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Leadership & Innovation

Board of Directors Report

2021

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Introduction

2021 will be remembered as a pivotal year for Zain Saudi Arabia (KSA), marked by unique challenges and countless achievements. Despite the exceptional circumstances that prevailed with the onset of the COVID-19 pandemic for nearly two years, Zain KSA continued garnering more accomplishments. Starting from extinguishing its accumulated losses, the company transitioned to have retained earnings for the first time in its history while continuing to expand across all of the Kingdom's regions and cities and tapping new operational fields. This expansion was also paired with new awards and further recognition from top local and global institutions. The factors that have underpinned the stellar success of Zain KSA in 2021 will be highlighted in this report, demonstrating how the company has fulfilled its commitments towards its stakeholders and partners. Today, Zain KSA is preparing to move to a new phase of growth, fueled by its talents and its rich expertise. Keeping pace with the directives of an astute leadership, Zain KSA aspires to support the Kingdom's digital transformation and become a key player in achieving the digital economy strategy as approved by the Saudi government, in line with the objectives of Saudi Vision 2030.

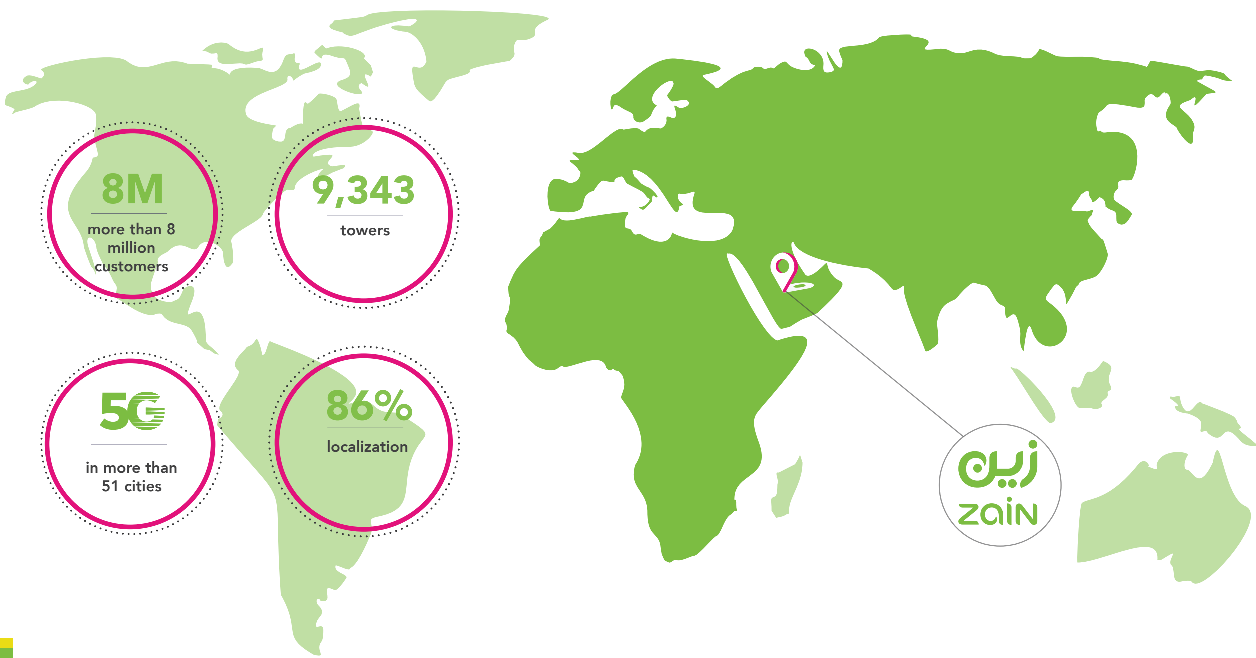
About Us

Zain KSA was established as a Saudi Joint Stock Company by the Royal Decree No. 48/M dated June 12, 2007, Ministerial Resolutions No. 176 dated June 11, 2007, No. 357 dated January 7, 2008, and Commercial Registration No. 1010246192 issued in Riyadh, on 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, which has a 25-year duration. 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.

Furthermore, on 20/02/2017 the Communications & Information Technology Commission (CITC) granted a unified license, as per royal decree, to Zain KSA enabling it to provide all telecommunications services including fixed services.

Zain KSA commenced commercial operations in August 2008, following an Initial Public Offering in February 2008.
In September 2011, Zain KSA was the first operator in the Middle East to commercially launch a 4G/LTE network. In October 2019, Zain KSA launched the third largest 5G network in the world and the largest 5G network in the Middle East, Europe, and Africa at the time.



An Ambitious Nation, Vibrant Society, Thriving Economy

Zain KSA's new digital strategy is based on serving all segments of society across 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 for all.

Through its eight-pillared strategy, Zain KSA aims to transform into an information and communications technology (ICT) leader in Saudi Arabia, enabling our customers to benefit in a developed, hyper-connected community. 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 to businesses and individuals. Zain KSA's telecommunication offerings include, but are not limited to, digital payment services (fintech), cloud computing and the Internet of Things (IoT).

B2C Services

- 5G
- Mobile Telecom
- Fiber Optics
- Mobile Devices: smartphones
- Fixed internet for homes
- Microfinance for individuals via the Tamam platform
- Digital packages (fully automated) under the trademark Yaqoot
- Digital Entertainment: Apple, STARZPLAY, Shahid, OSN
- Cloud gaming through the GeForce NOW platform

B2C Services

- Zain Cloud
- IoT Solutions
- Connectivity solutions via fiber optics
- Connectivity solutions via wireless technologies such as 5G
- IP-VPN
- Zain Drones
- Many other business services

In line with its pioneering strategy, in October 2019, Zain KSA rolled out its 5G network which by 2021 had expanded to reach 51 cities across the Kingdom, enabled by 5,000+ towers, becoming one of the largest 5G networks in the Middle East, Europe and Africa.

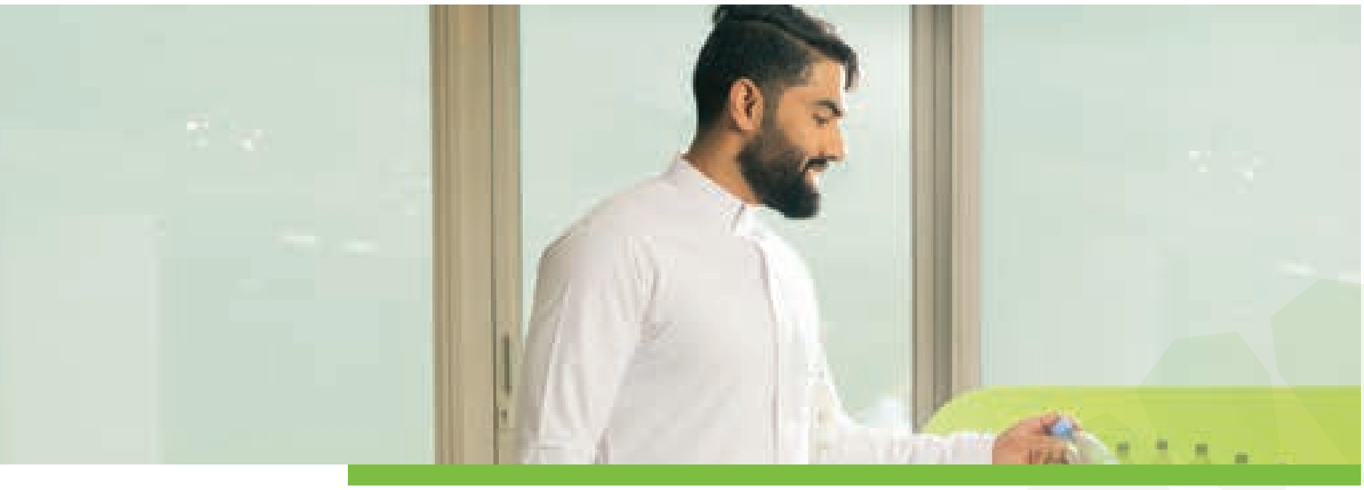
Extending the entire network coverage to 99% of the Kingdom's population, Zain is delighted to serve 8 million customers in Saudi Arabia. The ever-evolving operator continues its efforts to attract thousands of new voice and data customers daily.

On another level, Zain KSA prides itself in employing high-caliber professionals with 86% of its workforce consisting of energetic and inspired Saudi nationals.

Zain KSA continues to champion the role of women in the Kingdom's ICT industry. In addition to hiring more Saudi females, the company continues to invest in developing the leadership skills of its female employees. Zain KSA's efforts also concentrated on developing HR policies that ensure diversity and gender equality, thus transforming the company's work culture.

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
CR Number	1010246192
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
E-Mail	investor.relations@sa.zain.com
Website	www.sa.zain.com



Our Vision

To become the leading telecommunications operator and digital services provider across Saudi Arabia, and to achieve best-in-class services and products and superior customer service in a hyper-connected world.

Our Values

Customer Centric

We pour over every detail, inspired by the best global practices to develop innovative and high-end services that fulfill our customers' aspirations.

Agility

We provide a flexible and accessible service, with the fastest and most superior technology.

Belonging

We take pride in our community and in our talents that we credit for our achievements.

Open Communication

We ensure credible business dealings whilst maintaining open communication for a more reliable performance.

Inclusion

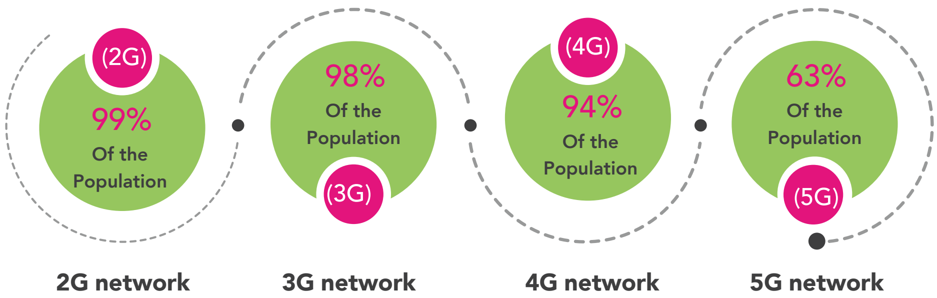
We provide a competitive, dynamic, and unbiased work environment that supports the role of women, people with disabilities, and a diverse mixture of cultures and generations

Achievements and Plans

Zain KSA considers itself a strategic partner in the Vision Realization Programs (VRPs) that will help to achieve Vision 2030, and a key contributor to the programs' goals. This partnership is embodied in all of the active developments that the telecommunications sector is undergoing. Zain KSA's pioneering 5G network is one of the largest in the Kingdom and region which showcases the company's dedication to offering the latest and best technologies to its customers in the B2C and B2B segments. 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 2,600 network towers covering 27 cities were installed, achieving a population coverage rate of 43%, the highest in the region at the time. Additionally, Zain KSA supported and implemented the CITC initiative of enabling "National Roaming for USF Areas" for all operators, enhancing customer experience and providing services on a wider national scale.

In line with Zain KSA's strategy and commitment to drive the ICT sector forward, the company has completed the delivery of "Sophia Project" - Phase 3, expanding the 5G network footprint to cover 51 cities through 5,000+ towers. This has coincided with Zain KSA's network being awarded numerous local and international accolades.

Zain KSA covers 99% of the Kingdom's population



As for Zain KSA's transmission network, the company was able to optimize a significant portion of the operational costs for connecting the network after investing in fiber optics, particularly 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 (FTTH) access providers, which allows the telco to utilize the fiber optic infrastructure to provide Zain KSA FTTH solutions to any household covered by these providers under the "Open Access Agreement". initiated by the Communications & Information Technology Commission (CITC). Zain KSA is working with CITC to extend this agreement to include the business sector as well.

With regards to operations and maintenance, the company embraces an effective 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 and IT systems throughout its critical operations and ensures it is providing services of the highest possible quality and least possible cost. Over the last few years, the company's maintenance costs have 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 enhancing its capabilities in managing and maintaining its 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. Zain KSA also 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.

Marking Our Accomplishments

January

- Launching Tamam, Zain KSA's fintech arm, to be the first consumer micro-financing licensee in the Kingdom
- Signing a strategic partnership with NGO Youth Empowerment (Mentor Saudi), aimed to empower Saudi children and youth
- Launching the leased line telco services that are enabled by 5G for the business sector

February

- Signing an exclusive agreement with The Red Sea Development Company, making the Red Sea Project the first construction zone to have 5G coverage in the Middle East

March

- Partnering with NVIDIA, the leader in accelerated computing, to exclusively launch the first 5G cloud gaming platform GeForce NOW in Saudi Arabia
- Setting speed record of 5G services, reaching 1.9 Gbps during a successful trial of the 5G indoor solution known as AirScale Radio System (ASiR)
- Sealing a memorandum of understanding (MoU) with the Saudi Authority for Industrial Cities and Technology Zones (MODON), offering 5G, telecommunications and high-speed internet services, as well as cloud and IoT services across MODON's industrial cities

April

- Developing 5G vertical expansion strategy through investment plans aimed at achieving a quantum leap across various sectors and industries, whilst opening up promising avenues towards powerful new technologies, including IoT, AI, and Big Data

May

- Expanding the geographical scope of the 5G network and maximizing coverage through more than 5,000 towers reaching out to 51 cities in the Kingdom

June

- Signing a (MoU) with the Makkah Region Development Authority to develop information and communication technology infrastructure for the Faisaliah Project
- Launching the "Be Well" initiative to improve employees' psychological and mental health
- Launching "Internet Monsters" campaign to raise awareness on children's online safety

July

- Signing a (MoU) with the National Environmental Recycling Company (Tadweer) for recycling electronic waste
- Signing an agreement with Integrated Mobile Telecom Co.Ltd., which can benefit from Zain's infrastructure to provide mobile telecommunications services to its customers as a mobile virtual network operator (MVNO)

August

- Rolling out the National Roaming Service in support of the National Roaming initiative launched by (CITC) to maximize the inclusiveness of telecommunication services throughout all Saudi regions and cities, with a particular focus on remote villages and desert areas

September

- Signing a (MoU) with the National Center for Mental Health Promotion to raise mental health awareness and achieve a better quality of life

October

- Partnering up with Netcracker to enhance commercial business support system (BSS) and facilitate its operations with advanced digital and cloud-based solutions, as a frontline development strategy to provide a distinctive digital experience for customers
- Signing MoUs with Huawei, Nokia, Tata, BTAS, and a managed cyber security service provider agreement with Fortinet
- Achieving two ISO certifications, ISO 9001:2015 (QMS) and ISO 27001:2013 (ISMS)
- Gaining a Bronze (L2) certification from the Cloud Security Alliance (Cloud Controls Matrix v3.0.1. CCM), globally recognized as a cybersecurity control framework for cloud computing

November

- Partnering with Huawei to construct the region´s first future-oriented advanced IP network (Intelligent IP) to deliver the best end-user service experience
- Launching the Um Al Shogog Reforestation Campaign in collaboration with the Environmental Green Horizons Society

December

- Launching an exclusive Apple music offer, and thus allowing subscribers to enjoy more than 90 million international and local songs, in addition to more than 30,000 popular music playlists

Zain Saudi Arabia's Local and Global Awards

OPENSIGNAL

- The 5G Download Speed award
- The 5G Availability award
- The 5G Download Experience award

Labor Award

- The localization award in the ICT sector

GAME MODE

Game Mode Report

- Ranked first in average response times for four video games for the first-half of 2021

umlaut

Umlaut Report

- Fastest 5G and data performance in Riyadh
- Highest Datastream download and upload speeds in Riyadh
- Shortest YouTube video start time in Riyadh

Telecom Review

- Best 5G User Growth award
- Most Innovative Product/Service award for Yaqoot service

The Speedtest Award

- Fastest Fixed Internet in Saudi Arabia

مقياس
MEQYAS

Meqyas Report

- First place in mobile 5G average download speed for Q1 2021
- First place in 5G deployment in 8 out of 13 regions in the Kingdom for Q2
- First place with fastest average download speeds for mobile 5G in Riyadh for Q3
- First place in 5G coverage in Riyadh for Q3
- First place in 5G deployment in 10 out of 13 regions in the Kingdom for Q3
- First place in 5G deployment in 11 out of 13 regions in the Kingdom for Q4
- First place in fixed internet speed for Q4

We Invest in Our Society

Scientific Partner of the National Olympiad for Scientific Creativity (Ibda'a), which is organized by the King Abdulaziz & his Companions Foundation for Giftedness and Creativity (Mawhiba), in partnership with the Ministry of Education

Strategic Digital Partner of MCIT's ThinkTech initiative sponsoring the second edition of the Make it and Play it for Youth competition, as part of Zain KSA's partnership with the Ministry of Communications and Information Technology and its collaboration with the Saudi Arabian Federation of Electronic Sports (SAFEIS), during the 2021 Gamers without Borders season

Official digital sponsor of the Art Pioneer initiative launched by the Saudi Space Commission, seeking to attract and empower national Saudi talent to create the visual identity and design the logo based on their creative expression of space

Official digital sponsor of Riyadh International Book Fair, ushering its transformation into a cultural event through a significant expansion of its various activities and initiatives that represent 16 cultural sectors

The digital partner of the Diriyah Biennale for Contemporary Art, committed to supporting the local cultural movement and consolidating its position as an essential part of the community's lifestyle in the Kingdom and thereby pursuing the efforts to activate the role of culture in supporting economic development

Our Family Comes First

Our staff is our most valuable asset. We are committed to developing a work environment that supports and sustains our talent's capabilities, and we are proud to be one of the national companies with the highest employee retention rate. In 2021, Zain KSA won the HRSD Labor award in ICT in recognition of its contribution to youth empowerment

Zain Saudi Arabia in Vision 2030

Amid the remarkable digital transformation that the Kingdom is witnessing under Vision 2030, Zain KSA takes pride in being at the forefront of digital and communications service providers, keeping pace with Vision 2030's goals and committing to harness all our capabilities, assets, and skills to serve the vision's goals of elevating the quality of life and developing our nation's competences at all levels. Correspondingly, we were distinctively keen to be a cornerstone for introducing the digital economy, guided by our astute leadership, through supporting the local telecommunications sector and scaling up its global competitiveness, thereby enhancing the GDP contribution of this vital sector, leading to a more resilient economic diversification.

