

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE THREE AND SIX MONTHS  
PERIOD ENDED 30 JUNE 2022**

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2022**

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**Independent auditor's review report on the interim condensed consolidated financial statements  
To the shareholders of Mobile Telecommunications Company Saudi Arabia  
(A Saudi Joint Stock Company)**

**Introduction:**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Mobile Telecommunications Company Saudi Arabia - a Saudi Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 June 2022, and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three and six months periods ended 30 June 2022, and the related interim condensed consolidated statements of changes in equity and cash flows for the six months periods 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, "Interim Financial Reporting" ("IAS 34") endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review:**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements consists of making inquiries, primarily to 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.

**Other matter:**

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed unmodified opinion on those consolidated financial statements on 2 Rajab 1443H (corresponding to 3 February 2022). Further, the interim condensed consolidated financial statement of the Group for the six months period ended 30 June 2021 were reviewed by another auditor who expressed unmodified review conclusion on those interim condensed consolidated financial statements on 2 Dhu Al-Hijjah 1442H (corresponding to 12 July 2021).

**Conclusion:**

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

For Ernst & Young  
Professional Services

Saad M. Al-Khathlan  
Certified Public Accountant  
License No. (509)

Riyadh: 25 Dhu Al-Hijjah 1443H  
(24 July 2022)



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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2022**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	30 June 2022	31 December 2021
Note	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Inventories	174,583	213,723
Contract assets	97,644	67,224
Trade and other receivables	3,748,708	2,988,348
Cash and cash equivalents	436,394	511,977
	<u>4,457,329</u>	<u>3,781,272</u>
Assets held for sale	2,379,396	-
<b>Total current assets</b>	<u>6,836,725</u>	<u>3,781,272</u>
<b>Non-current assets</b>		
Property and equipment	5,001,064	6,639,995
Intangible assets	15,201,586	15,561,044
Right of use assets	428,074	1,330,975
Capital advances	113,146	274,841
Contract assets	350,466	288,822
Derivative financial instruments	51,227	-
<b>Total non-current assets</b>	<u>21,145,563</u>	<u>24,095,677</u>
<b>TOTAL ASSETS</b>	<u>27,982,288</u>	<u>27,876,949</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Trade and other payables	4,909,492	4,691,199
Deferred income and contract liabilities	631,396	601,049
Borrowings	736,800	3,213,549
Lease liabilities	63,226	263,771
Amounts due to related parties	1,463,937	1,530,090
	<u>7,804,851</u>	<u>10,299,658</u>
Liabilities directly associated with assets held for sale	1,019,327	-
<b>Total current liabilities</b>	<u>8,824,178</u>	<u>10,299,658</u>
<b>Non-current liabilities</b>		
Long-term borrowings	5,456,620	2,638,024
Lease liabilities	425,798	1,208,774
Other non-current liabilities	3,718,102	4,445,416
Derivative financial instruments	-	110,123
Provision for employees' end of service benefits	142,374	135,434
<b>Total non-current liabilities</b>	<u>9,742,894</u>	<u>8,537,771</u>
<b>EQUITY</b>		
Share capital	8,987,292	8,987,292
Statutory reserve	21,430	21,430
Hedging reserve	51,227	(110,123)
Other reserves	2,066	2,066
Retained earnings	353,201	138,855
<b>Total equity</b>	<u>9,415,216</u>	<u>9,039,520</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<u>27,982,288</u>	<u>27,876,949</u>

  
Mehdi Khalfaoui  
CFO

  
Sultan Al-Deghaither  
CEO

  
Naif bin Sultan bin Mohammed bin Saud Al Kabeer  
Chairman

The accompanying notes (1) to (18) form an integral part of these interim condensed consolidated financial statements

