATED PARTY INFORMATION

During the year, the Group transacted with following related parties

Party	**Relationship**
Oman Telecommunications Group SAOG	Parent Group of Mobile Telecommunications Group KSCP
Mobile Telecommunications Group K.S.C. P (Zain Group)	Founding shareholder/ Parent Group
Zain Bahrain	Subsidiary to Founding Shareholder
Zain Sudan	Subsidiary to Founding Shareholder
MTC Lebanon S.A.R.L.	Subsidiary to Founding Shareholder
Zain Iraq/ Atheer Telecom Iraq Limited ‘Atheer’	Subsidiary to Founding Shareholder
Zain Global Communications Co. SPC	Subsidiary to Founding Shareholder
Infra Capital Investments Group	Founding Shareholder

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

	2020	2019
Revenue from a entities owned by shareholder	**24,904**	19,415
Purchases from entities owned by shareholder	**94,331**	78,301
Fees charged by a Founding shareholders (note 26)	**120,338**	215,504
Finance charges charged by a Founding shareholder (note 28)	**256,306**	323,893

The following balances were outstanding at the reporting date:

	2020	2019
Amounts due to a founding shareholders	**3,649,514**	6,375,658
Amounts due to a subsidiaries of Group	**105**	105
Amounts due from a Founding shareholders	**665**	2,295
Amounts due from a subsidiaries	**-**	230

Other amounts due to related parties are disclosed in note 18 .

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received by related parties other than those disclosed in note 18. No amounts have been expensed in the current year for doubtful debts in respect of amounts owed by related parties.

Compensations and benefits to key management personal comprising remunerations to Board of Directors and other senior management members

	2020	2019
Short-term benefits	**36,249**	33,194
Long-term benefits	**2,893**	2,502

(All amounts in Saudi Riyals thousands unless otherwise stated)

33 CAPITAL COMMITMENTS

The Group had capital commitments totaling SR 194 million (31 December 2019: SR 1,441 million)

The Group had contractual commitments for intangible assets totaling SR Nil, related to Spectrum in 2020, the spectrums commitment for the prior year amounts to SR 948 million which has been operational in 2020

Capital management

The Group manages its capital to ensure it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from the previous year.

The capital structure of the Group consists of debt and equity comprising share capital, the hedging reserve, the accumulated deficit, long-term borrowings and amounts due to related parties.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including lease liabilities less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

The Group's Net debt to equity ratio at the end of the year is as follows:

	2020	2019
Net Debt	**8,155,611**	10,604,411
Total Equity	**16,884,694**	14,707,262
Net debt to equity ratio	**48%**	72%

34 GOVERNMENT GRANTS RECEIVED

The Group received total government grant income during 2020: SR 150 million (2019: SAR 18 million). The amount of 93 million have been adjusted against the receivable balance and an amount of SR 3 million was set off against property and equipment (2019: SR 172 million) and SR Nil was included in the net profit of this year (2019: SR 9 million). The deferred income against the government grant amounting to SAR 53,832 is recorded under deferred revenue.

35 CONTINGENT LIABILITIES

The Group had the below contingent liabilities in the form of letters of guarantee and letters of credit

	2020	2019
Letter of Guarantee	**78,352**	100,286
Letter of Credit	**170,000**	161,250
	248,352	261,536

The Group 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 Group, 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 Group.

The CITC's violation committee has issued several penalty resolutions against the Group; which the Group has objected to. The reasons of issuing these resolutions vary between linking ID for the issued prepaid SIM Cards and providing promotions that have not been approved by CITC and/or other reasons. As of 31 December 2020 the amount of lawsuits and violations amounts to SAR 60.36 million which has been recorded fully.

36 SEGMENT REPORTING

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

	For the year ended 31 December	
Revenues	**2020**	2019
Mobile Telecommunications Group	**7,640,573**	8,084,684
Zain Sales Group	**2,359,948**	2,874,790
Zain Payment - Tamam	**729**	23
Zain Drones	**-**	-
Eliminations / Adjustments	**(2,084,705)**	(2,573,270)
Total Revenues	**7,916,545**	8,386,227
Cost of operations	**(4,234,887)**	(4,316,373)
Depreciation and amortization	**(2,439,122)**	(2,311,551)
Expected credit loss on financial assets (ECL)	**(240,572)**	(247,249)
Interest income	**11,939**	26,338
Other income	**27,574**	10,891
Gain on Modification of borrowings	**136,255**	-
Finance cost	**(898,206)**	(1,044,501)
Zakat	**(19,581)**	(18,607)
Net Profit	**259,945**	485,175

Revenue reported above represents revenue generated from external and internal customers. There were SR 2,084 million in 2020 (2019: SR 2,573) inter Group revenue and adjustments for Zain Sales Group eliminated at consolidation.

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

Assets	**2020**	2019
Mobile Telecommunications Group	**35,328,930**	31,947,008
Zain Sales Group	**6,602,773**	3,765,265
Zain Payment - Tamam	**27,653**	734
Zain Drones	**473,854**	317
Eliminations / Adjustments	**(14,275,455)**	(7,975,071)
Total Assets	**28,157,755**	27,738,253
Liabilities		
Mobile Telecommunications Group	**26,774,782**	27,952,376
Zain Sales Group	**6,458,833**	3,666,648
Zain Payment - Tamam	**18,043**	880
Zain Drones	**1,701**	584
Zain Business	**10**	-
Eliminations / Adjustments	**(13,824,697)**	(7,985,086)
Total Liabilities	**19,428,672**	23,635,402

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

37 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 Group 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 Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the 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 consolidated financial statements.

Impairment of non-financial assets

The Group 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 Group 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 Group 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 Group 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 Group 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 Group'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 Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged. As a result, these consolidated financial statements has been appropriately prepared on a going concern basis.

38 COMPARATIVE FIGURES

Certain reclassifications have been made to the consolidated financial statements of prior year to conform to the current year presentation. Significant reclassification made has been made in the consolidated statement of financial position for payables to MOF from long-term borrowings to other non-current liability for an amount of SR 3,579 million as at 31 December 2019. As the management have reassessed in details the agreement and concluded it as a payable in nature.

39 SUBSEQUENT EVENTS

In the opinion of the management, there have been no significant subsequent events since the year-end that require disclosure or adjustment in these Consolidated Financial Statements.

40 APPROVED CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 18th of February 2021.

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