With the evolution of Giga projects in the Kingdom, we have stepped forward to synchronize our operational strategy to become a lifeline ensuring the success of those projects and fulfilling their connectivity requirements. Simultaneously, the tremendous growth of digital services, and mainly personalized digital entertainment, has increased vastly with the new reality imposed by the outbreak of the COVID-19 pandemic. Nevertheless, we have invested heavily in quality projects to expand our capacities to accommodate the growth in demand and develop innovative services focused on the vertical expansion of our 5G services. This helped us grow closer to our customers and become their service provider of choice. We take pride in serving our B2B customers and supporting them in achieving their future ambition. At the same time, we have expanded the geographic reach of our 5G services, cementing our role in achieving sustainable development, and thereby enhancing the Kingdom's advanced position in digitalization and as an incubator for Industry 4.0 across all fields.

2030

1
Zain Business Ltd.

2
Zain Sales Co Ltd.

3
Tamam Finance Company

4
Zain Drones Ltd.

Zain Business
2018

Zain Sales
2018

Tamam
2019

Zain Drones
2019

zain Subsidiaries

1

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 (Zain KSA) with CR number (1010472408) 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.

2

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 (Zain KSA) with CR number (1010474932), with a capital of SAR 10,000. The company engages in commercial distribution and partner management activities. Zain Sales was established to be Zain KSA'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 began operation in the first quarter of 2019. During 2021, Zain Sales Co. contributed up to 1.6% of the overall revenue of Zain KSA.

3

Tamam Finance Company (Tamam)

Tamam is a closed joint stock company established in 2019 and operating in the Kingdom of Saudi Arabia and wholly owned by Zain KSA with CR number (1010573360). The company is engaged in providing consumer microfinance services in accordance with the approval of Saudi Central Bank ("SAMA") numbered 57/A SH/202012 issued on 20 December, 2020. 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. Tamam increased its share capital from SAR 20,000,000 to SAR 57,000,000 in the second quarter of 2021. The company began operating in the fourth quarter of 2019. During 2021, it made minimal contribution to Zain KSA's overall revenue and had no material impact on Zain KSA›s business or results.

4

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 (Zain KSA) with CR number (1010584404) 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 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.

Chairman's Message

As we move ahead with our journey of building a digital future to empower the coming generations, we reiterate Zain KSA's commitment to the combination of Homeland, People, and Innovation. These core principles have set our strategic roadmap and corresponding objectives and have endowed Zain KSA with the willpower and commitment to overcome challenges and fulfill our plans. Today, we have grown to become a leading company in the ICT and digital services sector across the Kingdom.

Driven by the momentum of the progress we have made over the past years, Zain KSA has achieved greater milestones in 2021, highlighting our success in committing to our roadmap and achieving astounding recognition. We feel privileged to have consistently contributed to achieving the overarching plans set out by our wise leadership to accelerate nationwide digital transformation, as part of the goals of Saudi Vision 2030. In this regard, we have played a pioneering role strengthening the Kingdom's advanced position among the world's top countries in the field of telecommunications and digital services, with Riyadh ranking high globally among the leading capitals in 5G network.

We demonstrated our strong commitment to empower the people of our beloved nation and ensure their welfare by rolling out the most advanced technologies and services that help them fulfill their personal and professional ambitions, and thereby improve the quality of their life. We have also provided state-of-the-art services for individuals as well as private businesses and government institutions to nurture their capabilities, help them achieve progress and agility, and boost their core business performance. In doing that, we have supported the government's approach of transitioning to a digital economy with advanced digital services, thus promoting the Kingdom's economic competitiveness to continue to be on par with the world's largest economies.

With every achievement, we are thankful for the auspicious and supportive environment from which we draw inspiration to continue to succeed and prosper. We owe a lot to our nation, with all the gifts it has given us, and we appreciate the Kingdom's wise leadership and their insightful vision that has spurred growth across the telecommunications and information technology sector, along with all other sectors. In fact, Zain KSA shares every achievement with our beloved nation, supporting its path towards a full-fledged digital transformation. We also take pride in other accomplishments, including the many environmental, social and human sustainability initiatives we have implemented throughout 2021.

In addition to our commitment to persistently improve our operational performance, we at Zain KSA are fully committed to working in favor of our shareholders and strive to meet their aspirations of maximizing profit and strengthening the company's financial standing in return for their trust in our competence. The financial results of 2021 are a clear indication of this approach, as Zain KSA recorded a net profit of SAR 214 million. Our capital restructuring plan that we have previously implemented and extinguishing of all accumulated losses have begun to bear fruit. Now, I can confidently say that we have transitioned to a new era of financial and operational growth and that our progress will become more pronounced and tangible in the coming period.

As we strive to build a digital future for our generations, we acknowledge the efforts of every member of Zain KSA's family as they relentlessly drive Zain KSA towards a brighter and more prosperous future and as they continue to create an ideal work environment that fulfills their aspirations and ambitions. We believe in our family's inherent potential and immense capacity to contribute to the advancement of our nation and promote the welfare of its people.

Naif Bin Sultan bin Mohammed Bin Saud Al Kabeer

Chairman's Message

CEO's Message

At Zain KSA, we aspire to grow into the leading provider of telecommunications and digital services, putting more emphasis on advancement and innovation. While ensuring the highest value for our Kingdom, our economy and our people, we also seek to translate our success into financial results.

By charting Zain KSA's progress throughout 2021, one can identify that this approach permeates all the company´s plans, programs, and initiatives and notice how it has yielded numerous achievements that propel us forward on our journey to leadership. In a quick overview of the main highlights of 2021, I would like to revisit some of our prominent achievements that are attributed to Zain KSA´s exceptional strategy which has kept the company's activity focused on specific areas and contributed to our distinction across two main fields: innovation and development.

We successfully continued to horizontally expand our 5G network which now covers 51 cities through more than 5,000 towers across the Kingdom. This helped us contribute to closing the digitization gap and enhancing telecommunications and internet services by adopting innovative solutions in densely populated areas as well as remote regions far from metropolitan cities. In addition to our horizontal, geographical expansion, we have invested in the vertical expansion of our B2C sector, by adding new services and products, including entertainment content and cloud-gaming. We also enhanced our B2B offerings through an investment plan that aims to achieve profound transformation across all sectors and unlock new opportunities to implement futuristic technologies such as the Internet of Things (IoT), big data, and AI. As a result, Zain KSA has transformed into a full-fledged 5G ecosystem and an epicenter for bringing about advanced products and services compatible with the latest technologies.

At Zain KSA, we are proud that our achievements and initiatives emanate from the brilliant minds of accomplished Saudi individuals, and materialize thanks to our competent and experienced Saudi talent. Such highly capable individuals make up the family of Zain KSA whose members greatly value with all their hearts and minds the company's vision as they strive every day to make it a reality. In fact, these achievements are also proof of Zain KSA's expansion approach, which has focused on all strategic and operational aspects, from quality investments, to services, products, networks, and partnerships. This has directly contributed to boosting the company´s financial performance and increasing its revenues, especially as our approach drew on consistency in implementing accurate financial strategies based on proper planning, efficient financial procedures, good governance, and transparency. Indicating a solid and stable financial performance, the financial results for 2021 show that we have sustained a consistent trend of profitability for the fifth consecutive year. In parallel, we also maintained our leading position in corporate sustainability, represented through our efforts in social leadership, inclusiveness, youth empowerment, and addressing climate change, as we were the first telecom company in the Middle East and Africa to obtain a carbon disclosure rating of (A-).

Eventually, as we forge ahead into a new year full of goals and challenges, we reiterate our genuine commitment to our country, leadership, shareholders, employees, subscribers, and partners. We will proceed with our plans of modernization, development, and innovation for a more advanced digital future, a more prosperous Kingdom, and a more creative human being.

Eng. Sultan Bin Abdulaziz Al-Deghaither

CEO's Message

Our Leadership

Board of Directors

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

A prominent businessman with extensive expertise in fields such as general investments, petrochemicals, foodstuffs, insurance, wholesale, and retail, among others. HH serves in several leading positions, including Chairman of numerous conglomerates, one of which is the renowned company Almarai. HH also chairs and serves as a member of the boards of several other establishments, including Alyamamah Cement Company, Farabi Gulf Petrochemicals Company, the ArabianShield 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.

Bader bin Nasser Al-Kharafi – Vice Chairman of the Board

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.

Ossama Michel Matta – Member of the Board

Ossama Matta has a track record, spanning more than 23 years, of solid financial and managerial experience in the Middle East. Joining Zain Group in 2004, he was first appointed as CFO of Zain's Lebanon subsidiary, mtc touch, before being appointed as CFO of Zain Kuwait and then as CFO of Zain Group, Middle East, and, eventually, as Zain Group CFO, as of June 2010.
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 tenor 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.
He is a results-oriented leaderand a strong advocate of corporate governance and transparency.
Mr. Matta holds an Executive MBA (Finance, Strategic Management, and Project Management) and a Bachelor's degree in Business Administration from the American University of Beirut, Lebanon, and is a Certified Public Accountant.

Raied bin Ali Al-Seif – Member of the Board

Raied Al-Seif has a long history in the field of investment management, alongside his experience in banking. He holds many leadership positions, including serving as Chairman of the Arab National Investment Company (ANB Invest) and as 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. Al-Seif holds a BSc in Accounting from King Saud University.

Saud bin Abdullah Al-Bawardi – Member of the Board

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 and banking. Mr. Al-Bawardi also holds several leadership positions, including being a Vice-Chairman of the Board of Directors of the National Gypsum Company and 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.

Hisham bin Mohammed Mahmoud Attar – Member of the Board

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 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.

Martial Anthony Caratti – Member of the Board

Caratti has over 30 years of experience in the telecommunications industry in the Middle East and Europe. Caratti began his career in 1986 at NCR France. 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 at the time, currently Orange Group. He also served as Vice-President of Finance-Content division at Orange Group London from 2000 to 2004 and as Vice-President of Finance and Operations-Content division at Orange Group France from 2005 to 2006. Mr. Caratti held the position of Head of Financial Management at Tunisia's telecom operator, Ooredoo Telecom from 2008 to 2015. He holds a BA in Finance and Accounting from ESLSCA University in Paris.

Firas Oggar – Member of the Board

Joining Zain Group in 2017 as Head of Legal, Firas Oggar has extensive experience in legal affairs. 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 from 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.

Kamil Hilali – Member of the Board

Kamil Hilali is Chief Strategy Officer at Zain Group since March 2018. With over 18 years of experience, Kamil has a proven track record in developing corporate strategy and given his versatile business leadership capacities, in January 2021 he was also given the role of CEO of Zain Global Connect, the wholesale and carrier arm of Zain Group. He is also involved in Zain Group's digital transformation, ICT and B2B development, digital infrastructure, business development, and mergers and acquisitions. Before joining Zain, he worked for North Africa Holding Company as a Senior Investment Manager.
Mr. Hilali graduated with a Bachelor of Science in Industrial Engineering at the National School of Mineral Industry, Morocco, attained a Master of Business Administration from Suffolk University in Boston MA, USA, and a Masters in Finance from London Business School, UK.

Executive Management

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. Eng. Al-Deghaither has led several projects that positioned Zain KSA as the telecom operator of choice, and a company of reference for data quality and service in the Kingdom, characterized by Project Reload, one of the largest projects in the history of the company with a total investment of SAR 4.5 billion. Eng. 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. Among his most prominent contributions to the company's journey is his and his team's leadership of Zain KSA's transformation, as he managed to triple the company's market value and extinguish more than SAR 2 billion of accumulated losses. This has resulted in advancing Zain KSA's ranking to the 12th top brand in terms of market value in the Kingdom of Saudi Arabia. Previously, Eng. Al-Degaither was the Chief Operating Officer and the Chief Technology Officer of Zain KSA. Earlier, he had occupied several senior roles, including Network Engineering Director, where he contributed to the company's evolution and actively participated in developing Zain KSA's operations on the commercial, technical, and customer experience levels.
Eng. Al-Deghaither holds a bachelor's degree in Telecommunications and Electrical Engineering from King Saud University and an Advanced Management Program Degree from IESE.

Mehdi Khalfaoui – Chief Financial Officer

Mehdi Khalfaoui joined Zain KSA as Chief Financial Officer in February 2017. He contributes 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, 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.

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, Eng. 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, Eng. 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.
Eng. Al-Sadhan joined Zain KSA in April 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 at Ericsson.
Eng. Al-Sadhan has 18 years of experience in the telecommunications industry and holds a bachelor's degree in Electrical Engineering from King Fahd University of Petroleum and Minerals (KFUPM).

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. Eng. Al-Mufadda has successfully led his team in implementing Zain KSA's strategy in the deployment 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.
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.
Eng. Al-Mufadda initially joined Zain KSA as Planning Delivery Manager in 2013 before assuming several managerial roles leading up to his current position. Eng. Al-Mufadda brings in 18 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.
Eng. Al-Mufadda is a certified Project Management Professional and holds a bachelor's degree in Electrical Engineering from King Saud University.

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, where he has taken part in expanding and promoting Zain KSA's distribution and market share and registering innovative channels for sales solutions.
Eng. Al-Fawaz has substantial experience in Network Engineering and Customer Care Services. During his tenure at Zain KSA, he applied his expertise to drive the company's network development, customer care, and call center operations enhancement.
Eng. Al-Fawaz initially joined Zain KSA as Capacity Manager in 2013. He also held the position of Chief Engineer in the network sector prior to that.
Eng. Al-Fawaz holds a Bachelor's degree in Electrical Engineering from King Saud University and an MBA from Prince Sultan University.

Rayan Al-Turki – Chief Communications Officer

Rayan Al-Turki has served as Zain KSA's Corporate Communications Officer since June 2021. As a marketing strategist with over 18 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. Since joining the company as Vice-President of Communications in November 2018, he has led Zain's marketing strategy during the launch of its services and investments in futuristic technologies. Mr. Al-Turki has also contributed to executing the corporate sustainability strategy and the development of investor relations.
Al-Turki has 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.

Tiago Rocha da Silva – Chief Marketing Officer

Tiago Rocha da Silva joined Zain KSA as Chief Marketing Officer in September 2020. Rocha da Silva leads the company's Consumer Digital Transformation effort to provide customers with the best Customer Experience and innovative products and services, and ultimately position Zain KSA as the leading digital services provider in the Kingdom. In addition, he's responsible for all subjects related with Marketing, Digital Channels, Customer Care and Commercial Reporting.
Tiago brings to Zain KSA over 15 years of experience both as a Strategy Consultant and as an Executive in topics such as Marketing, S&D Strategies, Brand Positioning, Customer Experience and Digital Transformation. He previously worked at Oliver Wyman, Delta Partners, Greenwich Consulting and Movicel. Rocha da Silva holds a Business Administration degree and Executive MBA from ISCTE/INDEG Business School.

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

Eng. Al-Ghamdi has served as Vice President for Digital and Analytics at Zain KSA since November 2016. He has 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. Eng. Al-Ghamdi also worked on developing electronic channels, business intelligence, as well as big data capability and its supportive infrastructure.

Eng. 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.

Eng. 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.

Taghreed Bahadeelah – Vice-President, Investor Relations

Taghreed Bahadeelah has been Zain KSA's Investor Relations Vice President 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 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.

Eng. Maha Al Qernas – Vice-President Business & Fulfilment

Eng. Maha Al Qernas was appointed the Vice-President of Business and Fulfilment of Zain KSA in June 2021. Before being named VP, Eng. Al Qernas was Business and Fulfilment General Manager and was responsible for all of the company's business support systems, including end-to-end channels management, products, and services implementations.

She also headed the Technology division and played a key role in the continued development of strategic projects ensuring flexibility in response to an increasingly demanding marketplace.

Eng. Al Qernas has led several projects that positioned Zain KSA as a leading telecom operator, being deeply involved in the development and expansion of the company's IT and business support systems transformation.

Eng. Al Qernas holds a bachelor's degree in Information Technology from King Saud University, MBA from Al-Yamamah University, a Digital Leadership certificate from INSEAD and a Corporate Finance certificate from Washington University.

Loluwah AlNowaiser – Vice-President, Human Resources

Loluwah AlNowaiser was entrusted to lead the HR division as the Vice-President in June 2021. She has led several strategic projects to transform the HR Division.
AlNowaiser started her career with Zain KSA in 2014 and occupied several management roles in planning and development; the last of which was her role as the Talent Management General Manager which facilitates manpower planning, talent acquisition and organizational competencies, training employees and improving their practical skills as well as creating clear career paths to provide the company with a sustainable competitive advantage. Before joining Zain KSA, AlNowaiser worked in the HR division at PepsiCo.
AlNowaiser holds a bachelor's degree in Human Resources Management from King Saud University, alongside several accredited training certificates in HR, and business management.