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

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

**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2022**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the three-month period ended		For the six-month period ended	
		30 June 2022	30 June 2021	30 June 2022	30 June 2021
Revenue		2,206,103	1,895,861	4,384,682	3,833,373
Cost of revenue		(955,296)	(637,005)	(1,897,965)	(1,359,011)
Gross Profit		1,250,807	1,258,856	2,486,717	2,474,362
Operating and administrative expenses		(437,071)	(447,720)	(897,361)	(885,544)
Depreciation and amortization	6	(504,819)	(605,836)	(1,026,614)	(1,183,245)
Expected credit loss (ECL)		(46,852)	(45,950)	(99,550)	(88,142)
Finance income		1,384	67	1,843	246
Other income		3,095	2,073	3,958	9,548
Finance cost		(126,881)	(119,839)	(245,024)	(241,103)
<b>Profit before Zakat</b>		<b>139,663</b>	<b>41,651</b>	<b>223,969</b>	<b>86,122</b>
Zakat	14	(5,836)	-	(9,623)	(3,607)
<b>Profit for the period</b>		<b>133,827</b>	<b>41,651</b>	<b>214,346</b>	<b>82,515</b>
<b>Other comprehensive income</b>					
<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	43,487	13,284	161,350	19,406
<b>Total comprehensive income for the period</b>		<b>177,314</b>	<b>54,935</b>	<b>375,696</b>	<b>101,921</b>
<b>Earnings per share (in Saudi Riyals)</b>					
Basic and Diluted	11	0.149	0.046	0.238	0.092



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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Hedging reserve	Other reserves	Statutory reserve	Retained earnings/ (Accumulated deficit)	Total
<b>Balance as at 1 January 2022 (Audited)</b>	<b>8,987,292</b>	<b>(110,123)</b>	<b>2,066</b>	<b>21,430</b>	<b>138,855</b>	<b>9,039,520</b>
Profit for the period	-	-	-	-	214,346	214,346
Other comprehensive income	-	161,350	-	-	-	161,350
Total comprehensive income for the period	-	161,350	-	-	214,346	375,696
<b>Balance as at 30 June 2022 (Unaudited)</b>	<b>8,987,292</b>	<b>51,227</b>	<b>2,066</b>	<b>21,430</b>	<b>353,201</b>	<b>9,415,216</b>
Balance as at 1 January 2021 (Audited)	8,987,292	(206,210)	2,018	-	(54,017)	8,729,083
Profit for the period	-	-	-	-	82,515	82,515
Other comprehensive income	-	19,406	-	-	-	19,406
Total comprehensive income for the period	-	19,406	-	-	82,515	101,921
Balance as at 30 June 2021 (Unaudited)	8,987,292	(186,804)	2,018	-	28,498	8,831,004



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**MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA**  
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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	30 June 2022	30 June 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before zakat		223,969	86,122
<i>Adjustments to reconcile net profit for the period before zakat to net cash from operating activities:</i>			
Depreciation and amortization	6	1,026,614	1,183,245
Expected credit loss		99,550	88,142
Other provisions		(1,603)	(84)
Other gain, net		(1,945)	(2,167)
Reversal of inventory provision		(1,765)	(706)
Gain on disposal of property and equipment	6	(968)	-
Foreign currency loss, net		344	40
Finance costs		245,024	241,103
Gain on modification of borrowing		(1,388)	-
Employees' end-of-service benefits charge		11,784	11,097
		<b>1,599,616</b>	<b>1,606,792</b>
<i>Changes in working capital:</i>			
Trade and other receivables		(986,090)	(369,720)
Contract assets		(92,064)	(30,644)
Inventories		40,905	36,082
Movement of cash under lien		3,720	216,181
Trade and other payables		877,698	257,639
Deferred income and contract liabilities		30,347	(69,031)
Other non-current liabilities		(727,314)	(782,322)
<b>Cash flows generated from operations</b>		<b>746,818</b>	<b>864,977</b>
Employees' end of service benefits paid		(4,844)	(4,683)
<b>Net cash generated from operating activities</b>		<b>741,974</b>	<b>860,294</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(515,589)	(361,587)
Proceed from disposal of property and equipment		1,016	-
Purchase of intangible assets		(242,712)	(155,838)
<b>Net cash used in investing activities</b>		<b>(757,285)</b>	<b>(517,425)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowing		(2,900,000)	-
Proceeds from borrowings		3,220,000	1,990,432
Payment of lease liabilities		(196,528)	(159,167)
Payment against amount due to related parties		-	(1,063,513)
Finance costs paid		(179,837)	(1,256,842)
<b>Net cash used in financing activities</b>		<b>(56,365)</b>	<b>(489,090)</b>
<b>Net change in cash and cash equivalents</b>		<b>(71,676)</b>	<b>(146,221)</b>
Effect of movements in exchange rates on cash and cash equivalents		(187)	(2,433)
Cash and cash equivalents at beginning of the period		507,189	882,794
<b>Cash and cash equivalents at end of the period</b>	4	<b>435,326</b>	<b>734,140</b>



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**MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA**  
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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2022**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**Non Cash Transactions**

	<b>30 June 2022</b>	30 June 2021
Adjustment to property and equipment with corresponding to trade payables and capital advances	<b>407,486</b>	154,828
Adjustment to intangible assets with corresponding to trade payables	<b>216,645</b>	146,024
Changes in fair value if derivative financial instruments	<b>161,350</b>	19,406
Addition to right of use assets	<b>111,872</b>	8,003



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The accompanying notes (1) to (18) form an integral part of these interim condensed 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) 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 (the "ultimate parent company"), Oman.

