

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REVIEW
REPORT
FOR THE THREE MONTHS PERIOD
ENDED 31 MARCH 2022**

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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Independent Auditor's Review Report on The Interim Condensed Consolidated Financial Information

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

Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Mobile Telecommunications Company Saudi Arabia ("the Company"), a Saudi Joint Stock Company and its subsidiaries (collectively the "Group") as at 31 March 2022 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, for the three months period then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the three months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 – ("IAS 34") "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

For Dr. Mohamed Al-Amri & Co,



Gihad Al-Amri
Certified Public Accountant
Registration No. 362



Riyadh, on 21 April 2022 G
Corresponding to: 20 Ramadan 1443 H

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	31 March 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents	4	268,588	511,977
Trade and other receivables		3,241,855	2,988,348
Contract assets – current		61,412	67,224
Inventories		231,114	213,723
		<u>3,802,969</u>	<u>3,781,272</u>
Assets classified as held for sale	5	2,379,396	-
		<u>6,182,365</u>	<u>3,781,272</u>
Total current assets			
Non-current assets			
Contract assets non-current		343,306	288,822
Right of use assets		344,900	1,330,975
Property and equipment	6	5,118,360	6,639,995
Capital advances		133,337	274,841
Intangible assets	6	15,372,775	15,561,044
Derivative financial instruments	16	7,740	-
		<u>21,320,418</u>	<u>24,095,677</u>
Total non-current assets		<u>21,320,418</u>	<u>24,095,677</u>
TOTAL ASSETS		<u><u>27,502,783</u></u>	<u><u>27,876,949</u></u>
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		4,684,071	4,691,199
Deferred income and contract liabilities		584,956	601,049
Borrowings - current	7	3,015,306	3,213,549
Lease liabilities - current		63,689	263,771
Amounts due to related parties	8	1,428,669	1,530,090
		<u>9,776,691</u>	<u>10,299,658</u>
Liabilities directly associated with assets classified as held for sale	5	1,019,327	-
		<u>10,796,018</u>	<u>10,299,658</u>
Total current liabilities		<u>10,796,018</u>	<u>10,299,658</u>
Non-current liabilities			
Long-term borrowings	7	2,644,718	2,638,024
Lease liabilities non-current		407,156	1,208,774
Other non-current liabilities	9	4,277,947	4,445,416
Derivative financial instruments	16	-	110,123
Provision for employees' end of service benefits		139,042	135,434
		<u>7,468,863</u>	<u>8,537,771</u>
Total non-current liabilities		<u>7,468,863</u>	<u>8,537,771</u>
EQUITY			
Share capital	10	8,987,292	8,987,292
Hedging reserve	16	7,740	(110,123)
Other reserves		2,066	2,066
Statutory reserve		21,430	21,430
Retained earnings		219,374	138,855
		<u>9,237,902</u>	<u>9,039,520</u>
Total equity		<u>9,237,902</u>	<u>9,039,520</u>
TOTAL LIABILITIES AND EQUITY		<u><u>27,502,783</u></u>	<u><u>27,876,949</u></u>

Mehdi Khalfoui
CFO

Sultan Al-Deghaither
CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

The accompanying notes (1) to (17) form an integral part of these interim condensed consolidated financial statements

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

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

FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

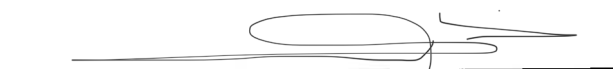
	Note	For the three-months period ended	
		31 March 2022	31 March 2021
Revenue		2,178,580	1,937,512
Cost of revenue		(942,669)	(722,006)
Operating and administrative expenses		(460,290)	(437,824)
Depreciation and amortization	6	(521,795)	(577,408)
Expected credit loss (ECL)		(52,698)	(42,192)
Finance income		459	179
Other income		861	7,475
Finance cost		(118,142)	(121,264)
Profit before zakat		84,306	44,472
Zakat	14	(3,787)	(3,607)
Profit for the period		80,519	40,865
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Fair value change in hedging instruments entered into for cash flow hedges	16	117,863	27,565
Total other comprehensive income		117,863	27,565
Total comprehensive income for the period		198,382	68,430
Earnings per share (in Saudi Riyals)			
Basic and diluted	11	0.090	0.045



