

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS  
PERIOD ENDED 30 SEPTEMBER 2022**

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 September 2022, and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three and nine months periods ended 30 September 2022, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine 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, "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.

**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.

**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 statements of the Group for the nine months period ended 30 September 2021 were reviewed by another auditor who expressed unmodified review conclusion on those interim condensed consolidated financial statements on 19 Rabi Al-Awwal 1443H (corresponding to 25 October 2021).

For Ernst & Young  
Professional Services

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



Riyadh: 14 Rabi Al-Thani 1444H  
(8 November 2022)

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

		30 September 2022	31 December 2021
	Note	(Unaudited)	(Audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Inventories		158,570	213,723
Contract assets		118,875	67,224
Trade and other receivables		3,797,662	2,988,348
Cash and cash equivalents	4	411,725	511,977
		<u>4,486,832</u>	<u>3,781,272</u>
Assets held for sale	5	2,373,665	-
<b>Total current assets</b>		<u>6,860,497</u>	<u>3,781,272</u>
<b>Non-current assets</b>			
Property and equipment	6	4,788,424	6,639,995
Intangible assets	6	15,081,534	15,561,044
Right of use assets		671,163	1,330,975
Capital advances		151,612	274,841
Contract assets		355,328	288,822
Derivative financial instruments	16	106,277	-
<b>Total non-current assets</b>		<u>21,154,338</u>	<u>24,095,677</u>
<b>TOTAL ASSETS</b>		<u>28,014,835</u>	<u>27,876,949</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables		5,022,204	4,691,199
Deferred income and contract liabilities		488,559	601,049
Borrowings	7	796,800	3,213,549
Lease liabilities		111,792	263,771
Amounts due to related parties	8	1,559,988	1,530,090
		<u>7,979,343</u>	<u>10,299,658</u>
Liabilities directly associated with assets held for sale	5	919,288	-
<b>Total current liabilities</b>		<u>8,898,631</u>	<u>10,299,658</u>
<b>Non-current liabilities</b>			
Long-term borrowings	7	5,155,760	2,638,024
Lease liabilities		515,612	1,208,774
Other non-current liabilities	9	3,743,486	4,445,416
Derivative financial instruments	16	-	110,123
Provision for employees' end of service benefits		145,934	135,434
<b>Total non-current liabilities</b>		<u>9,560,792</u>	<u>8,537,771</u>
<b>EQUITY</b>			
Share capital	10	8,987,292	8,987,292
Statutory reserve		21,430	21,430
Hedging reserve	16	106,277	(110,123)
Other reserves		2,066	2,066
Retained earnings		438,347	138,855
<b>Total equity</b>		<u>9,555,412</u>	<u>9,039,520</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>28,014,835</u>	<u>27,876,949</u>

  
Mehdi Khalifaoui  
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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the three-months period ended		For the Nine-months period ended	
		30 September 2022	30 September 2021	30 September 2022	30 September 2021
Revenue		2,286,624	1,984,171	6,671,306	5,817,544
Cost of revenue		(910,279)	(740,107)	(2,808,244)	(2,099,118)
<b>Gross profit</b>		<b>1,376,345</b>	<b>1,244,064</b>	<b>3,863,062</b>	<b>3,718,426</b>
Distribution and marketing expenses		(479,783)	(348,490)	(1,227,378)	(1,096,623)
General and administrative expenses		(86,657)	(66,946)	(236,422)	(204,357)
Depreciation and amortization	6	(502,983)	(617,511)	(1,529,597)	(1,800,756)
Expected credit loss (ECL)		(60,438)	(22,786)	(159,988)	(110,928)
<b>Operating profit</b>		<b>246,484</b>	<b>188,331</b>	<b>709,677</b>	<b>505,762</b>
Finance income		5,136	733	6,979	979
Other income / (expenses)		2,017	(1,289)	5,975	8,259
Finance cost		(165,908)	(127,386)	(410,932)	(368,489)
<b>Profit before Zakat</b>		<b>87,729</b>	<b>60,389</b>	<b>311,699</b>	<b>146,511</b>
Zakat	14	(2,584)	-	(12,207)	(3,607)
<b>Profit for the period</b>		<b>85,145</b>	<b>60,389</b>	<b>299,492</b>	<b>142,904</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	55,050	29,069	216,400	48,475
<b>Total comprehensive income for the period</b>		<b>140,195</b>	<b>89,458</b>	<b>515,892</b>	<b>191,379</b>
<b>Earnings per share (in Saudi Riyals)</b>		<b>0.095</b>	<b>0.067</b>	<b>0.333</b>	<b>0.159</b>
Basic and Diluted	11	898,729	898,729	898,729	898,729