Fabricio Martinez – Vice-President, Strategy & Transformation

Fabricio Martinez was appointed as Vice President, Strategy & Transformation on July 1, 2021, and he is responsible for Zain´s strategy, transformation, programs, and supporting business excellence. More recently, he was appointed to lead Zain's digital transformation. He joined Zain KSA in 2018, leading the company's main programs, such as the launch of 5G in 2019 and customer experience in 2020.
Martinez is a telecoms executive with 20+ years of work experience in the Middle East, Africa, and Europe, and has global exposure in consulting, networks, and business modelling for the mobile industry with a focus on emerging technologies and services. He has occupied different roles in consulting, business development, and strategy and CAPEX/OPEX efficiency programs.
Martinez holds a Masters in Strategic Direction of ICT from Universidad Politécnica de Madrid.

Eng. Abdulaziz Al-Subaie – Vice-President, Regulatory Affairs and Compliance

Eng. Abdulaziz Al-Subaie has been Zain KSA's Vice-President of Regulatory Affairs and Compliance since July 2021. In this role, Eng. Al-Subaie 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 roll out of Zain KSA's digital services.

Eng. Al-Subaie joined Zain KSA in May 2008 as a Core CS Engineer, and held several positions including Core Quality Supervisor in 2011, Roaming, Interconnect and Government Network Manager in 2014, and Service Operations General Manager in 2018.

Eng. Al-Subaie contributed to several key projects, the most recent of which include the 5G network deployment project, Reload Project, the Zain External DPI project, the SS7 Firewall Deployment project, and the Network Virtualization project.

Eng. Al-Subaie holds a Bachelor's Degree in Electronics & Communications Engineering obtained from King Saud University in 2008.

Eng. Fawaz Al-Homoud – Vice-President, Enterprise Risk and Information Security

Eng. Fawaz Al-Homoud was appointed as Vice-President of Enterprise Risk and Information Security in December 2021 and is currently responsible for creating and implementing information security policies and procedures as well as risk management and ensuring business continuity in the company.

Eng. Al-Homoud brings over 15 years of experience in cybersecurity managerial and technical positions where he specialized in building cybersecurity strategies.

Before joining Zain KSA, Eng. Al-Homoud held senior management positions in several public and private enterprises across a variety of sectors. He served as Senior Manager of Security in Qiddiya Investment company and, before that, held several positions at Saudi Aramco, including as Head of Corporate Red Team Group and Head of Network Security Group, in addition to several other positions in other institutions.

He holds a bachelor's degree in Computer Engineering from King Fahd University of Petroleum & Minerals, and Master's degree in Business Administration (MBA) from the Open University of Malaysia (OUM), and a Master's degree in Info Sec from Georgia Tech.

Our Strategy

We aspire to become the leading telecom operator and provider of digital services in the Kingdom.
Our vision has inspired us to build a strategic approach to transform Zain KSA into the leading telecommunications operator and digital service provider in the Kingdom, aspiring to fully leverage our expertise and resources to meet the market demands and to continue to provide our services with high efficiency. Therefore, we have expanded the scope of our work, contributing to the development of the ICT sector in Saudi Arabia. To this end, Zain KSA has endeavored to achieve its strategic approach based on: Environment, Sustainability, and Governance (ESG), and linking them to the investor, consumer, and employee. Building the strategy on these foundations has helped us to identify risks in a clear manner focusing on the most important factors that may affect the company's profitability and sustainability and thus increase the efficiency to enhance Zain KSA's position in the market.

01 Brand and Culture

02 Future Forward Network (5G)

03 Beyond Telecom

04 Digital Default

05 Customer Centricity

06 Partner of Choice

07 Economic Growth

08 Sustainable Practices

Leveraging areas of strength, including human capital and 5G network leadership as enablers that propel the Zain KSA brand

Adopting sustainable and innovative processes that will allow us to venture into new areas of business while leveraging gains from automation in the businesses

Generate value from and for stakeholders by scaling our B2B offerings and customer base and outperform the market on the B2C side

Create positive impact outcomes that include improving profitability and cash position all while considering environmental and social disciplines

Economic Growth

A positive output industry helps increase profits and cash flows. Our main objectives are to improve profitability in all products and services offered by Zain KSA according to a clearly designed strategy and plan that is continuously updated by maintaining internal controls, improving procurement efficiency, increasing team skills, digitizing operations, optimizing capital structure, and relationship with creditors, and ensuring high return on investment and smart investment through the capex value-based management.

An important new influential element emerging in the venture capital investment world is digital transformation. This element has changed the way business is conducted, and our objectives are to strengthen brand equity by linking it to the Digital Transformation Program.

By identifying the program as the company›s responsibility for entrepreneurship to help reduce unemployment and drive innovation in the Kingdom, as well as to ensure the diversity of the future investments and revenues, Zain KSA considers many opportunities that are not only limited to providing positive returns. They also harmonize and integrate the company's operational processes.

Sustainable Practices

Creating an enabling environment for the prosperity and growth of the ICT sector, ensuring the economic growth and sustainable development of Saudi Arabia, considering environmental and social factors.

Saudi Vision 2030 aims to advance the future of Saudi Arabia with a focus on sustainability as a key focus of planning and infrastructure. From this perspective, Zain KSA has developed a strategy based on sustainability by promoting infrastructure and expanding on a broad, fast, high quality, and low-cost scale implementation approach with distinctive, sustainable, environmentally friendly solutions as possible.

Based on this, Zain KSA has approved certain standards with its technical partners to reduce energy consumption and minimize the impact on the environment and climate, and make life in cities and communities more comfortable based on sustainable and innovative solutions that serve Saudi Arabia's aspirations.

Partner of Choice

We have strengthened our presence in the public and private sectors through Zain KSA´s premium solutions.

Saudi Vision 2030 has been the driving force of economic diversification; digital transformation has become the main enabler in all sectors.

In this sense, Zain KSA came up with a strategy to expand the provision of services to the government sector, which led to an increase in its revenues from government sectors from 17% in 2020 to 25% during the year 2021, in addition to Zain´s continuous distinguished services to support its partnership with the business sector.

Zain KSA has embarked on delivering fiber to the home (FTTH) based broadband connectivity as well as 5G to consumers to offer superfast broadband access coupled with innovative digital applications, that will redefine the way we live.

Through our partnerships with world-leading companies, we have provided solutions for our B2B customers, based on high-speed connectivity and integrated applications, planning to make Zain KSA a leader in innovation, speed, and delivering integrated ICT solutions in Saudi Arabia.

Customer Centricity

Grow the customer base by focusing on diversity and improving the quality of services provided to B2B and B2C segments.
By focusing on the customer as a top priority, offering and marketing products and services that are relevant to them and that address their evolving needs and aspirations. The company has also addressed after-sales support through detailed tactical and operational procedures, including resolving customer complaints through traditional and digital channels. Zain KSA seeks to apply the same approach in serving its B2B segment in an effort to expand and develop its customer base.

Adjacent Markets and Revenue Diversification

We strive to support the culture of technology innovation by developing the sector with the highest technology that is in line with Vision 2030.
Zain KSA has taken giant steps in tapping into adjacent markets and was able to achieve an advanced step in fintech in 2021 through launching "Tamam", the first fully digital platform for micro-financing services in the Saudi market licensed by the Saudi Central Bank (SAMA). Today, "Tamam" is working on expanding by offering distinguished and innovative services, positioning Zain KSA as a leader in the Saudi fintech market.
Moreover, Zain KSA has invested in drones, another innovative service that will significantly influence the future of the technical, logistics, and security sectors.
Zain KSA has also continued to strengthen partnerships with key players in the industry to provide outstanding cloud services to its B2B customers, including SMEs.

Digital Default

Automation of systems and processes for delivering a better experience while introducing our digital services that enhance lifestyle and entertainment.
We have embarked on a journey to continuously strengthen our digital capabilities, to interact with digital clients in Saudi Arabia, as well as to participate in the ongoing digital transformation projects.
Alongside supporting Vision 2030, this approach contributes to enhancing the Saudi knowledge-based economy with its digitally connected consumer base.

Within our efforts to keep Zain KSA at the forefront of the emerging digital economy, we have led an entirely inclusive service digitalization process. This digital transformation will gradually improve, with offerings to consumers, a demand to implement internal and external processes and customer interactions, making consumer interactions with us easier, simpler, and more enjoyable. This all-digital transformation will ensure our operational excellence and expand our digital footprint in the market.

Future Forward Network (5G)

Delivering a seamless, integrated user experience across 5G network technologies that are a revolution in communications.
Zain KSA started its ambitious journey in 2019 to build one of the most developed 5G networks in the region, employing the expertise of a team of engineers and specialists. The company has sought to develop its 5G network, positioning it among the best in Saudi Arabia and the region.
Zain KSA has won numerous awards from several international benchmark index providers as the best 5G operator in KSA in terms of speed, coverage, and performance three years in a row. These well-earned achievements are a result of Zain KSA's ongoing efforts to invest in advancing and expanding its 5G footprint in the region.
Furthermore, by developing many 5G use cases serving different industries relying on the next generation Internet of things (IoT), cloud gaming and other innovative solutions in the B2C and B2B segments, Zain KSA is accelerating the Kingdom's transition to a digital economy and positioning it among the top nations in terms of network readiness.

Brand and Culture

Focus on strength points, including human capital as an enabler of driving Zain KSA brand and now our strategy is to excel in the market by promoting a caring culture among our employees, as part of a fulfilling work environment that encourages talents and leaders and develops new digital capabilities to ensure increased performance, competitive spirit, challenger attitude, women empowerment, and success through teamwork.

In order to foster a talented and innovative digital workplace, Zain KSA has launched its "flagship" transformation Program ZETA, which opens the way for employees to innovate and create by sharing their ideas in various technology, commercial and financial domains.

This program will run for two years, enabling a collaborative, high-performance environment conducive to stimulating our growth, increasing our success, promoting a spirit of competition, developing good ideas, and responding more quickly to translate initiatives into market success.

Environmental, Social, and Corporate Governance (ESG)

Corporate Sustainability and Social Responsibility

Since its inception, the Corporate Sustainability department has been a key driver within Zain KSA. For us, sustainability is rooted in the belief that contributing to the socio-economic development of the Kingdom creates value for all.
Grounded in Saudi Vision 2030 goals and the United Nations Sustainable Development Goals (SDGs), Zain KSA's pillars have been set to achieve meaningful connectivity at the level of Environmental, Social and Corporate Governance (ESG).

Since 2020, Zain KSA considered several international standards and focused on 11 UN SDGs:
We pursue our mission and vision for corporate sustainability and empowering capabilities. through a strategy implementation process centered on four pillars.

Our strategy implementation process is centered on four pillars:

Addressing climate change

- Keeping pace with efforts to address climate change and reduce global warming between 1.5°C and 2°C, whilst developing practical plans to contribute to carbon dioxide emission reduction, operational cost reduction, and risk management
- Signing an MoU with the National Environmental Recycling Company (Tadweer) for recycling electronic waste and launching a relevant campaign in line with the goals of the United Nations program and the targets outlined in Saudi Vision 2030 to improve the quality of life and protect the environment, whilst maintaining alignment with the Saudi Green and Middle East Green initiatives
- Zain Group being listed on the Carbon Disclosure Project (CDP), becoming the top ranked telecom operator in meeting the CDP standards across the Middle East and Africa in the fight against climate change, with an advanced rating in Management Scope A-, which is a classification for companies that disclose information on the environmental impact of their initiatives and operations combatting climate change
- Participating in the Green Riyadh initiative for urban forestation
- Participating in the Um Al Shogog Reforestation Campaign in collaboration with the Ministry of Environment, Water, and Agriculture

Social Business

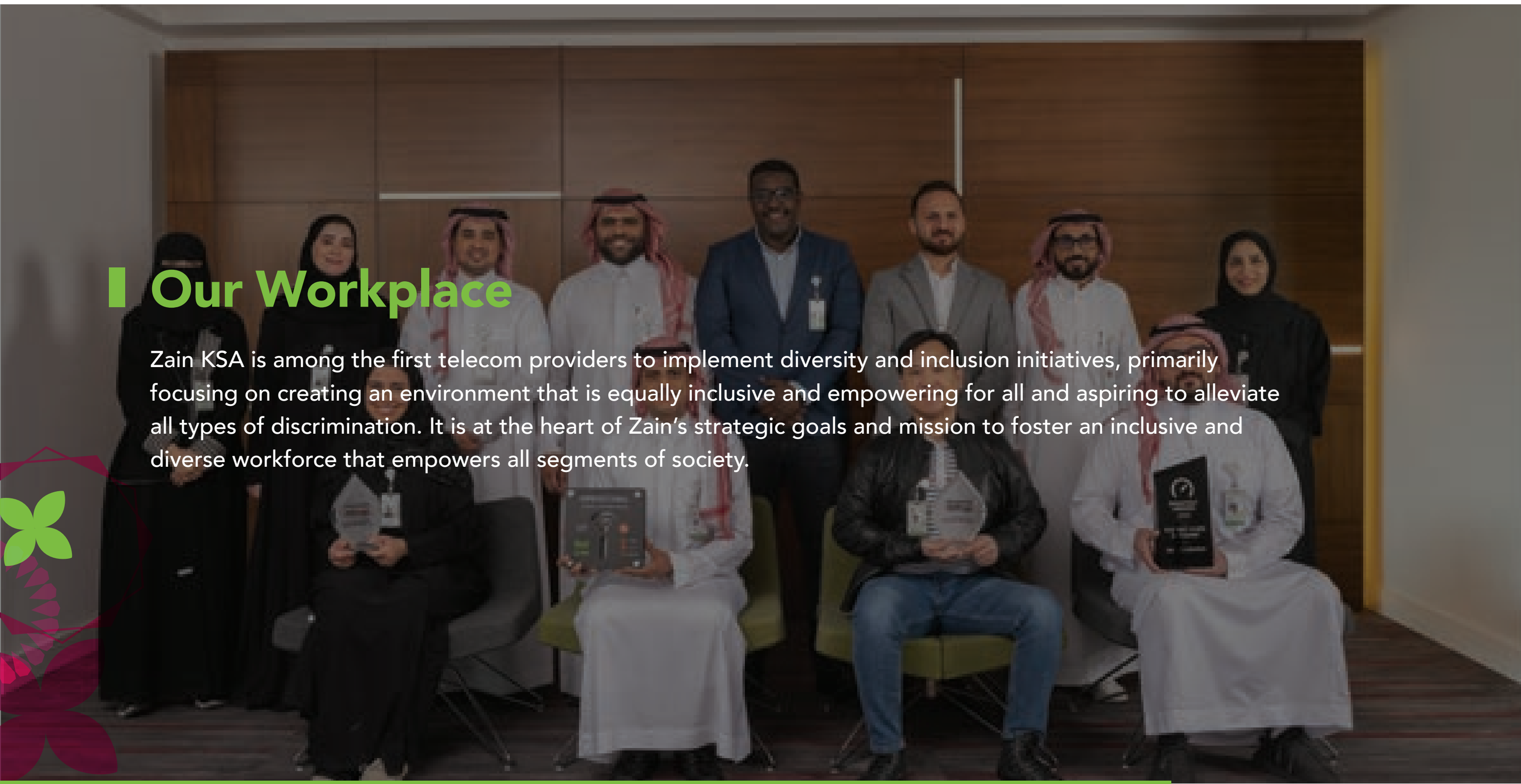
- Signing an (MoU) with the National Center for Mental Health Promotion to raise mental health awareness for Zain KSA's employees and customers
- Participating in the Saudi national campaign by making donations to the National Platform for Charitable Work (Ehsan)

Inclusion

- Donating 30 hearing aids for children in need
- Launching the Women in Technology initiative (providing training programs for women in the technology sector, tapping into their inclusion in the workforce)
- Providing the customer service and sales staff at Zain KSA with sign language training to communicate with people with disabilities

Youth Empowerment

- Launching a strategic partnership with NGO Youth Empowerment (Mentor Saudi) to develop programs and initiatives that empower young Saudis, nurture their life and career skills, and encourage them to pursue innovation and creativity, aspiring to enhance their participation and impact in social work and human development endeavors
- Zain KSA showed its commitment to support and develop young national talents in the digital entertainment sector across the Kingdom through sponsoring the second edition of the Make and Play it for Juniors competition during the 2021 Players Without Borders season, in the category of the digital strategic sponsor, through partnering with the Ministry of Communications and Information Technology (MCIT) within the ThinkTech initiative, and the Saudi Electronic Sports Federation
- Sponsoring the National Olympiad for Scientific Creativity Ibda›a, which is a scientific contest among school students to present projects across several fields, aspiring to constitute the Kingdom›s national research team that would compete within the most prominent global forum for scientific research, the International Science and Engineering Fair (ISEF)
- Launching the Internet Monsters campaign in cooperation with UNICEF to raise awareness regarding children's online safety
- Launching the Parental Control web page
- Setting up awareness campaigns and workshops focusing on various issues such as health, bullying, diabetes, breast cancer awareness, and employee burnout
- Participating in the November marathon to raise awareness of the importance of prostate cancer prevention



Our Workplace

Zain KSA is among the first telecom providers to implement diversity and inclusion initiatives, primarily focusing on creating an environment that is equally inclusive and empowering for all and aspiring to alleviate all types of discrimination. It is at the heart of Zain's strategic goals and mission to foster an inclusive and diverse workforce that empowers all segments of society.

WE Initiative

In line with Saudi Vision 2030's goals to invest in human resources and talent development through its Human Capabilities Development Program, Zain KSA launched WE, the Gender Diversity & Inclusion initiative, focusing on increasing women leadership and intending to achieve an equally inclusive and diverse work environment to both women and men.