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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Hedging reserve	Other reserves	Statutory reserve	Accumulated deficit	Total
Balance at 1 January 2022 (Audited)	8,987,292	(110,123)	2,066	21,430	138,855	9,039,520
Profit for the period	-	-	-	-	80,519	80,519
Other comprehensive income	-	117,863	-	-	-	117,863
Total comprehensive income for the period	-	117,863	-	-	80,519	198,382
Balance at 31 March 2022 (Unaudited)	8,987,292	7,740	2,066	21,430	219,374	9,237,902
Balance at 1 January 2021 (Audited)	8,987,292	(206,210)	2,018	-	(54,017)	8,729,083
Profit for the period	-	-	-	-	40,865	40,865
Other comprehensive income	-	27,565	-	-	-	27,565
Total comprehensive income for the period	-	27,565	-	-	40,865	68,430
Balance at 31 March 2021 (Unaudited)	8,987,292	(178,645)	2,018	-	(13,152)	8,797,513


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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	31 March 2022	31 March 2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat		84,306	44,472
<i>Adjustments to reconcile net profit for the period before zakat to net cash from operating activities:</i>			
Depreciation and amortization	6	521,795	577,408
Expected credit loss		52,698	42,192
Other provisions		(212)	(131)
Net other losses / (gain), net		-	(7,231)
Reversal of inventory provision		(765)	(467)
Foreign currency loss / (gain), net		129	406
Finance costs		118,142	121,264
Employees' end-of-service benefits charge		6,202	5,681
		782,295	783,594
<i>Changes in working capital:</i>			
Trade and other receivables		(411,128)	(120,703)
Contract assets		(48,672)	(5,635)
Inventories		(16,626)	(1,579)
Movement of cash under lien		(65)	149,814
Trade and other payables		464,753	43,204
Deferred income and contract liabilities		(16,093)	(2,972)
Other non-current liabilities		(167,469)	(239,675)
Cash flows generated from operations		586,995	606,048
Employees' end of service benefits paid		(2,594)	(1,746)
Net cash generated from operating activities		584,401	604,302
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(284,291)	(198,543)
Purchase of intangible assets		(205,436)	(151,107)
Net cash used in investing activities		(489,727)	(349,650)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	1,340,432
Repayment of borrowings		(200,000)	-
Payment of lease liabilities		(85,310)	(74,960)
Payment against amount due to related parties		-	(1,055,100)
Finance costs paid		(52,677)	(1,053,695)
Net cash used in financing activities		(337,987)	(843,323)
Net change in cash and cash equivalents		(243,313)	(588,671)
Effect of movements in exchange rates on cash and cash equivalents		(141)	(2,421)
Cash and cash equivalents at beginning of the period		507,189	882,794
Cash and cash equivalents at end of the period	4	263,735	291,702


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The accompanying notes (1) to (17) form an integral part of these interim condensed consolidated financial statements

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 ORGANIZATION AND ACTIVITIES

1.1 General Information

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

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

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

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

The current liabilities of the Group exceed the current assets of the Group by SR 4.6 billion (2021: 6.5 billion) which includes SR 1.4 billion related to due to related parties. 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 3.4 billion. The directors of the Group have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

1.2 subsidiaries

The Company established the following fully owned subsidiaries in KSA:

- a. Zain Sales Company is engaged in distributing, selling telecom equipment and handsets; and providing consulting services. Share capital SR 10,000. The company started its operation in the first quarter of 2019.
- b. Zain Business Company is engaged in establishment, construction, repair and maintenance of telecom stations and towers. Share capital SR 10,000. The company is not operational yet.
- c. Zain Payments Company-Tamam is engaged in 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. Share capital SR 10,000. The company started its operation during the fourth quarter of 2019.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022**

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 ORGANIZATION AND ACTIVITIES (continued)