The current liabilities of the Group exceed the current assets of the Group by SR 1.99 billion (2021: 6.5 billion) which includes SR 1.46 billion (2021: SR 1.53 billion) 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. 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.
- c. Zain Payments Company-Tamam is engaged in providing fintech services. Share capital 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 providing 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 AND SIX MONTHS PERIOD ENDED 30 JUNE 2022 (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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**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 Bin Abdulaziz and Sultan Holding Company 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 AlBaward, 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 two entities and HRH Prince Saud Bin Fahad Bin Abdulaziz would acquire 60%, 10% and 10% stake respectively while Zain KSA will own the remaining 20% stake in Zain Business Limited; whereas, Zain Business will be acquiring the towers infrastructure. 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 an agreed premium. 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)

On 28 May 2022 Zain KSA received a letter from the Communications and Information Technology Commission (CITC) No.4319/1443/H dated 27/10/1443H (corresponding to 28/5/2022G), which included the CITC's Board of Directors approval for "Zain Business Limited" Company (a subsidiary of Zain KSA) to acquire at least 8,069 of the telecom tower sites owned by Zain KSA, after Zain Business Limited obtains a license (providing wholesale services for infrastructure – (Class A) towers and masts), provided that the regulatory requirements related to licensing are met.

Zain Business Limited will complete the necessary procedures to obtain the license in accordance with the rules and regulations.

***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 interim condensed 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" that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). 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 Group's annual consolidated financial statements for the year ended 31 December 2021.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The Group has applied the same accounting policies, estimates and assumptions in its interim condensed consolidated financial statements as in its annual consolidated financial statements for the year ended 31 December 2021.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2022 (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

*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 for the year ended 31 December 2021, but they do not have a material effect on the Group's Interim Condensed Consolidated Financial Statements.

*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 consolidated 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 30 June 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 consolidated financial statements of the Group.

**4 CASH AND CASH EQUIVALENTS**

	<b>30 June 2022 (Unaudited)</b>	31 December 2021 (Audited)
Cash in hand	<b>1,641</b>	1,313
Cash at banks	<b>284,753</b>	510,664
Time deposits	<b>150,000</b>	-
	<b>436,394</b>	511,977
Cash at bank under lien	<b>(1,068)</b>	(4,788)
	<b>435,326</b>	507,189

The Group invests part of the surplus cash in time deposits with maturity period of three month or less with local banks. The annual commission average rates on these deposits were 0.4% to 1.8% (2021: 0.4 %).

**5 ASSETS HELD FOR SALE**

This represents the carrying value of telecom tower assets amounting to SR 1,364 million and right of use of assets amounting to SR 1,015 million and its related lease liabilities directly associated to the assets held for sale amounting to SR 1,019 million.

During January 2022, the management has 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 stopped depreciating the assets from the date of classifying them as held for sale. During February 2022 the board of the directors approved the final offer to sell stakes in Zain KSA's towers infrastructure. 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)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2022 (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**6 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS**

During the six-months period ended 30 June 2022, the Group acquired property and equipment amounted to SR 272 million and intangible assets amounted to SR 24 million (30 June 2021: property and equipment amounted to SR 96 million and intangible assets amounted to SR 8 million). During the period, the Group disposed property and equipment with a net book value of SR 0.48 million (30 June 2021: there were no disposal made by the Group) and resulting in a gain on sale of property and equipment disposed amounting to SR 0.97 million.

During the six-months period ended 30 June 2022, the total depreciation and amortization expense amounted to SR 1,027 million, out of which SR 559 million relates to property and equipment and SR 371 million relates to intangible assets and the remaining amount of SR 97 million relates to the depreciation charge for right of use assets (30 June 2021: the total depreciation and amortization expense amounted to SR 1,183 million out of which SR 582 million relates to property and equipment and SR 369 million relates to intangible assets and the remaining amount of SR 232 million relates the depreciation charge for right of use assets).