WE ABLE Initiative

With the WE ABLE Initiative, Zain KSA aims to recruit and empower people with disabilities by providing a suitable work environment. This initiative comes in line with the aspiring goals of Saudi Vision 2030 to empower such an important segment of the population to fully participate and contribute to society by providing them with more jobs and training.

WE ABLE Initiative

With the WE ABLE Initiative, Zain KSA aims to recruit and empower people with disabilities by providing a suitable work environment. This initiative comes in line with the aspiring goals of Saudi Vision 2030 to empower such an important segment of the population to fully participate and contribute to society by providing them with more jobs and training.

BE WELL Initiative

In line with its commitment to enhance the work environment and achieve wellbeing and satisfaction for its staff, Zain KSA launched the "BE WELL" mental wellness initiative for its employees.

Through the initiative, and by giving heightened attention to mental health, Zain KSA seeks to establish a positive work environment, instill a safe and comfortable space for employees, and achieve enhanced career productivity.

ZY Initiative

Zain Youth (ZY) is a youth development program that taps into empowering young employees, aged between 18 and 20, with the knowledge and resources to perform their best in the workplace. ZY has launched different programs to enhance Saudi youth's skills, such as Reverse Mentoring, Generation Z and CODE 7. These programs intend to build a sense of belonging and engagement within Zain KSA's workplace. ZY program seeks to nurture a diverse and inclusive culture through its carefully designated programs and initiatives, targeted towards spurring Zain KSA's plans to fruition.

ZAINIAC Initiative

Zainiac acts as an internal e-platform and community which aims at stimulating creativity within the company. Through Zainiac, employees can explore new methods of building startups and collaborate with external stakeholders to achieve their goals.

GOVERNANCE

Investor Relations

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 supports the goals of Saudi Vision 2030 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 line of communication with the financial community and build effective relationships with all stakeholders. It initiates a dialog between the board and CEO on 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), or downloading the investor relations application by scanning the QR code.

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 executive management on them in order to take the necessary actions - if needed - that serve the best interests of the company.

Shareholders

The following table includes information related to substantial shareholders who own 5% or more of the Zain KSA's shares, and their respective shareholding details in 2021:

	Substantial Shareholder	As of January 1, 2021		As of December 31, 2021		Net change (Shares)	Change %
		No. of Shares	Ownership %	No. of Shares	Ownership %		
1	Mobile Telecommunication Company K.S.C.P	332,935,919	37.05%	332,935,919	37.05%	0	0
2	Faden Trading & Contracting Establishment	53,665,694	5.97%	0	0	53,665,694	5.97%

Important Announcements

The following table lists the significant announcements the company made during 2021:

#	Date	Announcement
1	February 21, 2021	Mobile Telecommunication Company Saudi Arabia "Zain KSA" announces its Annual Consolidated Financial Results for the Year Ending on 31-12-2020.
2	February 25, 2021	Mobile Telecommunication Company Saudi Arabia (Zain KSA) Announces the Decrease of its Accumulated Losses to 0.60 % of the Capital.
3	February 28, 2021	Correction announcement from Mobile Telecommunication Company Saudi Arabia (Zain KSA) in regards to its Announcement of the Decrease of its Accumulated Losses to 0.60 % of the Capital.
4	March 24, 2021	Mobile Telecommunication Company Saudi Arabia (ZAIN KSA) Announces an update in regards to the signing of MoU with Etihad Etisalat Company (Mobily) to increase the 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.
5	May 6, 2021	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announces its Interim Financial Results for the Period Ending on 2021-03-31 (Three Months).
6	May 10, 2021	Mobile Telecommunication Company Saudi Arabia (Zain KSA) (the "Company") invites its Shareholders to Attend the Ordinary General Assembly Meeting (First Meeting) utilizing modern technology.
7	June 3, 2021	Mobile Telecommunication Company Saudi Arabia (Zain KSA) Announces the Results of the Ordinary General Assembly Meeting (First Meeting).
8	July 11, 2021	Mobile Telecommunication Company Saudi Arabia announces its Interim Financial Results for the Period Ending on 2021-06-30 (Six Months).
9	September 7, 2021	Mobile Telecommunication Company Saudi Arabia (ZAIN KSA) Announces an update in regards to the in-principle approval of CITC's Board on the application from Mobile Telecommunication Company Saudi Arabia (Zain KSA), Etihad Etisalat Company (Mobily), and Raidah Investment Company (AlRaidah) and IHS KSA Ltd. (IHS) to form a consortium to acquire the telecom towers owned by Mobily and Zain KSA.
10	September 7, 2021	Mobile Telecommunications Company Saudi Arabia ("Zain KSA") announces the Board of directors' approval of the non-binding offers ("The offers") received from the Public Investment Fund ("PIF"), HRH Prince Saud Bin Fahad, and Sultan Holding Company, to acquire stakes in the Zain KSA towers infrastructure.
11	October 25, 2021	Mobile Telecommunication Company Saudi Arabia (Zain KSA) announces its Interim Financial Results for the Period Ending on 2021-09-30 (Nine Months)

Shareholders' Meetings

The table below includes the detailed record of Zain KSA's Board of Directors' attendance of the Ordinary General Assembly Meeting held on June 2, 2021 at 19:00

The General Assembly Meeting was held at the company's HQ in Riyadh. The shareholders attended remotely in line with the precautionary measures initiated by the relevant authorities to limit the spread of Coronavirus (COVID-19).

#	Name	Attendance
1	HH Prince Nayef bin Sultan bin Mohammed bin Saud Alkabeer	✓
2	Bader Nasser Alkharafi	✓
3	Ossama Michel Matta	✓
4	Raied Ali Al Seif	✓
5	Saud Abdullah Al-Bawardi	✓
6	Hisham Mohammed Attar	✓
7	Martial Caratti	×
8	Firas Oggar	✓
9	Kamil Hilali	✓

During this meeting, the Ordinary 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' report for the fiscal year ending on December 31, 2020
2	Approved the External Auditor's report for the fiscal year ending on December 31, 2020
3	Approved the financial statements for the fiscal year ending on December 31, 2020
4	Approved the transactions and contracts concluded between the company and Arabian Shield for Cooperative Insurance in which the Chairman Prince Nayef bin Sultan bin Mohammed bin Saud Alkabeer and Board Member Mr. Raed Ali Alseif have indirect interest. The transaction represents insurance services contract based on common commercial terms, and without any preferable conditions, with a total amount of SAR 19,000 during the fiscal year 2020
5	Approved the transactions and contracts concluded between the company and Almarai company in which the Chairman: Prince Nayef bin Sultan bin Mohammed bin Saud Alkabeer has indirect interest. The transaction represents Telecom services contract based on common commercial terms, and without any preferable conditions, with a total amount of SAR 4,841,000 during the fiscal year 2020
6	Approved the transactions and contracts concluded between Zain KSA and Archiving and Warehousing Storage Solutions Company, in which the Chairman Prince Naif bin Sultan bin Mohammed bin Saud Al Kabeer has indirect interest, for the provision of Archiving Services contract based on common commercial terms, and without any preferable conditions, for an annual amount of SAR 917,000. The contract was terminated on June 30, 2019
7	Approved the transactions and contracts concluded between the company and Al Yamamah Cement company in which the Chairman Prince Nayef bin Sultan bin Mohammed bin Saud Alkabeer has indirect interest. The transaction represents Telecom services contract based on common commercial terms, and without any preferable conditions, with a total amount of SAR 878,000 during the fiscal year 2020
8	Approved discharge of the Board of Directors against their work during the fiscal year ending December 31, 2020
9	Approved amending the regulations of the Remuneration and Nomination committee Charter
10	Approved the payment of SAR 3,675,000 to Board Members as remuneration for the fiscal year ending December 31, 2020
11	Approved the Board of Directors' resolution to appoint Mr. Kamil Hilali as Member of the Board (Non-Executive) starting from December 7, 2020 to complete the Board's term until the end of the current term on April 25, 2022, succeeding the former member Mr. Scott Marc Gegenheimer (Non-Executive)
12	Approved delegating to the Board of Directors the authorization powers of the General Assembly stipulated in paragraph (1) of Article 71 of the Companies Law, for a period of one year starting from the date of the approval by the General Assembly or until the end of the delegated Board of Directors' term, whichever is earlier, in accordance with the conditions set forth in the Regulatory Rules and Procedures issued pursuant to the Companies Law relating to Listed Joint Stock Companies
13	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 quarter and annual financial statements of fiscal year 2021, in addition to the first quarter of fiscal year 2022

Shareholders' Books

The company requested a total of 15 shareholder registers during the year 2021 in order to analyze and interact with investors, and answer their inquiries. Details of such requests are shown in the table below:

#	Date of request	Date of shareholder register	Purpose
1	12/12/2021	30/11/2021	Analyze and interact with investors and answer their inquiries
2	21/11/2021	31/10/2021	
3	03/10/2021	30/09/2021	
4	23/08/2021	31/07/2021	
5	04/07/2021	30/06/2021	
6	14/06/2021	13/06/2021	
7	02/06/2021	02/06/2021	
8	16/05/2021	30/04/2021	
9	16/05/2021	31/03/2021	
10	05/04/2021	04/04/2021	
11	21/03/2021	21/03/2021	
12	21/03/2021	28/02/2021	
13	11/02/2021	10/02/2021	
14	11/02/2021	31/01/2021	
15	13/01/2021	01/01/2021	


الأول
في نشر خدمات ومتوسط سرعة
الجيل الخامس
الرياض

Financial Overview

Material difference in the operational results:

The operating profit was 699 million Saudi Riyals in 2021, compared to an operating profit of 1,002 million Saudi Riyals in the previous year as a result of an increase in cost of revenue by 22% This was partially offset by a decrease in operating and administrative expenses by 12%.

Balance Sheet Highlights

The following table summarizes the financial position of Zain KSA as of December 31, 2017, 2018, 2019, 2020 and 2021:

SAR Million	2017 Audited	2018 Audited	2019 Audited	2020 Audited	2021 Audited	Change 20/21	% Change 20/21
Current Assets	3,710	3,515	3,404	3,383	**3,781**	398	11.76%
Non-current Assets	22,230	22,808	24,334	24,775	**24,096**	(679)	(2.7%)
Total Assets	25,940	26,323	27,738	28,158	**27,877**	(281)	(1%)
Current Liabilities	11,488	7,352	4,517	9,099	**10,299**	1,200	13%
Non-current Liabilities	10,888	14,959	19,118	10,330	**8,538**	(1,792)	(17%)
Total Liabilities	22,376	22,311	23,635	19,429	**18,837**	(592)	(3%)
Shareholders' Equity	3,563	4,012	4,103	8,729	**9,039**	310	3%
Total Liabilities and Shareholders' Equity	25,940	26,323	27,738	28,158	**27,877**	(281)	1%

Source: Audited financial statements for the years ended 2017, 2018, 2019, 2020 and 2021
Note: Numbers may not sum up due to the rounding

The total assets of the company as of December 31, 2021, amounted to 27,877 million Saudi riyals, of which 12,954 million Saudi riyals (constituting 46% of the total assets) relate 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 6,640 million Saudi Riyals, which is 24% of the total assets.

At the same date, the company's total liabilities amounted to SAR 18,837 million, of which 51% amounting to SAR 9,584 million (loan and shareholders dues amount only) are related to the following:

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

Overview of the Company's Borrowings

As of December 31, 2021, the outstanding balances of borrowing arrangements amounted to SAR 9,584 million.
The following table summarizes those borrowing arrangements:

SAR Million	Term	Principal Amount	Net Repaid/Addition During 2021	Lender	Outstanding Balance (Gross)	Maturity
Murabaha Facility	5 years	4,535	(1,340)	Consortium of 8 banks	2,957	30 September 2025
Working Capital Facility	1 years	650	650	Consortium of 8 banks	650	9 May 2022
Advances from Shareholders	Open	5,020	(2,172)	Founding Shareholders	86	Open
Government Loan	14 years	Up to 800 per Year	538	Ministry of Finance	3,585	01 Jun, 2027
Junior Murabaha	3 years	2,250	-	Consortium of 5 banks	2,250	15 June, 2022
Total					**10,440**	

Syndicated Murabaha Financing

On 27 September 2020, Zain KSA refinanced and extended the maturity date of its existing five years syndicated Murabaha facility (MFA) for a total amount available up to SAR 6 billion with two years grace period, at better commercial terms. Moreover, the agreement includes a working capital facility of SAR 1 billion (originally SAR 0.65 billion in 2018) bringing the total facility amounting to SAR 7 billion until 2025, bringing additional liquidity for the Group to fund its business growth plans. The Group has withdrawn SAR 1.3 billion during Q1 2021 against the syndicate facility and SAR 650 million in Q2 2021 against the working capital Murabaha facility.

As of 31 December 2021, Zain KSA has utilized SAR 3.8 billion (SAR 1.8 billion as of 31 December 2020) from existing facility of SAR 7 billion. As of 31 December 2021, total unused facility against MFA amounting to SAR 3.2 billion.

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 company 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 company is complying with the existing loan covenants.

Zain KSA 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 to SAR 136 million which has been recognized in 2020 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, 2021 amounted to SAR 86 million. 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 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 ending May 2020. These deferred payments under agreement contain commercial commission payable annually, while the amount is repayable in seven years starting from June 2021. The amount of 0.538 billion was settled in November 2021. The amount deferred by the company as of 31 December 2021 amounted to SAR 3.6 billion (31 December 2020: SAR 4 billion) out of which SAR 0.524 billion is recognized under trade and other payables as current portion as at 31 December 2021 (31 December 2020: SAR 1 billion.)

Junior Murabaha

On 16 June 2019, Zain KSA has signed Junior Murabaha facility agreement amounting to SR 2.25 billion with a consortium of five banks. The duration of the agreement was two years, with an option to be extended for one year upon Zain KSA request. Zain KSA has obtained the unanimous approval from all the participating banks to extend the maturity of borrowings till 16 June 2022. This loan is fully secured by a corporate guarantee from Mobile Telecommunications Company K.S.C.P. Financing charges are payable in quarterly installments.

Statements of Operation Highlights

The following table summarizes the statements of operation for the years ended on December 31, 2017, 2018, 2019, 2020 and 2021:

SAR Million	2017 Audited	2018 Audited	2019 Audited	2020 Audited	2021 Audited	Change 20/21	% Change 20/21
Revenues	7,306	7,531	8,386	7,917	**7,901**	(16)	0%
Cost of Revenues	(2,510)	(2,106)	(2,418)	(2,472)	**(3,016)**	(544)	22%
Gross Profit	4,796	5,425	5,968	5,445	**4,885**	(560)	(10%)
Operating and administrative expenses	(2,279)	(2,416)	(2,146)	(2,004)	**(1,756)**	247	(12%)
EBITDA	2,517	3,009	3,822	3,441	**3,128**	(313)	(9%)
Depreciation and Amortization	(1,614)	(1,790)	(2,312)	(2,439)	**(2,429)**	(10)	(0.4%)
Net profit /(loss) before finance fees and other income and Zakat	903	1,219	1,510	1,002	**699**	(303)	(30%)
Income from loan modification	-	-	-	136	**2**	(134)	(99%)
Finance & other Income	18	44	37	40	**21**	(20)	(49%)
Financial Charges	(910)	(931)	(1,045)	(898)	**(489)**	409	(46%)
Net Profit/(Losses) for The Year before Zakat	12	332	503	280	**231**	(48)	(17%)
Zakat	-	-	(19)	(20)	**(17)**	3	(13%)
Net profit /(loss) for the year	12	332	485	260	**214**	(46)	(18%)

Source: Audited financial statements for the years ended 2017, 2018, 2019, 2020 and 2021
Note: Numbers may not sum up due to the rounding

- Revenue reached SAR 7,901 million for 2021 compared to SAR 7,917 million the previous year, where data revenue represents 48% (excluding value added services & SMS)
- Gross profit reached SAR 4,885 million in 2021 compared to SAR 5,445 million in the previous year, posting a decrease of 10%, with gross profit margin reaching 62% compared to 69% in previous year.
- Operating and administrative expenses reached SAR 1,756 million in 2021; a decrease of 12% compared to SAR 2,004 million the previous year.
- EBITDA reached SAR 3,128 million in 2021 compared to SAR 3,441 million the previous year, posting a decrease of 9%, with EBITDA margin reaching 40% compared to 43% the previous year
- Depreciation and amortization expenses reached SAR 2,429 million in 2021 compared to SAR 2,439 million the year before
- Operational profit reached SAR 699 million in 2021 compared to an operational loss of SAR 1,002 million the previous year,
  - Net profit after zakat and tax reached SAR 214 million in 2021 compared to net profit after zakat and tax of SAR 260 million the previous year
- Total comprehensive income reached SAR 310 million in 2021 compared to total comprehensive income of SAR 182 million in the previous year
- Profit per share reached SAR 0.24 in 2021 compared to profit per share of SAR 0.38 in the previous year
- Total shareholders' equity (there is no minority interest) reached SAR 9,040 million for 2021 compared to SAR 8,729 million the previous year, an increase of 3.6%
- The retained earnings reached SAR 139 million for 2021, compared to accumulated losses of SAR54 million the previous year, representing 6% of the Company share capital of SAR 8,987 million
- Zain KSA's subscriber base comprised 8 million subscribers in 2021 compared to 7 million the prior year

The following Table Presents Revenue Breakdown for Years, 2017, 2018, 2019, 2020 and 2021:

SAR Million	2017	2018	2019	2020	2021	Change 20/21	% Change 20/21
Mobile Telecommunications Company	7,306	7,531	8,085	7,641	7,757	116	1.5%
Zain Sales Company	-	-	2,875	2,360	1,857	(503)	(21%)
Zain Payment - Tamam	-	-	0.023	0.729	15.6	14.8	2040%
Zain Drones	-	-	-	-	1.25	1.25	100%
Eliminations	-	-	(2,573)	(2,085)	(1,730)	355	17%
Total Revenue	**7,306**	**7,531**	**8,386**	**7,917**	**7,901**	**(16)**	**0%**

Source: Audited financial statements for the years ended, 2017, 2018, 2019, 2020 and 2021:
Note: Numbers may not sum up due to the rounding

It is 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).