1.3 Binding Agreement for sale of Tower

The Group has received board of directors' approval of the final offers (the "Final Offers") from the Public Investment Fund (PIF), HRH Prince Saud Bin Fahad and Sultan Holding to acquire Zain's towers infrastructures. The decision to approve the final offer by the Board of Directors was unanimous, after excluding the following members: H.H. Prince Naif bin Sultan, Mr. Raied AlSaif, Mr. Saud AlBawardi, and Mr. Hisham Attar from voting on the offers because they are related parties once the transaction is executed. The approved final offers were to acquire stakes in Zain KSA's towers infrastructure comprising of 8,069 towers, valuing these assets at SAR 3,026 million (USD 807 million). Pursuant to the Final Offers the three entities would acquire 60%, 10% and 10% stake respectively while Zain KSA will own the remaining 20% stake. PIF's Final Offer also includes a call option that will grant PIF the right to buy the remaining 20% stake from Zain KSA for a certain amount. Under the terms of the offers, Zain KSA will sell its passive, physical towers infrastructure and retain all other wireless communication antennas, software, technology, and intellectual property (IPs). (refer note 5)

1.4 Impact of Covid-19

The Group's operating environment has rebound and signs of economic recovery is visible across the region and globally. The key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the consolidated financial statements is disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2021.

2 BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed in the Kingdom of Saudi Arabia. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2021 annual consolidated financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The Group has applied the same accounting policies and methods of computation in its interim condensed consolidated financial statements as in its 2021 annual consolidated financial statements for the year ended 31 December 2021 (last year annual financial statements).

Use of estimates and judgements

There have been no material revisions to the nature and amount of estimates from those reported in last year annual financial statements.

Management believes that all sources of estimation uncertainty remain similar to those disclosed in the last annual financial statements. The Group will continue to monitor the situation, and any changes required will be reflected in future reporting periods.

New Standards, Amendment to Standards and Interpretations:

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2022 and has been explained in Group annual Consolidated Financial Statements, but they do not have a material effect on the Group's Condensed Consolidated Interim Financial Statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022**

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards that are issued but not yet effective for the current period

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

Standards that are issued and effective for the current period

There are some other amendments to IFRS and IFRIC that were applied by the Group with effective dates before period ended 31 March 2022. Those standards and interpretation or amendments are not disclosed in these interim condensed consolidated financial statements as the management did not consider these relevant to the company operation or had a material impact on the financial statements of the Group.

4 CASH AND CASH EQUIVALENTS

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Cash in hand	1,301	1,313
Cash at banks	167,287	510,664
Time deposits	100,000	-
	268,588	511,977
Cash at bank under lien	(4,853)	(4,788)
	263,735	507,189

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 were 0.4% to 1% (2021: 0.4 %).

5 ASSETS CLASSIFIED AS HELD FOR SALE

This represents the carrying value of telecom tower assets amounting to SR 1,365 million and right of use of assets amounting to SR 1,015 million and its related lease liabilities amounting to SR 1,019 million.

During February 2022 the board of the directors approved the final offer to sell stakes in Zain KSA's towers infrastructure, on the basis that management is committed to a plan to sell these assets and accordingly classified the assets and the liabilities directly associated to these assets as held for sale and stop depreciating the assets from the date of classifying them as held for sale.. The transaction is expected to close in 2022, subject to customary closing conditions. The Company will be the anchor tenant on commercial terms on each of the towers being sold. (Refer note 1.3)

6 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

During the three-months period ended 31 March 2022, the Group acquired property and equipment amounted to SR 121 million (31 March 2021: SR 67 million) and intangible assets amounted to SR 2 million (31 March 2021: SR 3 million). During the period, there were no disposal made by the Group.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022**

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS (Continued)

During the three-months period ended 31 March 2022, the total depreciation and amortization expense amounted to SR 522 million, out of which SR 469 million relates to property and equipment and intangible assets and the remaining amount of SR 53 million relates to the depreciation charge for right of use assets (31 March 2021: the total depreciation and amortization expense amounted to SR 577 out of which SR 460 relates to property and equipment and intangible assets and the remaining amount of SR 117 million relates to the depreciation charge for right of use assets).