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 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	-	-	-	-	299,492	299,492
Other comprehensive income	-	216,400	-	-	-	216,400
Total comprehensive income for the period	-	216,400	-	-	299,492	515,892
<b>Balance at 30 September 2022 (Unaudited)</b>	<b>8,987,292</b>	<b>106,277</b>	<b>2,066</b>	<b>21,430</b>	<b>438,347</b>	<b>9,555,412</b>
Balance at 1 January 2021 (Audited)	8,987,292	(206,210)	2,018	-	(54,017)	8,729,083
Profit for the period	-	-	-	-	142,904	142,904
Other comprehensive income	-	48,475	-	-	-	48,475
Total comprehensive income for the period		48,475	-	-	142,904	191,379
Balance at 30 September 2021 (Unaudited)	8,987,292	(157,735)	2,018	-	88,887	8,920,462

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	30 September 2022	30 September 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before zakat		311,699	146,511
<i>Adjustments to reconcile net profit for the period before zakat to net cash from operating activities:</i>			
Depreciation and amortization	6	1,529,597	1,800,756
Expected credit loss		159,988	110,928
Other provisions		(4,269)	(325)
Other (gain), net		(6,026)	(1,577)
Reversal of inventory provision		(1,205)	(1,536)
Gain on disposal of property and equipment	6	(752)	-
Foreign currency loss, net		807	2,713
Finance costs		410,932	368,489
Gain on Modification of borrowing		(1,388)	-
Employees' end-of-service benefits charge		17,955	16,958
		<b>2,417,338</b>	<b>2,442,917</b>
<i>Changes in working capital:</i>			
Trade and other receivables		(1,063,981)	(785,277)
Contract assets		(118,157)	(37,076)
Inventories		56,358	47,170
Movement of cash under lien		3,720	216,181
Trade and other payables		910,877	(30,218)
Deferred income and contract liabilities		(112,490)	17,511
Other non-current liabilities		(701,930)	(759,205)
<b>Cash flows generated from operations</b>		<b>1,391,735</b>	<b>1,112,003</b>
Employees' end of service benefits paid		(7,455)	(8,211)
<b>Net cash generated from operating activities</b>		<b>1,384,280</b>	<b>1,103,792</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(700,859)	(577,830)
Proceed from disposal of property and equipment		2,252	-
Proceed from sale of subsidiary		10	-
Purchase of intangible assets		(295,706)	(171,245)
<b>Net cash used in investing activities</b>		<b>(994,303)</b>	<b>(749,075)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowing		(3,216,800)	-
Proceeds from borrowings		3,280,000	1,990,432
Payment of lease liabilities		(307,306)	(251,896)
Payment against amount due to related parties		-	(1,063,513)
Finance costs paid		(241,596)	(1,310,083)
<b>Net cash used in financing activities</b>		<b>(485,702)</b>	<b>(635,060)</b>
<b>Net change in cash and cash equivalents</b>		<b>(95,725)</b>	<b>(280,343)</b>
Effect of movements in exchange rates on cash and cash equivalents		(807)	6,031
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>410,657</b>	<b>608,482</b>

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
(continued)  
**FOR NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2022**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

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**Non Cash Transactions:**

	<b>30 September 2022</b>	<b>30 September 2021</b>
Adjustment to property and equipment with corresponding to trade payables and capital advances	<b>218,049</b>	100,047
Adjustment to intangible assets with corresponding to trade payables	<b>140,868</b>	142,585
Changes in fair value of derivative financial instruments	<b>216,400</b>	48,475
Transfer to Assets held for sale	<b>1,010,305</b>	-
Addition to right of use assets	<b>(493,568)</b>	(358,156)



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**Mehdi Khalfaoui**  
CFO



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**Sultan Al-Deghaither**  
CEO



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**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



## **1 ORGANIZATION AND ACTIVITIES**

### ***1.1 General Information***

Mobile Telecommunications Company Saudi Arabia ('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 2008G) 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 2.04 billion (2021: SR 6.5 billion) which includes SR 1.56 billion (2021: SR 1.53 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. 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 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 9 April 2021, the Company has increased its share capital amounting to SR 57 million. During the period ended 30 September 2022, the Board of Directors of Zain Payment Company resolved to increase the share capital of the Company from SR 57 million to SR 148 million. On 6 October 2022 the extraordinary General Assembly of the Company has approved the capital increase recommended by the Board of Directors. Update of the Company's By-Laws and other legal formalities are still in progress as at 30 September 2022.
- c. 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.