Convertible Debt Instruments

Description of the class and number of any convertible debt instruments, contractual securities, pre-emptive right or similar rights issued or granted by the company during 2021.

The Company has no debt instruments, options, guarantees or similar rights that are convertible until the date of this report.

Conversion or Subscription Rights

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.

The company has no conversion or subscription rights under any convertible debt instruments, contractually based securities, warrants or similar rights issued or granted until the date of this report.

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 company zakat and returns for the years 2009 to 2020 and paid zakat and withholding tax according to the filed returns.

On 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 SAR 620 million of which SAR 352 million are related to Zakat differences and SAR 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, SAR 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 SAR 48 million on 16 November 2017 related to Withholding Tax (WHT) and issued a bank guarantee for the amount of SAR 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 2021. The company is in the process of appealing those assessments in early 2022.

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

The following table includes the statutory payments paid in 2021 or outstanding as on December 31, 2021 as well as brief description and reasons thereof:

SAR Million	2021		Brief Description / Reasons
	Paid	Outstanding as on December 31	
Communications and Information Technology Commission	801	1,743	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	640	3,642	These amounts 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	49	4	These amounts are related to GOSI Payment for Zain Employees.
General Authority for Zakat and Tax	793	71	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 135 million as of December 31, 2021.

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.

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 2021:

#	Name	Membership Classification
1	HH Nayef 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 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	Non-executive

Meetings

Employees' end-of-service benefits, provided by Zain KSA, amounted to SAR 135 million as at December 31, 2021.

	Name	The Board of Directors held four (4) meetings during 2021				Total
		1st meeting February 18, 2021	2nd meeting May 06, 2021	3rd meeting October 24, 2021	4th meeting December 12, 2021	
1	HH Nayef bin Sultan bin Mohammed bin Saud Al-Kabeer	✓	✓	✓	✓	4
2	Bader Nasser Al – Kharafi	✓	✓	✓	×	3
3	Ossama Michel Matta	✓	✓	✓	✓	4
4	Raied Ali Al-Saif	✓	✓	✓	✓	4
5	Saud Abdullah Al-Bawardi	✓	✓	✓	✓	4
6	Hisham Mohammed Mahmoud Attar	✓	✓	✓	✓	4
7	Martial Anthony Caratti	✓	✓	✓	✓	4
8	Firas Oggar	✓	✓	✓	✓	4
9	Kamil Hilali	✓	✓	✓	✓	4
The date of the last General Assembly meeting held was July 2, 2021.						

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 Nayef bin Sultan bin Mohammed bin Saud Al Kabeer	• Chairman and Managing Director of Sultan Holding • Chairman of the Board of Directors 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) • Vice Chairman 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 Fishery Company • Board Member at Alnafoura Food Supply Company • Chairman of the Board of Directors 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 Directors at Dar Alsulal Company • Board Member at Tejoury Company • Chairman of the Board of Directors/ General Manager of Sultan Holdings • Board Member at Alnafoura and Ideal United	• 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 (Mitsubishi), Egypt • Vice Chairman and Group CEO at Mobile Telecommunications Company (Zain Group), KSCP, Kuwait, Board Member at Refreshment Trading Company (Coca Cola), 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 Atheer Telecommunications Iraq • Chairman of the Board at Sudanese Mobile Telephone co. "Ltd" • Member of the Executive Committee - Industrial sector at Al-Kharafi group • Vice Chairman at Jordan Mobile Telephone Services (Zain JMTS) • Board Member at Pella Investment Company • Board Member at Zain International – Netherlands • Board Member at Zain Bahrain	• None
Ossama Matta	• Board Member at Zain Charlotte • Board Member at NEXGEN Advisory Group FZ-LLC. • Board Member at Zain Procurement Company • Board Member at Sudanese Mobile Telephone co. "Ltd" (Zain Sudan) • Chief Financial Officer at Mobile Telecommunications Company, KSCP, Kuwait • Board Member at Atheer Telecom Iraq Limited • Board Member at Al-Khatem Communications Company	• None

Raied bin Ali Al Seif	• Chief Executive Officer of Sultan Holding • 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 Cooperative Insurance Company (Joint Stock Company) • Board Member at Alnafoura Fishery Company • Board Member at Alnafoura Catering • Board Member at Taste of Diplomats for Sweets Company • Board Member at the Diplomat Factory for Sweets and Pastries • Board Member at Dar Alsulal Company	• Vice Chairman at Jusoor Holding Company
Saud bin Abdullah AlBawardi	• Board Member at National Gypsum Company (Joint Stock Company) • Board Member at Jiffin Alriyadh Company • Board Member at Excellent Foods Company • Board Member at Smart Parking Company • Chief Executive Officer at the United Commercial Company (Almuttahida)	• Chief Operating Officer at Mobile Telecommunication Company Saudi Arabia (Zain KSA) • Chief Commercial Officer at Mobile Telecommunication Company Saudi Arabia (Zain KSA)
Hisham Attar	• Board Member at Saudi Industrial Investment Company (Dussur) • Chairman of the Board at Saudi Jordanian Investment Fund • Board Member at Alfarabi Medical Company • Board Member at Marketing and Trading Co. Ltd • Board Member at 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	• Advisors to the Board in Telecom companies in UK and France	• Chief Financial Officer at Ooredoo Tunisia Telecommunications Company • Chief Financial Officer at Oman Telecommunications Company (Omantel) • Member of the board at TRUE cooperation in thailand (former Orange Thailand) • Member of the Board at Mobistar (Orange Belguim telecom operator) • Member of the Board of several subsidiaries of Orange in Africa
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	• Chief Strategy Officer of Zain Group • CEO of Zain Global Connect • Board Member in the Moroccan Telecom Company INWI Corp • Board Member of Zoodmall and Zoodpay	• 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

Board Committees

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.

Audit Committee

The Audit Committee in 2021 oversaw the efficiency and effectiveness of internal control at Zain KSA. To assess that, a number of meetings were held during 2021 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, and making the pertinent recommendations thereon to 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 2021:

	Name	Capacity	The Committee held four (4) meetings during 2021				Total
			February 15, 2021	May 5, 2021	July 7, 2021	October 21, 2021	
1	Raied bin Ali Alsaif	Chairman	✓	✓	✓	✓	4
2	Ossama Michel Matta	Member	✓	✓	✓	✓	4
3	Martial Antoine Caratti	Member	✓	✓	✓	✓	4

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 members, and senior executives, and provide recommendations thereon
- Perform an annual review of 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 2021:

	Name	Capacity	The Committee held three (3) meetings during 2021			Total
			1st meeting February 15, 2021	2nd meeting May 10, 2021	3rd meeting November 07, 2021	
1	Hisham Attar	Chairman	✓	✓	✓	3
2	Ossama Michel Matta	Member	✓	✓	✓	3
3	Kamil Hilali	Member	✓	✓	✓	3

Interest in Shares and Debt Instruments

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 2021:

	Name	Shares owned		Net Change	% Change
		January 1, 2021	December 31, 2021		
1	HH Nayef bin Sultan bin Mohammed bin Saud Al-Kabeer	768	768	0	0%
2	Bader Nasser Al-Kharafi	1,183	1,183	0	0%
3	Raied bin Ali Al-Saif	263,191	263,191	0	0%
4	Saud bin Abdullah Al-Bawardi	1,538	1,538	0	0%
5	Hisham bin Mohammed Attar	757	757	0	0%

None of the Board members and their relatives (mentioned above) have any interest in the company's debt instruments during 2021

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 2021:

	Name	Shares owned		Net Change	% Change
		January 1, 2021	December 31, 2021		
1	Saad A. Al-Sadhan	22	22	0	0%
2	Rayan Abdullah AlTurki	11	11	0	0%
3	Taghreed Abdullah Bahadeelah	11	11	0	0%

None of the executive management members and their relatives have any interest in the company's debt instruments during 2021

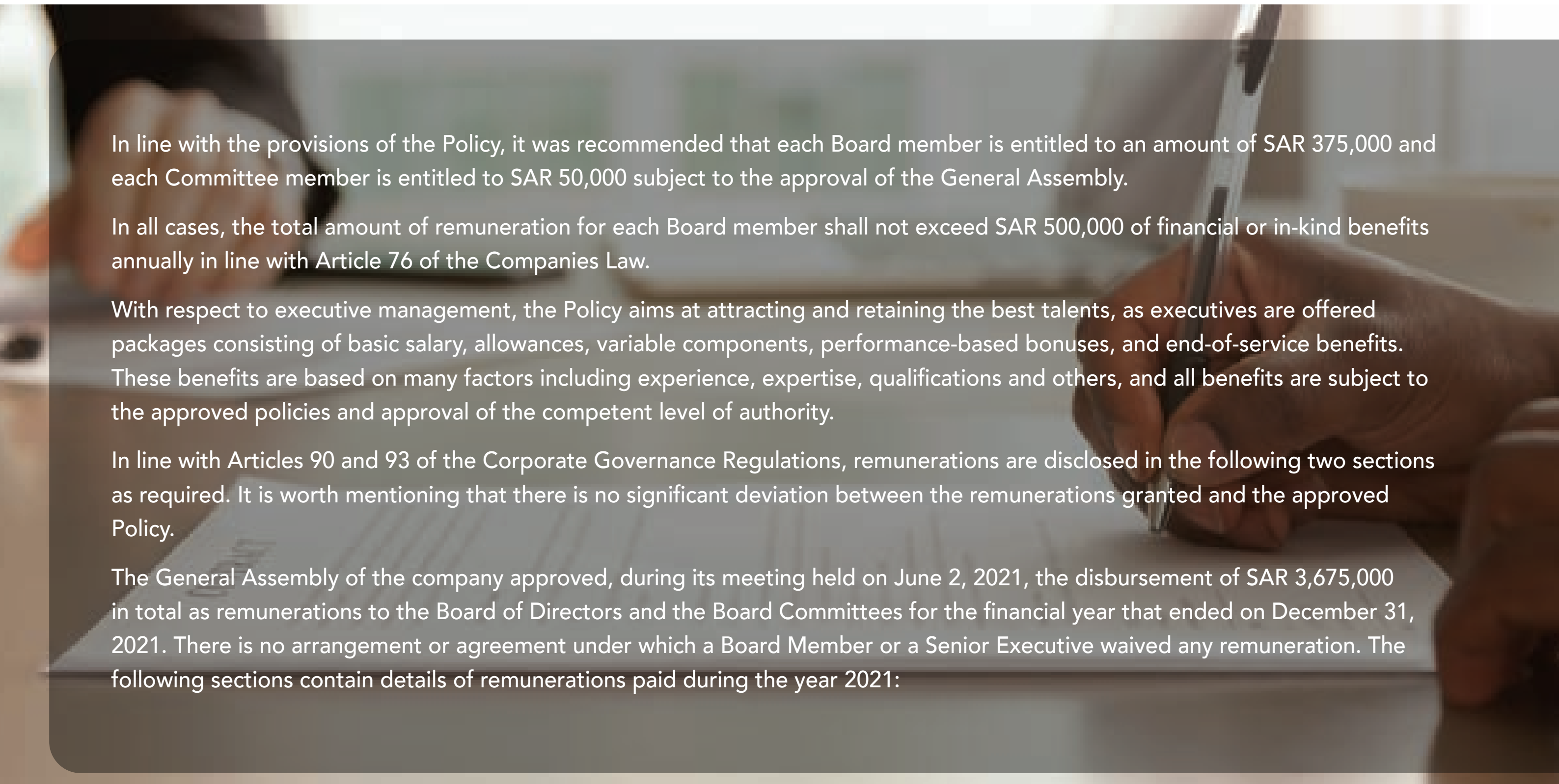
Remuneration and Compensation

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 the best practices of other regional and global telecom and ICT 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 on an annual basis. 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.

With 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.

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, during its meeting held on June 2, 2021, 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, 2021. There is no arrangement or agreement under which a Board Member or a Senior Executive waived any remuneration. The following sections contain details of remunerations paid during the year 2021:

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	
Martial Anthony Caratti	375,000						375,000								375,000	
Firas Oggar	375,000						375,000								375,000	
Kamil Hilali	375,000						2,250,000								2,250,000	
Total	2,250,000						2,156,250								2,156,250	

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	50,000	-	50,000
	Total	150,000	-	150,000
Members of the Remuneration and Nominations Committee				
1	Kamil Hilali	50,000	-	50,000
2	Ossama Michel Matta	50,000	-	50,000
3	Hisham Mohamed Mahmoud Attar	50,000	-	50,000
	Total	150,000	-	150,000

Executive Management Remuneration (all figures and 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 2021.

Senior Executives	Fixed Remunerations				Variable Remunerations						Total remunerations for Board executives, if any	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 remuneration of 5 Senior Executives	6,621,438	2,286,510	125,000	9,032,948	-	-	5,358,374	-	-	5,358,374	-	14,391,322

Related Party Transactions

The following table includes amounts due to related parties:

	2021 SAR'000	2020 SAR'000	Note
Mobile Telecommunications Company K.S.C	1,444,018	1,326,583	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	1,262	2,159,267	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 1,122 million (2019: SAR 1,413 million)
Infra Capital Investments	-	32,698	
Founding shareholders	84,573	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	**1,530,090**	**3,649,514**	

The following tables include details relating to the transactions between Zain KSA and related parties during 2021:

Description	2021 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.

<table>
<tr><th>#</th><th>Related Party</th><th>Nature and conditions of transaction, business or contract</th><th>Duration / Term</th><th>Net Value / amount during 2021 SAR'000</th><th>Related party relationship with Zain KSA</th><th>Interested Board members / senior executives (directly or indirectly)</th></tr>
<tr><td>1</td><td>MTC KSCP</td><td>Operational</td><td>Open</td><td>(7,185)</td><td>Founding Shareholder of Zain KSA</td><td rowspan="4">- Mr. Bader Nasser Al-kharafi (Vice-chairman)
- Mr. Ossama Matta (Board Member)
- Mr. Martial Caratti (Board Member)
- Mr. Firas Oggar (Board Member)
- Mr. Kamil Hilali (Board Member)</td></tr>
<tr><td>2</td><td>MTC KSCP / Zain Kuwait</td><td>Telecom Services</td><td>Open</td><td>-</td><td>Founding Shareholder of Zain KSA</td></tr>
<tr><td>3</td><td>Oman Tel, Zain Bahrain, Zain Jordon, MTC Lebanon S.A.R.L., Zain Kuwait, Zain Sudan, Zain Iraq "IRQAT" and Zain Global Communications Co.)</td><td>Telecom Services (Interconnect/ roaming)</td><td>Open</td><td>(72,329)</td><td>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</td></tr>
<tr><td>4</td><td>Zain Global Communications Co. SPC</td><td>Telecom Services</td><td>Open</td><td>(17,538)</td><td>Zain Global Communications Co. SPC is a subsidiary to MTC KSCP which is a Founding Shareholder of Zain KSA</td></tr>
<tr><td>5</td><td>Al Marai Company</td><td>Telecom services</td><td>Open</td><td>8,399</td><td>HH Nayef bin Sultan bin Mohammed bin Saud Al Kabeer serves as Chairman of Al Marai Company's Board of Directors</td><td>- HH Nayef bin Sultan bin Mohammed bin Saud Al-Kabeer (Chairman)</td></tr>
<tr><td>6</td><td>Yamama Cement Company</td><td>Telecom services</td><td>Open</td><td>1,101</td><td>HH Nayef bin Sultan bin Mohammed bin Saud Al Kabeer serves as a Board Member in Yamama Cement Company</td><td>HH Nayef bin Sultan bin Mohammed bin Saud Al-Kabeer (Chairman)</td></tr>
</table>

Dividends Distribution

Based on the company's bylaws approved by the Extraordinary General Assembly on October 14, 2020, 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 By laws 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.

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 controls 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.

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 27, 2021 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 02, 2021 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 2021, the annual statement of the year 2021, and the first quarter of 2022.

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 the Company'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
2	Article 93 (4) B	**Disclosure of Remunerations** A description of the necessary details with respect to the remunerations and compensations granted to five Senior Executives who have received the highest remuneration from the company, provided that the chief executive officer and chief financial officer are included	Remuneration granted to the Board of Directors and its committees in accordance to the attached table annex (1) in the Corporate Governance Regulations. The company will not disclose its 5 Senior Executives› remuneration in order to protect its interests and to preserve the rights of its shareholders and employees and to avoid any harm that may result from the disclosure in detail.
Guiding Articles			
1	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

2	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 2021 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 2022 to ensure compliance with the Article
3	Article 70 and subsequent articles 71 and 72	**Composition of the Risk Management Committee** The company's Board shall, by resolution 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 2021 as there was no need to form a dedicated committee for that purpose

4	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 2021 as there was no need to establish such schemes, programs and social organizations
5	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
6	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
7	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

Enterprise Risk Management

Zain KSA is committed to the formal, systematic, and structured management of risks across the organization. As such it has updated it's ERM framework, policy, and processes for managing Zain KSA risk profiles. The framework is in accordance with the Corporate Governance Regulations issued by Capital Market Authority and in line with ISO 31000:2018 standards. The Board of Directors of Zain KSA continues to provide oversight responsibilities over the top risk profiles of Zain KSA.