7 LONG-TERM BORROWINGS

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Syndicate Murabaha facility (refer to note 7.1)	2,961,518	2,954,824
Working Capital Murabaha facility (refer to note 7.1)	450,000	650,000
Junior Murabaha Facility Agreement (refer to note 7.2)	2,248,506	2,246,749
Total borrowings	5,660,024	5,851,573

The current and non-current amounts are as follows:

	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Current borrowings	3,015,306	3,213,549
Non-current borrowings	2,644,718	2,638,024
Total borrowings	5,660,024	5,851,573

The Carrying amount of the Group's borrowings are denominated in the following currencies:

	31 March 2021 (Unaudited)	31 December 2021 (Audited)
Saudi Riyal	5,023,851	5,178,903
US Dollar	636,173	672,670
Total	5,660,024	5,851,573

7-1 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.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022**

(All amounts in Saudi Riyals thousands unless otherwise stated)

7 LONG-TERM BORROWINGS (Continued)

7-1 Syndicated Murabaha facility (continued)

As at 31 March 2022, the Group has utilized SR 3.6 billion from existing facility of SR 7 billion. The total amount paid by the Group against the refinanced loan was 2.8 billion as of 30 November 2020 and 0.2 billion against the working capital facility as of February 2022. As at 31 March 2022, total unused facility against MFA amounting to SR 3.4 billion (including an accordion of non-committed undrawn facility of SAR 2.8 billion and a working capital undrawn facility of SAR 550 Million).

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.

7-2 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.

8 TRANSACTIONS AND AMOUNTS DUE TO RELATED PARTIES

The Group has the following related parties:

Party	Relationship
Oman Telecommunications Company SAOG	Parent Company of Mobile Telecommunications Company K.S.C.P (ultimate parent)
Mobile Telecommunications Company 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 Company	Founding Shareholder

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

	For the three-months period ended	
	31 March 2022	31 March 2021
Revenue from entities owned by shareholder	1,800	2,113
Purchases from entities owned by shareholder	24,560	13,801
Fees charged by a Founding Shareholder (refer to note 8.1)	33,017	29,336
Finance charges charged by a Founding Shareholder	-	13,900

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

(All amounts in Saudi Riyals thousands unless otherwise stated)

8 TRANSACTIONS AND AMOUNTS DUE TO RELATED PARTIES (continued)

The following balances were outstanding at the reporting date:

	31 March 2022	31 December 2021
Mobile Telecommunications Company K.S.C.P (refer to note 8.1)	1,342,424	1,444,018
Mobile Telecommunications Company K.S.C.P (refer to note 8.3)	1,435	1,262
Founding Shareholders (refer to note 8.2)	84,573	84,573
Other related parties	237	237
	1,428,669	1,530,090

8-1 Mobile Telecommunications Company K.S.C.P

This amount relates to accrued management fees and is payable to the Company's largest shareholder. The amount is unsecured, interest free and does not have any fixed terms of repayment but is not repayable until certain conditions are met in the Syndicated Murabaha facility referred to in note 7-1.

8-2 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 7-1.

8-3 Mobile Telecommunications Company K.S.C.P

This amount represents the other inter-company balance that are payable to shareholders and doesn't bear any interest.

9 OTHER NON-CURRENT LIABILITIES

	31 March 2022	31 December 2021
Payable to MOF (refer to note 9.1)	3,059,690	3,059,690
Long-term payable – Spectrum (refer to note 9.2)	1,113,072	1,282,302
Others	105,185	103,424
	4,277,947	4,445,416

9.1 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 SR 0.538 billion has been settled in November 2021. The amount deferred by the Company as of 31 March 2022 amounted to SR 3.6 billion (31 December 2021: SR 3.6 billion) out of which SR 0.524 billion is recognized under trade and other payables as current portion as at 31 March 2022 (31 December 2021: SR 0.524 billion). The accrued interest related to the MOF payable is recorded under trade and other payables.

9.2 As of 31 March 2022, the total outstanding amount payable against spectrum amounts to SR 1.3 billion (31 December 2021: SR: 1.47 billion) out of which SR 0.188 billion is recognized under trade and other payables as at 31 March 2022 (31 December 2021: SR 0.188 billion).

10 SHARE CAPITAL

The Company had 898,729,175 (31 December 2021: 898,729,175) shares of SR 10 each in issue as at the reporting date. There were no movements in share capital in the period under review.

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11 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 31 March 2022 or 31 March 2021. Profit attributable to the shareholders use in calculating EPS is 81 million for period ended 31 March 2022 (31 March 2021: SR 41 million)

Weighted average number of ordinary shares

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

	31 March 2022	31 March 2021
Outstanding during the period	898,729	898,729
Basic earnings per share (SR)	0.090	0.045

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 period. There is no dilutive effect on the earnings per share of the Group.