### ***1.3 Sale of subsidiary***

The Company has sold 100% shareholding of Zain Business Company, equivalent to 1,000 shares at SR 10 par value, during the period with a value of SR 10,000; resulting in gain on sale amounting to SR 4,750.

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

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**1 ORGANIZATION AND ACTIVITIES (continued)**

***1.4 Binding Agreement for sale of Tower***

The Group has received unanimous approval of the Board of Directors, 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, for 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 approved final offers were to acquire stakes in Zain KSA’s towers infrastructure comprising of 8,069 towers, valuing these assets at SR 3,026 million (USD 807 million).

On 28 May 2022, Zain KSA received a letter from the Communications and Information Technology Commission (CITC) No.4319/1443/AH dated 27/10/1443H (corresponding to 28/5/2022G), which included the CITC’s Board of Directors approval for “Zain Business Limited” Company 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.

In September 2022, PIF acquired Zain Business Limited and change the name, with Commercial registration number 10100472408, to Golden Lattice Investment Company (GLI).

In October 2022, the Group has also entered into a Shareholders’ Agreement “SHA” with PIF, HRH Prince Saud bin Fahd bin Abdulaziz, Sultan Holding Company and GLI in respect of GLI, such that the shareholding structure of GLI upon Completion shall be: PIF – 60%; the Group – 20%; HRH Prince Saud bin Fahad Bin Abdul Aziz– 10% and Sultan Holding Company – 10%.

Simultaneously in October 2022, the Group also signed with GLI an Asset Purchase Agreement “APA”; whereby at least aforementioned sites will be transferred, in batches and within a period not exceeding 18 months from the Financial Completion, from the Group to GLI for an aggregate value as mentioned above. Whereby the Group, upon the “Financial Completion” under the APA, will receive a cash proceed of SR 2,421 million along with a 20% equity stake in GLI.

The “Financial Completion” under the APA is only achieved when the required licenses are obtained, and the Group transfers at least 3,000 sites out of total towers agreed to be transferred to GLI, then “The Financial Completion” date will be triggered and the signed APA and SHA will be executed.

***1.5 Agreement for prospective investment***

On 9 July 2022, the Group and Zain Ventures Holding Company W.L.L signed an Shareholders’ agreement with Digital Application Trading Company L.L.C “PHT” registered under the laws of KSA, by virtue of which all parties agreed to the terms and conditions of the agreement relating to the shareholding, funding, management and support requirements of Entertainment Content Trading Company (Single Owner) “ECT” already formed and registered under the laws of KSA, currently owned by PHT.

The Group, Zain Ventures Holding Company W.L.L, PHT and ECT on 8 September 2022 entered into a Subscription Agreement, by virtue of which the Group and Zain Ventures Holding Company W.L.L agrees to subscribe shares 30% shareholding in ECT with an amount of SR 9.38 million each, in two phases. No disbursement has been made as at 30 September 2022.

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

**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 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 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.

*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 the Groups’ annual consolidated financial statements, but they do not have a material effect on the Groups’ 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 consider 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 30 September 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's operations or had a material impact on the interim condensed consolidated financial statements of the Group.

**4 CASH AND CASH EQUIVALENTS**

	<b>30 September 2022 (Unaudited)</b>	31 December 2021 (Audited)
Cash in hand	<b>1,626</b>	1,313
Cash at banks	<b>410,099</b>	510,664
	<b>411,725</b>	511,977
Cash at bank under lien	<b>(1,068)</b>	(4,788)
	<b>410,657</b>	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 1.8% (2021: 0.4 %). As at 30 September 2022, the amount invested as time deposit is Nil.