Furthermore, Zain KSA has conducted a refresh exercise to identify the risks that matter and their impacts on the achievement of company objectives. The refresh exercise has been conducted in conjunction with Zain Group. The tops risks are tracked to monitor the progress of the risk mitigation plans and monitor the key risk indicators to track the risk trends and act where necessary to address any emerging risks.

During the year, Zain KSA has followed a bottom-up approach in identifying key risks at the departmental and divisional level. This was done to ensure that everyone in the company is aware of the risks, and necessary actions are initiated to mitigate such risks thereby assuring that the company risks are systematically assessed, mitigated, and monitored, thus embedding the desired risk management culture within Zain KSA.

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

Strategic Risk(s)

Successful and timely implementation of BSS Transformation program

Zain KSA is planning to implement a Digital BSS transformation program. Thus, failure to successfully implement the program may result in failure to improve agility, time-to-market, and support the overall company digital transformation program. As such it has put in place various controls and measures to ensure that the BSS transformation program is given top priority by management, and dedicated resources to the program to ensure it is delivered successfully and in a timely manner.

Evolving Regulatory Regime

As governmental entities continue to drive the digital society through various initiatives and programs, regulators are expanding their regulations on emerging technologies such as Fiber and 5G. As such, the involvement of cross industry regulators and government entities has resulted in the overlap of the regulatory ambit, which may result in delays in launching new cross-industry solutions, and in regulatory non-compliances. Some of the recent directives / ongoing consultations that may impact the achievement of Zain's business plans include Open Access, FMC and WACC for interconnection. Zain KSA has implemented various measures and strategies to ensure such risks are mitigated by proactively responding to regulatory requests, developing relationships with external stakeholders, proactively engaging with cross-sector industry ecosystems, and having a greater understanding of industry-specific transformation and regulatory compliances requirements.

Pricing Pressures

Zain KSA operates in a competitive environment and further floor prices have been recommended by the regulator that enables the incumbent to consolidate their market share. Moreover, the incumbent is not designated 'Dominant Market Player' for 'Mobile' markets, allowing the incumbent to resort to aggressive pricing revisions further intensifying competition in these markets.
In mitigating such risks, Zain KSA has adopted the use of business analytics for better profiling of customer requirements, cross-selling, and up-selling as well as differentiating our products and services through customization of services for different segments according to their needs and requirements.

Financial Risks

Increasing Capex Burden

Zain KSA continues to invest in 5G technology to cater to the ever-increasing demand on broadband services. IoT-centric 5G use cases are still 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 5G services. Zain KSA is containing any additional 5G capex investment within the company envelope through smart investments. Moreover, capex projects continue to be self-funded through 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.

Compliance Risk

Non-Compliance to Regulations

Regulatory maturity, as defined by the ITU (International Telecommunication Union), continues to remain inconsistent worldwide, amidst the rising focus on telecommunications as a national strategic asset, which could prompt further evolution of regulatory approaches. Non-compliance with regulatory requirements (issued by CMA, CITC, MCIT, NCA, etc.) may expose Zain KSA to the risk of penalties and fines or suspension of license, or a rating downgrade which would result in higher volatility, weighing down on the share price and increasing the cost of capital.

Zain KSA continues to adopt various measures, controls, and strategies to enhance the governance and compliance functions to ensure compliance with various regulatory requirements.

Operational Risks

Information Security & Cyber Risks

Information security and cyber risks continue to cause growing concern for companies globally as cyberthreats continue to advance and grow, while the rapidly shifting landscape in data extortion methods used by cyber-criminals continue to cause major concerns. With the continued proliferation of devices, interfaces and networks introducing higher potential for security compromise, and the pandemic accelerating trends and vulnerabilities associated with the shift to remote work, cyber security remains a top priority for most companies.

Zain KSA continues to mitigate its risks through regular internal and external assessments to ensure compliance with best practices, standards, and 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, Zain KSA´s team continued to leverage and enhance its information security and cyber risk domains and knowledge. Moreover, Zain KSA participated in annual risk synergy forums where Zain Group companies participated and widely discussed specific approaches to enhancing Zain KSA's information security and cyber risk strategies, knowledge, and mitigation plans.

Suboptimal Talent Management

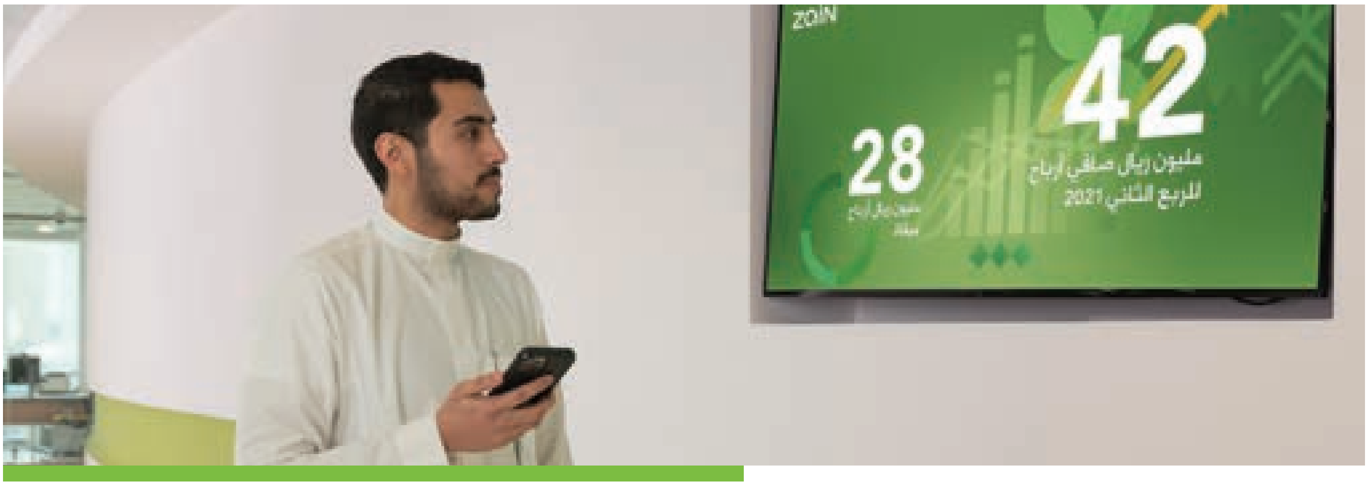
As Saudi Arabia's Government continues its transformation initiatives through various Vision 2030 programs through the participation of government ministries and semi-government organizations, there is a huge demand for skilled resources leading to attractiveness in joining government and semi-government sectors. Moreover, digital transformation strategies, apart from overhaul of systems and processes, require transformation of workforce capability and skills and talent acquisition needs are pronounced in domains such as automation, AI, and software-based networks. As such, Zain KSA may not be able to achieve the desired results/ benefits / operational effectiveness if it is unable to attract and retain key employees.

Mitigation strategies adopted by HR include assessing the skills gaps with a futuristic view, restructuring the organization to align with digital future while maintaining an effective balance between external hires, contractors, and internal reskilling. Zain KSA continues its partnerships with universities to attract resources with right skill sets, continues to attract digital, technology talent by creating compelling value propositions and initiates retention efforts for critical talent through defining career paths, grooming through academies, learning opportunities and engagement.

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 310,000	Failure to implement CITC's directive regarding submitted complaints within the specified time limit	CITC's Committee for the Consideration of Violations of the Communications Law	Establishing procedures to ensure that the required service is provided according to the specified dates
Imposing fines worth SAR 266,000	Issuing SIM cards that are not in accordance with the regulations	CITC's Committee for the Consideration of Violations of the Communications Law	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 50,000	Failure to implement CITC's directives	CITC's Committee for the Consideration of Violations of the Communications Law	Establishing procedures to ensure the implementation of CITC's directives
Imposing fines worth SAR 20,000	Refraining from activating a prepaid SIM card in violation of the Telecommunications Law	CITC's Committee for the Consideration of Violations of the Communications Law	Establishing procedures to ensure that the required services are provided
Imposing fines worth SAR 10,000	Failure of the company to provide the Authority with clear information required from it	CITC's Committee for the Consideration of Violations of the Communications Law	Establishing procedures to ensure that the submitted information is clear
Imposing fines worth SAR 10,000	Failure to open a company file at the Labor Office	Ministry of Human Resources	Issuing commercial records in all administrative regions in the kingdom and opening company files at the Labor Office 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 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 2021, CITC issued (172) 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. As a result, the Company's legal department complained about most of these decisions before the Administrative Court, as guaranteed by the law.

Throughout 2021, the Administrative Court and the Administrative Appeal Court examined (172) administrative cases filed by the company against CITC during the year. The Administrative Court issued a number of preliminary rulings in 2021 that were in favor of the company, and according to which the court decided to annul CITC's decisions. Several final rulings were also issued in favor of Zain KSA during the year 2021, and, as of the date of this report, the Administrative Court and the Administrative Appeal Court are still hearing a number of cases.

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.

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

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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Head office: Moon Tower – 8 Floor
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Independent Audit Report

To the shareholders of

Mobile Telecommunication Company Saudi Arabia (A Saudi Joint Stock Company)

Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Consolidated Financial Statements

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 2021, 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 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional 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.

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.

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Key audit matters

Revenue Recognition

Key audit matter	***How the Key audit matter was addressed in our audit***
The Group's revenue for the year ended 31 December 2021 is SR 7.9 billion (31 December 2020: SR 7.9 billion), which primarily consists of subscription fees for telecommunication, data packages and other services through the use of the Company's network. Management records revenue according to the principles of IFRS 15, Revenue from Contracts with Customers, Under IFRS 15, management must determine if there are separate performance obligations for the services and goods it provides to customers and assign values thereto, based on the selling prices of goods or services in separate transactions under similar conditions to similar customers (the "stand-alone selling price"). We considered this a key audit matter as auditing the revenue recorded by the Group is complex due to the multiple IT systems and tools utilized in the initiation, processing and recording of transactions, which includes a high volume of individually low monetary value transactions. Furthermore, judgement was required to determine the audit approach to evaluate the relevant data that was captured and aggregated, and to assess the sufficiency of the audit evidence obtained. Additionally, the revenue amount is material to the consolidated financial statements.	Our audit procedures included, among others, the following: • Obtained an understanding of, evaluating the design and testing the operating effectiveness of controls over the Group's revenue recognition process. • Involved our IT specialists in testing the design, implementation and operating effectiveness of internal controls related to revenue recognition. • Evaluated the appropriateness of revenue recognition policies. • Performed test of revenue reconciliations on a sample basis prepared by management between the primary billing system and the general ledger. • Performed tests over the allocation of transaction price against different performance obligations involved 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 4 of the consolidated financial statements for the accounting policy and note 23 for related disclosures.

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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 substantial capital expenditure to property and equipment amounting to SR 0.96 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 recognition and classification of costs between capital and operation depends heavily on management assumptions We considered this as a key audit matter as it involves management's assumptions and estimates as well as the capitalized amount during the year is material to the consolidated financial statements.	Our audit procedures included, among others, the following: • Evaluated the appropriateness of the Group's capitalization policy with relevant accounting standards.. • Obtained a schedule of capitalized costs during the year, tested completeness and accuracy of the schedule and ensured it is in compliance with the Group's capitalization policy. • Tested on sample basis, costs capitalized during the year with underlying supporting documentation and verified that cost capitalized is in compliance with the Group capitalization policy; • 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 4 of the consolidated financial statements for the accounting policy and note 11 for related disclosures.

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Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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.

When we read the Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 issued 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 Audit Committee, 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.
- 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, on: 2 Rajab 1443(H)
Corresponding to: 3 February 2022(G)

Dr. Mohamed Al-Amri & Co. Chartered Accountants, a professional closed joint stock company registered in the Kingdom of Saudi Arabia under CR no. 1010433982, with paid-up capital of SAR (1,000,000) is a member of BDO International Limited, a UK Company Limited by guarantee, and forms part of the international BDO network of independent member firms.
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MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	6	**511,977**	1,103,401
Trade and other receivables	7	**2,988,348**	1,996,013
Contract assets - current	8	**67,224**	96,450
Inventories	9	**213,723**	187,103
Total current assets		**3,781,272**	3,382,967
Non-current assets			
Contract assets - non-current	8	**288,822**	220,072
Right-of-use assets	10	**1,330,975**	1,284,888
Property and equipment	11	**6,639,995**	6,856,837
Capital advances	12	**274,841**	132,832
Intangible assets	13	**15,561,044**	16,280,159
Total non-current assets		**24,095,677**	24,774,788
TOTAL ASSETS		**27,876,949**	28,157,755
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	14	**4,691,199**	4,585,780
Deferred income and contract liabilities	8	**601,049**	544,086
Borrowings - current	15	**3,213,549**	-
Lease liabilities - current	16	**263,771**	319,150
Amounts due to related parties	17	**1,530,090**	3,649,514
Total current liabilities		**10,299,658**	9,098,530
Non-current liabilities			
Borrowings – non-current	15	**2,638,024**	3,836,145
Lease liabilities non-current	16	**1,208,774**	1,065,097
Other non-current liabilities	18	**4,445,416**	5,097,608
Derivative financial instruments	19	**110,123**	206,210
Employees' end of service benefits obligation	20	**135,434**	125,082
Total non-current liabilities		**8,537,771**	10,330,142
EQUITY			
Share capital	22	**8,987,292**	8,987,292
Hedging reserve	19	**(110,123)**	(206,210)
Other reserve	20	**2,066**	2,018
Statutory reserve		**21,430**	-
Retained earnings / (accumulated losses)		**138,855**	(54,017)
Total equity		**9,039,520**	8,729,083
TOTAL LIABILITIES AND EQUITY		**27,876,949**	28,157,755

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

The accompany notes (1) to (38) 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 2021

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	**2021**	2020
Revenue	23	**7,900,646**	7,916,545
Cost of revenue	24	**(3,016,051)**	(2,471,907)
Operating and administrative expenses	25	**(1,749,287)**	(1,762,980)
Depreciation and amortization	10,11,13	**(2,429,597)**	(2,439,122)
Expected credit loss (ECL)	7,8	**(6,971)**	(240,572)
Finance income		**1,319**	11,939
Other income	26	**20,379**	27,574
Gain on modification of borrowings	15-1	**-**	136,255
Finance cost	27	**(489,158)**	(898,206)
Profit before zakat		**231,280**	279,526
Zakat charged for the year	28	**(16,978)**	(19,581)
Profit for the year		**214,302**	259,945
Other comprehensive income / (loss)			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of employees' end of service benefits obligation	20	**48**	434
Item that may be reclassified subsequently to profit or loss:			
Fair value change in hedging instruments entered into for cash flow hedges	19	**96,087**	(78,311)
Total other comprehensive income / (loss)		**96,135**	(77,877)
Total comprehensive income for the year		**310,437**	182,068
Earnings per share (in Saudi Riyals)			
Basic and diluted	29	**0.24**	0.38

Mehdi Khalfaoui
CFO

Sultan Al-Deghaither
CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

The accompany notes (1) to (38) 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 2021
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Hedging reserve	Other reserve	Statutory reserve	Retained earnings / (accumulated losses)	Total
Balance at 1 January 2021	**8,987,292**	**(206,210)**	**2,018**	**-**	**(54,017)**	**8,729,083**
Profit for the year	**-**	**-**	**-**	**-**	**214,302**	**214,302**
Other comprehensive income	**-**	**96,087**	**48**	**-**	**-**	**96,135**
Total comprehensive income for the year	**-**	**96,087**	**48**	**-**	**214,302**	**310,437**
Amount transferred to statutory reserve	**-**	**-**	**-**	**21,430**	**(21,430)**	**-**
Balance as at 31 December 2021	**8,987,292**	**(110,123)**	**2,066**	**21,430**	**138,855**	**9,039,520**
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
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 **CFO**	**Sultan Al-Deghaither** **CEO**	**Naif bin Sultan bin Mohammed bin Saud Al Kabeer** **Chairman**

The accompany notes (1) to (38) form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat		**231,280**	279,526
Adjustments to reconcile profit for the year before zakat to net cash from operating activities:			
Expected credit loss	7,8	**6,971**	240,572
Depreciation and amortization	10,11,13	**2,429,597**	2,439,122
Other provisions		**(189,449)**	29,200
Reversal of inventory provision		**(679)**	(1,533)
Finance costs	27	**489,158**	898,206
Gain on disposal of property and equipment		**(3,358)**	(1,296)
Foreign currency (gain)/ loss		**3,251**	(6,449)
Gain on modification of borrowings		**-**	(136,255)
Employees' end-of-service benefits obligation charge	20	**22,528**	25,771
Changes in working capital		**2,989,299**	3,766,864
Trade and other receivables		**(977,302)**	(707,633)
Inventories		**(25,941)**	56,402
Movement of cash under lien		**215,819**	40,929
Contract assets		**(39,524)**	89,687
Trade and other payables		**19,508**	472,103
Deferred income and contract liabilities		**56,963**	(77,232)
Other non-current liabilities		**(652,192)**	407,337
Cash flows generated from operations		**1,586,630**	4,048,457
Zakat paid	28	**-**	(13,934)
Employees' end of service benefits obligation paid	20	**(12,176)**	(5,564)
Net cash generated from operating activities		**1,574,454**	4,028,959
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	11	**(917,494)**	(1,571,243)
Proceed from disposal of property and equipment	11	**3,364**	895
Purchase of intangible assets	13	**(171,301)**	(254,728)
Net cash used in investing activities		**(1,085,431)**	(1,825,076)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		**-**	(3,507,000)
Proceeds from borrowings		**1,990,432**	800,000
Proceed from right issue of share capital		**-**	2,772,527
Payment against amount due to related parties		**(1,063,513)**	(878,646)
Payment of lease liabilities	16	**(427,517)**	(315,569)
Finance cost paid		**(1,360,778)**	(1,086,288)
Net cash used in financing activities		**(861,376)**	(2,214,976)
Net change in cash and cash equivalents		**(372,353)**	(11,093)
Effect of movements in exchange rates on cash and cash equivalents		**(3,252)**	(2,015)
Cash and cash equivalents at beginning of the year		**882,794**	895,902
Cash and cash equivalents at end of the year	6	**507,189**	882,794

Mehdi Khalfaoui
CFO

Sultan Al-Deghaither
CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

The accompany notes (1) to (38) form an integral part of these consolidated financial statements

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), the 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 the Company obtained 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.