**7 BORROWINGS**

	<b>30 June 2022 (Unaudited)</b>	31 December 2021 (Audited)
Syndicate Murabaha facility (refer to note 7.1)	<b>5,773,420</b>	2,954,824
Working Capital Murabaha facility (refer to note 7.1)	<b>420,000</b>	650,000
Junior Murabaha facility (refer to note 7.2)	-	2,246,749
<b>Total borrowings</b>	<b>6,193,420</b>	5,851,573

The current and non-current amounts are as follows:

	<b>30 June 2022 (Unaudited)</b>	31 December 2021 (Audited)
Current borrowings	<b>736,800</b>	3,213,549
Non-current borrowings	<b>5,456,620</b>	2,638,024
<b>Total borrowings</b>	<b>6,193,420</b>	5,851,573

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

	<b>30 June 2022 (Unaudited)</b>	31 December 2021 (Audited)
Saudi Riyal	<b>5,038,932</b>	5,178,903
US Dollar	<b>1,154,488</b>	672,670
<b>Total</b>	<b>6,193,420</b>	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) obtained from the commercial banks for a total amount available up to SR 6 billion with two years grace period, at commercial market 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.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2022 (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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**7 BORROWINGS (Continued)**

**7-1 Syndicated Murabaha facility (continued)**

As at 30 June 2022, the Group has utilized SR 6.3 billion from existing facility of SR 7 billion, which includes SR 6 billion from long term facility while SR 0.42 billion is related against the working capital facility. During the period, the Group has drawn down SR 2.8 billion from the existing long-term facility and 0.42 billion from working capital facility while settling SR 0.65 billion from working capital facility. As at 30 June 2022, total unused facility against MFA amounting to SR 0.58 billion from the working capital facility.

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, pledge of shares of the Company owned by some of the founding shareholders, assignment of certain contracts and receivables, and pledge over fixed assets up to the outstanding balance.

**7-2 Junior Murabaha**

On 16 June 2019, the Group 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 that was exercised by the group. The group obtained the unanimous approval from all the participating banks to extend the maturity of borrowings till 16 June 2022. On 28 April 2022 the Group has voluntarily settled the outstanding principal as per the Murabaha Financing agreement.

**8 TRANSACTIONS AND AMOUNTS DUE TO RELATED PARTIES**

The Group has the following related parties:

<b>Party</b>	<b>Relationship</b>
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

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**8 TRANSACTIONS AND AMOUNTS DUE TO RELATED PARTIES (Continued)**

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

	For the three month period ended		For the six month period ended	
	<b>30 June 2022</b>	30 June 2021	<b>30 June 2022</b>	30 June 2021
Revenue from entities owned by a shareholder	<b>2,363</b>	6,794	<b>4,163</b>	8,907
Purchases from entities owned by a shareholder	<b>16,431</b>	19,522	<b>40,991</b>	33,323
Fees charged by a Founding Shareholder (refer note 8.1)	<b>33,419</b>	29,265	<b>66,437</b>	58,600
Finance charges charged by a Founding Shareholder	-	-	-	13,848

The following balances were outstanding at the reporting date:

	<b>30 June 2022</b>	31 December 2021
Mobile Telecommunications Company K.S.C.P (refer to note 8.1)	<b>1,375,844</b>	1,444,018
Mobile Telecommunications Company K.S.C.P (refer to note 8.3)	<b>3,283</b>	1,262
Founding Shareholders (refer to note 8.2)	<b>84,573</b>	84,573
Other related parties	<b>237</b>	237
	<b>1,463,937</b>	1,530,090

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

This amount relates to accrued management fees 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 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 and Infra Capital Investments**

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

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**9 OTHER NON-CURRENT LIABILITIES**

	<b>30 June 2022 (Unaudited)</b>	31 December 2021 (Audited)
Payable to MOF (refer to note 9-1)	<b>2,487,167</b>	3,059,690
Long-term payable – Spectrum (refer to note 9-2)	<b>1,132,541</b>	1,282,302
Others	<b>98,394</b>	103,424
	<b>3,718,102</b>	4,445,416

**9-1** During 2013, the Group 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 principal is to be settle annually based on the payment schedule agreed with M.O.F. The amount of SR 1.062 billion has been settled till June 2022 (SR 0.524 billion in May 2022 and SR 0.538 billion in November 2021). The amount deferred by the Group as of 30 June 2022 amounted to SR 3.1 billion (31 December 2021: SR 3.6 billion) out of which SR 0.572 billion is recognized under trade and other payables as current portion as at 30 June 2022 (31 December 2021: SR 0.524 billion). The accrued commission related to the MOF payable is recorded under trade and other payables.