12 SEGMENT REPORTING

The Group is engaged mainly in providing telecommunication services and related products. Majority of the Group's revenues, income and assets relate to its operations within the Kingdom. Revenue is distributed to an operating segment based on the entity of the Group reporting the revenue. Sales between segments are calculated at normal business transaction prices.

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

	For the three months period ended	
	31 March 2022	31 March 2021
Revenues		
Mobile Telecommunications Company	2,134,127	1,898,993
Zain Sales Company	394,098	483,698
Zain Payments Company-Tamam	10,427	1,992
Eliminations / adjustments	(360,072)	(447,171)
Total Revenues	2,178,580	1,937,512
Cost of operations	(1,402,959)	(1,159,830)
Depreciation and amortization	(521,795)	(577,408)
Expected credit loss (ECL)	(52,698)	(42,192)
Finance income	459	179
Other income	861	7,475
Finance cost	(118,142)	(121,264)
Zakat	(3,787)	(3,607)
Profit for the period	80,519	40,865

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

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12 SEGMENT REPORTING (Continued)

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

<u>Assets</u>	31 March 2022	31 December 2021
Mobile Telecommunications Company	36,380,794	36,280,897
Zain Sales Company	9,369,559	8,880,038
Zain Payments Company-Tamam	93,582	75,980
Zain Drones Company	1,769	1,800
Eliminations / adjustments	(18,342,921)	(17,361,766)
Total Assets	27,502,783	27,876,949
<u>Liabilities</u>		
Mobile Telecommunications Company	27,272,137	27,373,845
Zain Sales Company	9,254,137	8,761,309
Zain Payments Company-Tamam	57,501	41,258
Zain Drones Company	4,079	3,443
Zain Business	20	20
Eliminations / adjustments	(18,322,993)	(17,342,446)
Total Liabilities	18,264,881	18,837,429

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

13 CAPITAL COMMITMENTS AND CONTINGENCIES

The Company had capital commitments of SR 484 million as at the reporting date (31 December 2021: SR 516 million). The Company had contingent liabilities as follow:

	31 March 2022	31 December 2021
Letters of guarantee	161,816	167,760
Letters of credit	240,026	242,776
	401,842	410,536

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

The CITC's violation committee has issued several penalty resolutions against the Group; which the Group has objected to. The reasons of issuing these resolutions vary between linking ID for the issued prepaid SIM Cards and providing promotions that have not been approved by CITC and/or other reasons. As of 31 March 2022 the amount of lawsuits and violations amounts to SAR 10 million which has been recorded fully.

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14 ZAKAT

	31 March	31 December
	2022	2021
Zakat provision		
Balance at beginning of the period / year	41,232	24,254
Charge for the period / year	3,787	16,978
Payment during the period / year	-	-
Balance at end of the period / year	45,019	41,232

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 financial statements along with zakat and returns for the years 2009 to 2020 and paid zakat and withholding tax according to the filed returns.

On 18 Ramadan 1436H (corresponding to 07 July 2015G), 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), the Group 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 Group has appealed those assessments in early 2022.

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

15 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

15.1 Fair value Hierarchy

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

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

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

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

All the financial assets and liabilities of the 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.

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15 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

15.2 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 March 2022		31 December 2021	
		Carrying value	Fair value	Carrying value	Fair value
Derivative financial instruments	Level 2	7,740	7,740	(110,123)	(110,123)

15.3 Valuation techniques

These derivatives are valued using widely recognized valuation models. The Company relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparties include the use of forward pricing standard models using present value calculations and mid-market valuations.

Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices.

16 DERIVATIVE FINANCIAL INSTRUMENTS

The Company 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 7-1). The outstanding notional amount of the contract as at 31 March 2022 was SR 3,200 million (31 December 2021: SR 3,200 million) and the fair value was a positive amount of SR 7.7 million as at 31 March 2022 (31 December 2021: SR 110 million).

The average contracted fixed interest rate ranges from 2% to 3%. A gain of SR 118 million was recognized in other comprehensive income for the three months period ended 31 March 2022 (31 March 2021: gain: SR 28 million) as a result of fair value movements relating to this hedge. The fair value of interest rate swaps at the end of the reporting period is determined by discounting the future cash flows using the curves at the end of the reporting period and the credit risk inherent in the contract.

17 APPROVED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the Board of Directors on 17 April 2022.