The Group realized net profit for the year ended 31 December 2021, SR 214 million (31 December 2020: SR 260 million) and had retained earnings of SR 139 million as at 31 December 2021 (31 December 2020: accumulated losses of SR 54 million) and the current liabilities of the Group exceed the current assets of the Group by SR 6.5 billion (2020: 5.7 billion) (refer note 30) which includes SR 1.5 billion related to due to related parties (refer note 17). 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 3.2 billion (refer note 1.4). The Management of the Group have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

1.2 *subsidiaries*

The Company established the following fully owned subsidiaries in KSA:

a. Zain Sales Company is engaged in distributing, selling telecom equipment and handsets; and providing consulting services with share capital of 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 with share capital of SR 10,000. The company is not operational yet.
c. Zain Payments Company-Tamam is engaged in providing fintech services with a share capital of SR 100,000. The company started its operation during the fourth quarter of 2019. On 09 April 2021, the Company has increased its share capital amounting to SR 57,000,000.
d. Zain Drones Company is engaged in provide professional, scientific and technical drones services along with selling and repairing drones with share capital of SR 10,000. The company started its operation during the fourth quarter of 2019.

1 ORGANIZATION AND ACTIVITIES (continued)

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 shareholders. 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 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.

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, SR 1.3 billion during Q1 2021 against the syndicate facility and SR 650 million in Q2 2021 against the working capital Murabaha facility as per the Group's business requirements. The undrawn part of the MFA amounts to SR 3.2 billion as at 31 December 2021. (Refer note 15).

1.5 *Non-Binding Agreement for sale of Tower*

The Company announced after receiving board of directors' approval of the non-binding offer ("The offer") received from the Public Investment Fund ("PIF"), His Royal Highness (HRH) Prince Saud Bin Fahad, and Sultan Holding Company, to acquire stakes in the Zain KSA towers infrastructure. The three entities would acquire 60%, 10% and 10% stake respectively while Zain KSA will own the remaining 20% stake. The offer valued the 8,069 Zain KSA towers at proposed value of SAR 3,026 million (USD 807 million). Under the terms of the offer, Zain KSA will sell its passive, physical towers infrastructure and retain all other wireless communication antennas, software, technology, and IPs. Zain KSA is currently working with the different parties on the best way to execute the offer. The Offer submitted do not represent any binding commitment and the final agreement is subject to the approvals of the official authorities, internal approvals of the respective acquirers, the completion of satisfactory due diligence by the acquirers and any other conditions that may be agreed between the parties.

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 Chartered and Professional Accountants (SOCPA).

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis unless otherwise disclosed in the notes of the consolidated financial statements.

The Group has used same accounting policies which were used for the year ended 31 December 2020, 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, 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 intergroup 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 STANDARDS, INTERPRETATIONS AND AMENDMENTS

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

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)

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.

3 STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

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

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

Phase 2: Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

• A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
• Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
• Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

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 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 following amendments are effective for the period beginning 1 January 2023:

• Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
• Definition of Accounting Estimates (Amendments to IAS 8); and
• Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 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 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%

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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".

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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Statutory Reserve

In accordance with Company's by-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to recognise a reserve comprising of 10% of its profit for the year until it reached 30% of the share capital. This reserve is currently not distributable to the Shareholders.

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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (continued)

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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

***Financial instruments** (continued)*

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.

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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments *(continued)*

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

- 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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

***Financial instruments** (continued)*

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.

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.

Derivatives and hedging activities

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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments *(continued)*

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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments *(continued)*

Derivatives and hedging activities *(continued)*

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

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.

5 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.

5 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.

Employees' end of service benefits obligation

The Group makes various estimates in determining the provision for employees' end of service benefits. These estimates are disclosed in note 20.

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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

5 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 30 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.

6 CASH AND CASH EQUIVALENTS

	2021	2020
Cash in hand	**1,313**	1,297
Cash at banks	**510,664**	1,102,104
	511,977	1,103,401
Cash at bank under lien	**(4,788)**	(220,607)
	507,189	882,794

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 2021 were 0.4% (2020: 1.4 %). The total commission earned by the Group during 2021 was SR 1.3 million (2020: SR 12 million).

7 TRADE AND OTHER RECEIVABLES

	2021	2020
Trade receivables	**3,254,614**	2,857,922
Less: Expected credit losses	**(1,083,014)**	(1,269,863)
Net trade receivables	**2,171,600**	1,588,059
Advances to suppliers	**67,356**	19,430
Prepayments	**16,717**	60,176
Advances for transmission lines and fiber links	**13,828**	17,975
Other receivables	**718,847**	310,373
	2,988,348	1,996,013

(All amounts in Saudi Riyals thousands unless otherwise stated)

7 TRADE AND OTHER RECEIVABLES (continued)

The breakdown of the Trade receivables is in Note 30. The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2021	2020
Saudi Riyals	**2,910,942**	1,860,292
US Dollars	**77,406**	135,721
	2,988,348	1,996,013

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 26% of the total trade receivables balance (2020: 19%). There are no other customers who comprise more than 10% of the total trade receivables balance.

Trade receivables totaling SR 1,362 million (2020: SR 721 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

	2021	2020
60 to 90 days	**496,676**	398,945
120 to 180 days	**151,488**	94,775
180 to 360 days	**154,713**	84,108
Above 360 days	**558,773**	143,181
	1,361,650	721,009

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

	2021	2020
Opening balance	**1,269,863**	1,008,828
Charged for the year	**146,176**	261,035
Amount written off during the year	**(193,626)**	-
Amounts reversed during the year	**(139,399)**	-
Closing balance	**1,083,014**	1,269,863

Total amount charge in profit and loss

	2021	2020
Expected credit loss for the year	**146,176**	261,035
Reversal during the year*	**(139,399)**	(19,759)
Closing balance	**6,777**	241,276

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 recovery of the amounts provided for in prior periods.

(All amounts in Saudi Riyals thousands unless otherwise stated)

8 CONTRACT BALANCES

Contract assets

	2021	2020
Unbilled revenue	**358,779**	319,061
Less: Allowance for expected credit loss	**(2,733)**	(2,539)
	356,046	316,522
Current	**67,224**	96,450
Non-current	**288,822**	220,072
	356,046	316,522

Movement on the expected credit allowance on contract assets

	2021	2020
Opening balance	**2,539**	3,243
Amounts charged/(reversed) during the year	**194**	(704)
Closing balance	**2,733**	2,539

Deferred income and contract liabilities	**2021**	2020
Contract liabilities – Prepaid Customers	**548,792**	490,254
Deferred income- Government Grant (refer note 33)	**52,257**	53,832
	601,049	544,086

9 INVENTORIES

	2021	2020
Handsets and accessories	**220,827**	195,341
Sim cards	**5,774**	6,169
Prepaid recharge cards	**1,626**	1,661
Other inventories	**2,445**	1,560
	230,672	204,731
Less: provision for obsolescence	**(16,949)**	(17,628)
	213,723	187,103
Cost of inventories recognized as an expense	**765,452**	810,750

(All amounts in Saudi Riyals thousands unless otherwise stated)

10 RIGHT OF USE ASSETS

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

2021

	Land and building	**Cellular and other equipment**	**Total**
Opening Balance	**1,212,659**	**72,229**	**1,284,888**
Add: Additions	**313,156**	**209,994**	**523,150**
Less: Amortizations	**(318,930)**	**(96,565)**	**(415,495)**
Less: Retirements	**(697)**	**(60,871)**	**(61,568)**
Closing balance	**1,206,188**	**124,787**	**1,330,975**

2020

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

The total amount recorded in profit or loss for right of use assets includes 63 million (31 December 2020 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

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 PROPERTY AND EQUIPMENT

	Land	**Leasehold improvements**	**Telecom equipment**	**IT systems and servers**	**Furniture and office equipment**	**Transportatio n equipment**	**Assets under construction**	**Total**
Cost								
At 1 January 2021	**6,549**	**317,275**	**15,266,221**	**670,482**	**146,867**	**3,851**	**624,463**	**17,035,708**
Additions	**-**	**1,492**	**851,136**	**24,547**	**786**	**-**	**78,195**	**956,156**
Transfer	**-**	**842**	**70,222**	**6,895**	**-**	**-**	**(79,875)**	**(1,916)**
Disposals	**-**	**-**	**-**	**(13)**	**-**	**-**		**(13)**
At 31 December 2021	**6,549**	**319,609**	**16,187,579**	**701,911**	**147,653**	**3,851**	**622,783**	**17,989,935**
Depreciation								
At 1 January 2021	**-**	**303,357**	**9,164,931**	**571,624**	**135,132**	**3,827**	**-**	**10,178,871**
Additions	**-**	**7,876**	**1,114,858**	**41,143**	**7,183**	**16**	**-**	**1,171,076**
Disposals	**-**	**-**	**-**	**(7)**	**-**	**-**	**-**	**(7)**
At 31 December 2021		**311,233**	**10,279,789**	**612,760**	**142,315**	**3,843**	**-**	**11,349,940**
Net book value	**6,549**	**8,376**	**5,907,790**	**89,151**	**5,338**	**8**	**622,783**	**6,639,995**

	Land	**Leasehold improvements**	**Telecom equipment**	**IT systems and servers**	**Furniture and office equipment**	**Transportati on 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

The Group has capitalized, internal technical salaries, during the year ended 31 December 2021 amounting to SR 32 million (31 December 2020 amounting to SR 25 million).
During the year, the net additions in property and equipment amounted to SR 954 million, including non-cash addition with an amount of SR 37 million

(All amounts in Saudi Riyals thousands unless otherwise stated)

12 CAPITAL ADVANCES

	2021	2020
Capital advances	**274,841**	132,832

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**.**

13 INTANGIBLE ASSETS

Cost	**License fee***	**Computer software licenses**	**IRU ****	**Brand**	**Spectrum*****	**Total**
At 1 January 2021	**23,364,230**	**452,820**	**1,444,061**	**7,500**	**1,885,489**	**27,154,100**
Additions	**20**	**12,724**	**46,246**	**-**	**-**	**58,990**
Transfers in	**-**	**1,916**	**-**	**-**	**-**	**1,916**
At 31 December 2021	**23,364,250**	**467,460**	**1,490,307**	**7,500**	**1,885,489**	**27,215,006**
Amortization						
At 1 January 2021	**9,893,250**	**367,854**	**354,892**	**-**	**257,945**	**10,873,941**
Additions	**517,138**	**37,552**	**99,631**	**-**	**125,700**	**780,021**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
At 31 December 2021	**10,410,388**	**405,406**	**454,523**		**383,645**	**11,653,962**
Net book value	**12,953,862**	**62,054**	**1,035,784**	**7,500**	**1,501,844**	**15,561,044**

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

13 INTANGIBLE ASSETS (continued)

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

	End of amortization period	**2021**	2020
License fee	Jan 2047	**12,953,862**	13,470,980
Right of Use (multiple items)	Between 2023 & Jan 2036	**1,035,784**	1,089,169
Spectrum 2x10Mhz of 1800Mhz	Dec 2032	**517,525**	564,574
Spectrum 2x10 of 800 Mhz	Dec 2033	**457,821**	495,972
Spectrum 2600 & 3500 Mhz	Dec 2034	**526,498**	566,998
		15,491,490	16,187,693

***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)

14 TRADE AND OTHER PAYABLES

	2021	2020
Trade payables	**1,446,628**	1,400,769
Accruals	**1,394,414**	1,231,689
Notes payable	**474,292**	559,533
Accrued government charges	**125,489**	205,481
M.O.F Accrued Finance Cost	**57,591**	52,051
Employee related accruals	**48,067**	43,566
Provision for zakat (note 28)	**41,232**	24,254
Payable to M.O.F-Current	**524,995**	538,006
Accrued Financial Charges	**5,001**	1,587
Other payables	**573,490**	528,844
	4,691,199	4,585,780

Accrued government charges and other payables contain regulatory and legal provisions for the amount of SR 391 million (2020: SR 400 million). This movement in the provision is a non-cash transaction.
Trade payables includes amount due to related parties amounting to SR 1.7 million (2020: SR 2.3 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.

15 BORROWINGS

	2021	2020
Syndicate Murabaha facility (refer to note 15.1)	**2,954,824**	1,591,309
Working Capital Murabaha facility (refer to note 15.1)	**650,000**	-
Junior Murabaha Facility Agreement (refer to note 15.2)	**2,246,749**	2,244,836
Total borrowings	**5,851,573**	3,836,145

The current and non-current amounts are as follows:

	2021	2020
Current borrowings	**3,213,549**	-
Non-current borrowings	**2,638,024**	3,836,145
Total borrowings	**5,851,573**	3,836,145

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

	2021	2020
Saudi Riyals	**5,178,903**	3,538,002
US Dollar (presented in Saudi Riyal)	**672,670**	298,143
	5,851,573	3,836,145

(All amounts in Saudi Riyals thousands unless otherwise stated)

15 BORROWINGS (continued)

15-1 Syndicated Murabaha facility

On 27 September 2020, the Group refinanced and extended the maturity date of its existing five years syndicated Murabaha facility (MFA) 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. The Group has withdrawn SR 1.3 billion during Q1 2021 against the syndicate facility and SR 650 million in Q2 2021 against the working capital Murabaha facility.

As at 31 December 2021, the Group has utilized SR 3.8 billion (SR 1.8 billion as at 31 December 2020) from existing facility of SR 7 billion. paid onAs at 31 December 2021, total unused facility against MFA amounting to SR 3.2 billion.

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 to SR 136 million which has been recognized in 2020 in consolidated statement of profit and loss and other comprehensive income as gain on modification of borrowings.

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.

15-2 Junior Murabaha

On 16 June 2019, the Group has signed Junior Murabaha facility agreement amounting to SR 2.25 billion with a consortium of five banks. The duration of the agreement was two years, with an option to be extended for one year upon Group's request. The group has obtained the unanimous approval from all the participating banks to extend the maturity of borrowings till 16 June 2022. This loan is fully secured by a corporate guarantee from Mobile Telecommunications Company K.S.C.P. Financing charges are payable in quarterly installments.

16 LEASE LIABILITIES

	2021	2020
Opening Balance	**1,384,247**	1,476,225
Additions	**523,745**	196,604
Finance Cost	**72,592**	79,103
Retirements/ termination	**(80,522)**	(52,116)
Payments	**(427,517)**	(315,569)
Closing Balance	**1,472,545**	1,384,247
Current	**263,771**	319,150
Non-Current	**1,208,774**	1,065,097
	1,472,545	1,384,247

Majority of the lease liabilities contracts are denominated in Saudi Riyals. Please refer to note 30 for the maturity analysis of the lease liabilities.

(All amounts in Saudi Riyals thousands unless otherwise stated)

17 AMOUNTS DUE TO RELATED PARTIES

	2021	2020
Mobile Telecommunications Company K.S.C (refer to note 17.1)	**1,444,018**	1,326,583
Mobile Telecommunications Company K.S.C (refer to note 17.3)	**1,262**	2,159,267
Founding shareholders (refer to note 17.2)	**84,573**	130,861
Infra Capital Investments (refer to note 17.3)	**-**	32,698
Other related parties	**237**	105
	1,530,090	3,649,514
Current	**1,530,090**	3,649,514

17-1 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 15.1.

17-2 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 15.1.

17-3 Mobile Telecommunications Company K.S.C and Infra Capital Investments

These amounts include advances and other balances and are payable to shareholders. The advances from shareholders bears interest at market rates. During year ended 31 December 2021, Company has repaid principal and interest in full. The remaining outstanding balance represents the other inter-Company balance and doesn't bear any interest (31 December 2020: SR 1,122 million).

18 OTHER NON-CURRENT LIABILITIES

	2021	2020
Payable to M.O.F (refer to note 18-1)	**3,059,690**	3,500,614
Long-term Payable – Spectrum (refer to note 18-2)	**1,282,302**	1,389,951
Other	**103,424**	207,043
	4,445,416	5,097,608

18.1 During 2013, the Company has signed an agreement with the Ministry of Finance (MOF), Saudi Arabia to defer payments of its dues to the government for the next seven years ending May 2020. These deferred payments under agreement contain commercial commission payable annually, while the amount is repayable in seven years starting from June 2021. The amount of 0.538 billion has been settled in November 2021.The amount deferred by the Company as of 31 December 2021 amounted to SR 3.6 billion (31 December 2020: SR 4 billion) out of which SR 0.524 billion is recognized under trade and other payables as current portion as at 31 December 2021 (31 December 2020: SR 1 billion). The accrued interest related to the MOF payable is recorded under trade and other payables.