**9-2** As of 30 June 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 30 June 2022 (31 December 2021: SR 0.188 billion). The amount of the installment is to be settled annually based on the payment schedule agreed with CITC.

**10 SHARE CAPITAL**

The Company has 898,729,175 (31 December 2021: 898,729,175) shares of SR 10 each in issue as at the reporting date..

**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 30 June 2022 or 30 June 2021. Profit attributable to the shareholders used in calculating EPS is SR 134 million and SR 214 million for the three and six-months periods ended 30 June 2022 (for the three and six-months periods ended 30 June 2021: SR 42 million and SR 83 million respectively).

**Weighted average number of ordinary shares**

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

	For the three month period Ended		For the Six month period ended	
	<b>30 June 2022</b>	30 June 2021	<b>30 June 2022</b>	30 June 2021
Outstanding number of shares during the period	<b>898,729</b>	<b>898,729</b>	<b>898,729</b>	<b>898,729</b>
Basic earnings per share (SR)	<b>0.149</b>	<b>0.046</b>	<b>0.238</b>	<b>0.092</b>

Basic earnings per share is calculated by dividing the profit after Zakat 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.

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**12 SEGMENT REPORTING**

The Group is engaged mainly in providing telecommunication services and related products. All 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:

<b>Revenues</b>	For the three month period ended		For the six month period ended	
	<b>30 June</b>	30 June	<b>30 June</b>	30 June
	<b>2022</b>	2021	<b>2022</b>	2021
Mobile Telecommunications Company Saudi Arabia	<b>2,140,444</b>	1,861,576	<b>4,274,572</b>	3,760,569
Zain Sales Company	<b>494,494</b>	409,299	<b>888,592</b>	892,997
Zain Payments Company-Tamam	<b>23,334</b>	2,154	<b>33,761</b>	4,146
Eliminations / Adjustments	<b>(452,169)</b>	(377,168)	<b>(812,243)</b>	(824,339)
<b>Total Revenues</b>	<b>2,206,103</b>	1,895,861	<b>4,384,682</b>	3,833,373
Cost of operations	<b>(1,392,367)</b>	(1,084,725)	<b>(2,795,326)</b>	(2,244,555)
Depreciation and amortization	<b>(504,819)</b>	(605,836)	<b>(1,026,614)</b>	(1,183,245)
Expected credit loss (ECL)	<b>(46,852)</b>	(45,950)	<b>(99,550)</b>	(88,142)
Finance income	<b>1,384</b>	67	<b>1,843</b>	246
Other income	<b>3,095</b>	2,073	<b>3,958</b>	9,548
Finance costs	<b>(126,881)</b>	(119,839)	<b>(245,024)</b>	(241,103)
Zakat	<b>(5,836)</b>	-	<b>(9,623)</b>	(3,607)
<b>Profit for the period</b>	<b>133,827</b>	41,651	<b>214,346</b>	82,515

Following is the gross profit analysis on a segment basis:

	For the three month period ended		For the six month period ended	
	<b>30 June</b>	30 June	<b>30 June</b>	30 June
	<b>2022</b>	2021	<b>2022</b>	2021
Mobile Telecommunications Company Saudi Arabia	<b>1,220,839</b>	1,251,473	<b>2,445,211</b>	2,459,949
Zain Sales Company	<b>19,473</b>	5,178	<b>23,276</b>	9,924
Zain Payments Company-Tamam	<b>19,873</b>	1,126	<b>28,218</b>	2,676
Eliminations / Adjustments	<b>(9,378)</b>	1,079	<b>(9,988)</b>	1,813
<b>Gross Profit</b>	<b>1,250,807</b>	1,258,856	<b>2,486,717</b>	2,474,362



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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:

	<b>30 June 2022 (Unaudited)</b>	31 December 2021 (Audited)
<b>Assets</b>		
Mobile Telecommunications Company Saudi Arabia	<b>37,335,417</b>	36,280,897
Zain Sales Company	<b>9,908,355</b>	8,880,038
Zain Payments Company-Tamam	<b>186,002</b>	75,980
Zain Drones Company	<b>1,741</b>	1,800
Zain Business	<b>10</b>	-
Eliminations / adjustments	<b>(19,449,237)</b>	(17,361,766)
<b>Total Assets</b>	<b>27,982,288</b>	27,876,949
<b>Liabilities</b>		
Mobile Telecommunications Company Saudi Arabia	<b>28,057,591</b>	27,373,845
Zain Sales Company	<b>9,781,244</b>	8,761,309
Zain Payments Company-Tamam	<b>143,518</b>	41,258
Zain Drones Company	<b>4,620</b>	3,443
Zain Business	<b>20</b>	20
Eliminations / adjustments	<b>(19,419,921)</b>	(17,342,446)
<b>Total Liabilities</b>	<b>18,567,072</b>	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 Saudi Arabia. All the held for sale assets and liabilities are recognized under Mobile Telecommunication Company Saudi Arabia.