18.2 As of 31 December 2021, the total outstanding amount payable against spectrum amounts to SR 1.47 billion (31 December 2020: SR: 1.5 billion) out of which SR 0.188 billion is recognized under trade and other payables as at 31 December 2021 (31 December 2020: SR 0.14 billion).

(All amounts in Saudi Riyals thousands unless otherwise stated)

19 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 15-1). The outstanding notional amount of the contract as at 31 December 2021 was SR 3,200 million (31 December 2020: SR 1,827 million) and the fair value was a negative amount of SR 110 million as at 31 December 2021 (31 December 2020: Negative SR 206 million).

The average contracted fixed interest rate ranges from 2% to 3%. A gain of SR 96 million was recognized in other comprehensive loss for the year ended 31 December 2021 (31 December 2020: loss of SR 78.3million) 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.

20 EMPLOYEES' END OF SERVICE BENEFITS OBLIGATION

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.

	2021	2020
Opening balance	**125,082**	104,875
Current service cost	**18,274**	21,683
Interest cost	**4,302**	4,522
Payments	**(12,176)**	(5,564)
Actuarial gain	**(48)**	(434)
Closing balance	**135,434**	125,082

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:

	2021	2020
Attrition rates	**10% to 13%**	10% to 13%
Salary increases	**3%**	3%
Discount rate	**4%**	3.65%

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.

	2021	2020
Base Scenario	**135,434**	125,082
Discount Rate: Increase by 1%	**122,874**	112,964
Discount Rate: Decrease by 1%	**150,124**	139,333
Salary Escalation Rate: Increase by 1%	**150,124**	139,281
Salary Escalation Rate: Decrease by 1%	**122,646**	112,783

(All amounts in Saudi Riyals thousands unless otherwise stated)

20 EMPLOYEES' END OF SERVICE BENEFITS OBLIGATION (Continued)

Particulars	**2021**	2020
Change in Financial Assumption	**43**	2,720
Change in the Salary Escalation Rate Assumption	**-**	12,549
Change in the Discount Rate	**43**	(9,829)
Change in Demographic Assumption	**-**	-
Change in the Mortality Rate Assumption	**-**	-
Change in the Attrition Rate Assumption	**-**	-
Experience Adjustment	**5**	(2,286)
Total Actuarial Gain	**48**	434

Other reserve	**2021**	2020
Opening balance	**2,018**	1,584
Remeasurement	**48**	434
Closing balance	**2,066**	2,018

21 RETIREMENT BENEFIT CONTRIBUTIONS

The Group paid retirement contributions for its Saudi Arabian employees for year 2021 to the General Organization for Social Insurance SR 27 million (2020: SR 22 million)

22 SHARE CAPITAL

The share capital of the Group as at 31 December 2021 comprised 898,729,175 shares (31 December 2020: 898,729,175) stated at SR 10 per share owned (Refer note 1.3).

23 REVENUE

23.1 Disaggregated revenue information

The total revenue disaggregated by major service lines is:

	2021	2020
Usage charges	**4,963,749**	5,165,575
Subscription	**1,811,779**	1,802,983
Sale of goods	**796,533**	774,791
Other revenue	**328,585**	173,196
	7,900,646	7,916,545

Timing of revenue recognition		
PO satisfied over period of time – airtime and data	**7,104,113**	7,141,754
PO satisfied a point in time – trading income	**796,533**	774,791

24 COST OF REVENUE

	2021	2020
Access charges	**1,411,082**	1,311,696
Cost of devices	**757,514**	807,082
Other	**847,455**	353,129
	3,016,051	2,471,907

(All amounts in Saudi Riyals thousands unless otherwise stated)

25 OPERATING AND ADMINISTRATIVE EXPENSES

	2021	2020
Employees' salaries and related charges	**576,395**	560,403
Rent expenses	**19,687**	30,956
Repairs and maintenance	**534,357**	529,553
Service rendered and Branding fees (Note 17-1)	**117,567**	120,338
Biometric Expense	**10,953**	11,538
Microwave Frequency	**93,823**	93,740
Advertising	**102,380**	91,474
Leased lines	**52,702**	60,147
Utilities	**106,010**	91,923
Consulting	**15,864**	31,676
Other	**119,549**	141,232
	1,749,287	1,762,980

26 OTHER INCOME

	2021	2020
Foreign exchange (loss) / gains	**(3,251)**	6,449
Gain on disposal of assets	**3,358**	1,296
Gain on leases	**18,438**	16,625
Other	**1,834**	3,204
	20,379	27,574

27 FINANCE COST

	2021	2020
Syndicate Murabaha facility	**164,090**	286,857
Related parties	**13,876**	256,305
Ministry of finance	**107,292**	128,687
Interest on leases liability	**72,592**	79,103
Murabaha facility junior	**50,259**	63,191
Interest on spectrum	**81,049**	84,063
	489,158	898,206

(All amounts in Saudi Riyals thousands unless otherwise stated)

28 PROVISION FOR ZAKAT

Components of zakat base

The significant components of the Group's approximate zakat base, for the year ended 31 December 2021, which are subject to certain adjustments under zakat and income tax regulations, principally comprise the following:

	2021	2020
Shareholders' equity at beginning of year	**8,933,275**	7,369,141
Provisions at beginning of year	**1,487,954**	1,418,294
Long-term borrowings and shareholders' advances	**12,968,313**	12,963,297
Other non – current liabilities	**1,282,301**	2,031,084
Adjusted net profit for the year (see below)	**52,188**	783,255
Zakat Provision opening balance	**24,254**	4,672
Property and equipment	**(7,969,591)**	(8,138,032)
Intangible assets	**(15,561,044)**	(16,283,853)
Capital advances	**(274,841)**	(132,832)
Approximate positive Zakat base of the Group	**890,621**	(768,229)

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

Components of adjusted net profit

	2021	2020
Profit for the year	**214,302**	279,526
Employees' end of service benefits obligation	**10,400**	20,207
Allowance for doubtful debts and slow moving inventory	**(187,501)**	500,073
Other provisions	**14,987**	(16,551)
Adjusted net profit for the year	**52,188**	783,255

Zakat provision	**2021**	2020
Balance at beginning of the year	**24,254**	18,607
Charge for the year	**16,978**	19,581
Payment made during the year	**-**	(13,934)
Balance at end of the year	**41,232**	24,254

Zakat provision is mentioned under Note 14.

(All amounts in Saudi Riyals thousands unless otherwise stated)

28 PROVISION FOR ZAKAT (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 2020 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 Zakat, Tax and Customs Authority (ZATCA) for the years 2009 to 2011 whereby ZATCA asked to pay an additional amount of SR 620 million of which SR 352 million are related to Zakat differences and SR 267 million as withholding tax subject to delay penalty payable from the due date up to the settlement date equals to 1% for every 30 days.

The Group 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 ZATCA amounting SR 48 million on 16 November 2017 related to Withholding Tax (WHT) and issued a bank guarantee for the amount of SR 43 million related to the penalty generated from the delay in paying the WHT.

Based on the above, the Group 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.

The Group received additional assessment for the remaining years until 2021. The company is in the process of appealing those assessments in early 2022.

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

29 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 2021 or 2020. Profit attributable to the shareholders use in calculating EPS is 214 million for the year 2021 (2020: SR 260 million)

Weighted average number of ordinary shares

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

	2021	2020
Outstanding during the year	**898,729**	686,539
Basic earnings per share (SR)	**0.24**	0.38

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.

30 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	**2021**	**Euro**	**617**	**4.43**	**2,735**
Trade and other payables	2020	Euro	865	4.48	3,875

(All amounts in Saudi Riyals thousands unless otherwise stated)

30 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:

2021 Details	**Foreign currency**	**Foreign currency amount**	**Exchange rate**	
Cash and bank balances	**Euro**	**63**	**4.24**	**267**
Cash and bank balances	**GBP**	**305**	**5.05**	**1,541**
				1,808

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

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.

2021 Currency	**Impact on profit**
Euro	**13**
GBP	**77**

2020 Currency	Impact on profit
Euro	30
GBP	80

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.

30 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 2021 would decrease or increase by SR 2,445,791 (31 December 2020: 4,491,030). 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 7. 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

30 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:

	2021 Simplified approach Lifetime	2020 Simplified approach Lifetime
	Total	Total
Customers	**2,442,514**	1,984,900
Distributors	**183,782**	262,567
Contract assets	**358,779**	319,061
Less: ECL	**(1,083,597)**	(1,266,430)
	1,901,478	1,300,098
Roaming partners	**102,738**	60,166
Other operators (interconnect)	**516,943**	541,710
Less: ECL	**(2,150)**	(5,890)
	617,531	595,986
Other receivables	**8,637**	8,579
Less: ECL	**-**	(82)
	8,637	8,497

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

	2021	2020
Collectively assessed	**1,083,597**	1,266,430
Individually assessed	**2,150**	5,972
	1,085,747	1,272,402

(All amounts in Saudi Riyals thousands unless otherwise stated)

30 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 2021 under IFRS 9	**1,266,430**	**5,972**	**1,272,402**
Net increase in loss allowance	**146,370**	**-**	**146,370**
Amount written off During the year	**(193,626)**	**-**	**(193,626)**
Amounts reversed during the year	**(135,577)**	**(3,822)**	**(139,399)**
31 December 2021	**1,083,597**	**2,150**	**1,085,747**

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.

	2021			2020		
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	**894,708**	**0.34%**	**3,055**	895,214	0.37%	3290
31 – 60 days	**79,603**	**0.06%**	**48**	45,444	0.28%	127
61 – 90 days	**65,359**	**0.10%**	**63**	40,963	0.42%	170
91 – 180 days	**175,814**	**13.84%**	**24,326**	123,742	23.41%	28,967
> 181 days	**207,166**	**25.32%**	**52,453**	168,510	50.09%	84,402
> 361 days	**1,562,425**	**64.24%**	**1,003,652**	1,292,655	88.92%	1,149,474
	2,985,075		**1,083,597**	2,566,528		1,266,430

Credit quality of roaming, interconnect and other balances:

	2021	2020
Credit quality – Performing	624,325	602,560
Impaired	3,993	7,895
ECL	(2,150)	(5,972)
	626,168	604,483

(All amounts in Saudi Riyals thousands unless otherwise stated)

30 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 2021 the Group have the undrawn working capital facility of SR 0.4 billion and the undrawn term facility amounting to SR 2.8 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 2021						
Borrowings	**3,356,982**	**1,494,918**	**1,572,850**	**-**	**6,424,750**	**5,851,573**
MOF payable	**639,361**	**1,318,706**	**1,277,437**	**817,103**	**4,052,607**	**3,584,685**
Trade and notes payable	**2,494,411**	**-**	**-**	**-**	**2,494,411**	**2,494,411**
Due to related parties	**1,530,090**	**-**	**-**	**-**	**1,530,090**	**1,530,090**
Lease liabilities	**625,548**	**253,832**	**535,142**	**269,433**	**1,683,955**	**1,472,545**
Long term payables – Spectrum	**188,698**	**377,396**	**566,094**	**787,200**	**1,919,388**	**1,471,000**
Net Settled derivative liabilities) Interest rate Swap	**395**	**115,386**	**32,413**	**-**	**148,194**	**110,123**
	8,835,485	**3,560,238**	**3,983,936**	**1,873,736**	**18,253,395**	**16,514,427**
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

(All amounts in Saudi Riyals thousands unless otherwise stated)

30 FINANCIAL INSTRUMENTS (continued)

30.1 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.

30.2 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 2021**		31 December 2020	
		Carrying value	**Fair value**	Carrying value	Fair value
Derivative financial instruments	Level 2	**110,123**	**110,123**	206,210	206,210

30.3 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)

30 FINANCIAL INSTRUMENTS (continued)

	2021	2020
Financial Assets		
Financial assets at amortized cost:		
Cash and banks	**511,977**	1,103,401
Trade receivables	**2,171,600**	1,588,059
Total financial assets at amortized cost	**2,683,577**	2,691,460
Total financial assets	**2,683,577**	2,691,460
FINANCIAL LIABILITIES		
Financial liabilities at amortized cost:		
Trade payables, Notes payable	**2,494,411**	2,489,146
MOF payable-current	**524,995**	538,006
Due to related parties	**1,530,090**	3,649,514
Other non-current liabilities	**4,341,992**	4,890,565
Borrowings	**5,851,573**	3,836,145
Total Financial liabilities at amortized cost:	**14,743,061**	15,403,376
Financial liabilities at fair value:		
Derivative Financial Instruments	**110,123**	206,210
Total financial liabilities at fair value	**110,123**	206,210
Total financial liabilities	**14,853,184**	15,609,586

31 RELATED PARTY INFORMATION

During the year, the Group transacted with following related parties

Party	**Relationship**
Oman Telecommunications Group SAOG	Parent Company 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:

	2021	2020
Revenue from entities owned by shareholder	**12,327**	24,904
Purchases from entities owned by shareholder	**(84,656)**	(94,331)
Fees charged by a Founding shareholder (note 25)	**(117,435)**	(120,338)
Finance charges charged by a Founding shareholder (note 27)	**(13,876)**	(256,306)

(All amounts in Saudi Riyals thousands unless otherwise stated)

31 RELATED PARTY INFORMATION (continued)

The following balances were outstanding at the reporting date:

	2021	2020
Amounts due to a founding shareholders	**1,530,090**	3,649,514
Amounts due to a subsidiaries of Group	**105**	105
Amounts due from a Founding shareholders	**1,203**	665

Other amounts due to related parties are disclosed in note 17.

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 17. 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

	2021	2020
Short-term benefits	**30,533**	36,249
Long-term benefits	**2,583**	2,893

32 CAPITAL COMMITMENTS

The Group had capital commitments totaling SR 516 million (31 December 2020: SR 194 million)

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:

	2021	2020
Net Debt	**10,396,826**	8,155,611
Total Equity	**19,436,346**	16,884,694
Net debt to equity ratio	**53%**	48%

33 GOVERNMENT GRANTS RECEIVED

The Group received total government grant income during 2021: SR Nil million (2020: SR 150 million). The amount of 1.7 million have been adjusted against the receivable balance and an amount of SR 0.14 million was set off against property and equipment (2020: SR 93 million have been adjusted against the receivable balance and an amount of SR 3 million was set off against property and equipment).. The deferred income against the government grant amounting to SR 1.6 million is recorded under deferred revenue.

(All amounts in Saudi Riyals thousands unless otherwise stated)

34 CONTINGENT LIABILITIES

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

	2021	2020
Letter of Guarantee	**167,760**	78,352
Letter of Credit	**242,776**	170,000
	410,536	248,352

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 2021 the amount of lawsuits and violations amounts to SR 13 million which has been provided for in full.

35 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	**2021**	2020
Mobile Telecommunications Company	**7,757,388**	7,640,573
Zain Sales Company	**1,856,543**	2,359,948
Zain Payments Company-Tamam	**15,620**	729
Zain Drones Company	**1,250**	-
Eliminations / Adjustments	**(1,730,155)**	(2,084,705)
Total Revenues	**7,900,646**	7,916,545
Cost of operations	**(4,765,338)**	(4,234,887)
Depreciation and amortization	**(2,429,597)**	(2,439,122)
Expected credit loss (ECL)	**(6,971)**	(240,572)
Finance income	**1,319**	11,939
Other income	**20,379**	27,574
Gain on modification of borrowings	**-**	136,255
Finance cost	**(489,158)**	(898,206)
Zakat	**(16,978)**	(19,581)
Profit for the year	**214,302**	259,945

Revenue reported above represents revenue generated from external and internal customers. There were SR 1,730 million in 2021 (2020: SR 2,084) inter Group revenue and adjustments for Zain Sales Group eliminated at consolidation.

(All amounts in Saudi Riyals thousands unless otherwise stated)

35 SEGMENT REPORTING (continued)

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

Assets	**2021**	2020
Mobile Telecommunications Company	**36,280,897**	35,328,930
Zain Sales Company	**8,880,038**	6,602,773
Zain Payments Company-Tamam	**75,980**	27,653
Zain Drones Company	**1,800**	473,854
Eliminations / adjustments	**(17,361,766)**	(14,275,455)
Total Assets	**27,876,949**	28,157,755
Liabilities		
Mobile Telecommunications Company	**27,373,845**	26,774,782
Zain Sales Company	**8,761,309**	6,458,833
Zain Payments Company-Tamam	**41,258**	18,043
Zain Drones Company	**3,443**	1,701
Zain Business	**20**	10
Eliminations / Adjustments	**(17,342,446)**	(13,824,697)
Total Liabilities	**18,837,429**	19,428,672

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

36 IMPACT OF COVID-19

The outbreak of the novel Coronavirus (Covid-19) in early 2020 in most countries has caused widespread disruptions to business and continues to evolve 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 evolving business disruption of the COVID-19 pandemic.

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 condensed consolidated interim financial information. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the condensed consolidated interim financial information.

Impairment of non-financial assets

The Group has performed a qualitative assessment for its investment in CGUs, considering the minimal impact of COVID-19 on entities operating in the telecommunication sector, and compared the actual results for the period against the budget and industry benchmarks to conclude that the impairment assessment as at 31 December 2021 remains largely unchanged.

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

36 IMPACT OF COVID-19 (continued)

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 continues to monitor the appropriateness of the management overlays considering evolving impact of current pandemic situation in respective location.

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 the Group, 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 since 31 December 2021. As a result, this condensed consolidated interim financial information has been appropriately prepared on a going concern basis.

37 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.

38 APPROVED CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 29th of January 2022.

Leadership and Innovation

Board of Directors Report 2021