**13 CAPITAL COMMITMENTS AND CONTINGENCIES**

The Company have capital commitments of SR 481 million as at the reporting date (31 December 2021: SR 516 million). The Company have contingent liabilities as follow:

	<b>30 June 2022 (Unaudited)</b>	31 December 2021 (Audited)
Letters of guarantee	<b>120,493</b>	167,760
Letters of credit	<b>201,875</b>	242,776
	<b>322,368</b>	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 30 June 2022, the amount of lawsuits and violations amounts to SR 12.3 million which has been recorded fully.

For withholding tax related assessment please refer note 14.

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**14 ZAKAT**

	<b>30 June 2022 (Unaudited)</b>	31 December 2021 (Audited)
<b>Zakat provision</b>		
Balance at beginning of the period / year	<b>41,232</b>	24,254
Charge for the period / year	<b>9,623</b>	16,978
Balance at end of the period / year	<b>50,855</b>	41,232

**Status of assessments**

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

The Group had submitted its consolidated financial statements along with zakat and withholding tax returns for the years 2009 to 2021 and paid zakat and withholding tax according to the filed returns.

**ZAKAT**

On 18 Ramadan 1436H (corresponding to 7 July 2015G), The Group received the zakat assessments from Zakat, Tax and Customs Authority (ZATCA) for the years from 2009 to 2011 whereby ZATCA asked to pay an additional amount of SR 352 million related to zakat differences.

The Group appealed this claim on 27 August 2015 and was able to have the amount of SR 352 million related to zakat revoked entirely.

The Group received additional assessment of SR 20 million for Zakat for the years from 2014 to 2018 which the Group has appealed against the relevant committees. Zakat was assessed by ZATCA and agreed with no additional claim for the years ended 2012 and 2013. The Group has not received Zakat assessment for 2019, 2020 and 2021 yet.

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

**WITH HOLDING TAX (WHT)**

On 18 Ramadan 1436H (corresponding to 7 July 2015G), The Group received withholding tax assessments from ZATCA for the years from 2009 to 2011 whereby ZATCA asked to pay an additional amount of SR 267 million as withholding tax subject to delays penalty payable from the due date up to the settlement date equals to 1% for every 30 days.

The Group appealed this claim on 27 August 2015, and SR 219 million of the withholding tax claim which was reduced to SR 48 million.

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.

On 3 June 2021 the HAC issued its decision on the final claim which was reduced to SR 8.4 million.

The Group received additional assessment with an amount of SR 221.9 million for certain withholding tax items for the years from 2015 to 2021. The Group has appealed those assessments against the relevant committees.

The Group believes that the outcome of those appeals will be in the Group's favor with no material financial impact as the Group has sufficient provisions to cover these amounts.

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**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 Company 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.

**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
- Due to related parties
- Trade and other payables
- Borrowings
- Other non-current liabilities

	Fair value measurement hierarchy	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
		Carrying value	Fair value	Carrying value	Fair value
Derivative financial instruments	Level 2	51,227	51,227	(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.

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**16 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 7-1). The notional amount of the contract as at 30 June 2022 was SR 3,200 million (31 December 2021: SR 3,200 million) and the fair value was a positive amount of SR 51 million as at 30 June 2022 (31 December 2021: negative amount of SR 110 million).

The average contracted fixed interest rate ranges from 2% to 3%. A gain of SR 161 million was recognized in other comprehensive income for the six months period ended 30 June 2022 (30 June 2021: gain: SR 19.4 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 SUBSEQUENT EVENTS**

No material events occurred subsequent to the reporting date, which could materially affect the condensed consolidated interim financial statements, and the related disclosures for the Six-month period ended 30 June 2022.

**18 APPROVED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

These interim condensed consolidated financial statements were approved by the Board of Directors on 16 July 2022.