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

**5 ASSETS HELD FOR SALE**

This represents the carrying value of telecom tower assets amounting to SR 1,363 million and right of use of assets amounting to SR 1,010 million and its related lease liabilities directly associated to the assets classified as held for sale amounting to SR 919 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 1.4)

**6 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS**

During the nine-months period ended 30 September 2022, the Group acquired property and equipment amounted to SR 377 million (30 September 2021: SR 303 million) and intangible assets amounted to SR 45 million (30 September 2021: SR 27 million). During the period, the Group disposed property and equipment with a net book value of SR 1.5 million and (30 September 2021: there were no disposal made by the Group) resulting in a gain on sale of Property and equipment disposed amounting to SR 752 thousand.

During the nine-months period ended 30 September 2022, the total depreciation and amortization expense amounted to SR 1,530 million, out of which SR 1,389 million relates to property and equipment and intangible assets and the remaining amount of SR 142 million relates to the depreciation charge for right of use assets (30 September 2021: the total depreciation and amortization expense amounted to SR 1,800 out of which SR 1,446 relates to property and equipment and intangible assets and the remaining amount of SR 354 million relates the depreciation charge for right of use assets).

**7 BORROWINGS**

	<b>30 September 2022 (Unaudited)</b>	31 December 2021 (Audited)
Syndicate Murabaha facility (refer to note 7.1)	<b>5,472,560</b>	2,954,824
Working Capital Murabaha facility (refer to note 7.1)	<b>480,000</b>	650,000
Junior Murabaha facility (refer to note 7.2)	-	2,246,749
<b>Total borrowings</b>	<b>5,952,560</b>	5,851,573

The current and non-current amounts are as follows:

	<b>30 September 2022 (Unaudited)</b>	31 December 2021 (Audited)
Current borrowings	<b>796,800</b>	3,213,549
Non-current borrowings	<b>5,155,760</b>	2,638,024
<b>Total borrowings</b>	<b>5,952,560</b>	5,851,573

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**7 BORROWINGS (Continued)**

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

	<b>30 September 2022 (Unaudited)</b>	31 December 2021 (Audited)
Saudi Riyal	<b>4,843,390</b>	5,178,903
US Dollar	<b>1,109,170</b>	672,670
<b>Total</b>	<b>5,952,560</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.

As at 30 September 2022, the Group has utilized SR 6.48 billion from existing facility of SR 7 billion. which includes 6 billion from long term facility while SR 0.48 billion is related against the working capital facility During the nine months period ended 30 September 2022, the Group has drawn down SR 2.8 billion from the existing long term facility and 0.48 billion from working capital facility while settling SR 2.25 billion Junior Murabaha facility (also refer note 7-2) and SR 0.65 billion from working capital facility. As at 30 September 2022, total unused facility against MFA amounting to SR 0.52 billion from the working capital facility.

Financing charges, as specified under the "Murabaha financing agreement" are payable in quarterly installments over five years. MFA is secured partially by a guarantee from Mobile Telecommunications Company K.S.C.P 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 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 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 voluntary settled the outstanding principal as per the Murabaha Financing agreement.

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**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) Zain Bahrain B.S.C (“MTCB”)	Founding shareholder / Parent Group Subsidiary to Founding Shareholder
Sudanese Mobile Telephone (Zain) Company Limited (“Zain Sudan”)	Subsidiary to Founding Shareholder
Mobile Telecommunications Company Lebanon (“MTCL”)	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:

	<b>For the three Months period ended</b>		<b>For the Nine Months period ended</b>	
	<b>30 September 2022</b>	<b>30 September 2021</b>	<b>30 September 2022</b>	<b>30 September 2021</b>
Revenue from entities owned by shareholder	<b>13,859</b>	1,765	<b>18,022</b>	10,672
Purchases from entities owned by shareholder	<b>27,207</b>	26,839	<b>68,198</b>	60,163
Fees charged by a Founding Shareholder (refer note 8.1)	<b>95,402</b>	29,062	<b>161,839</b>	87,663
Finance charges charged by a Founding Shareholder	-	-	-	13,848

***Compensation and benefits to key management personnel***

	<b>For the three Months period ended</b>		<b>For the Nine Months period ended</b>	
	<b>30 September 2022</b>	<b>30 September 2021</b>	<b>30 September 2022</b>	<b>30 September 2021</b>
Compensation and benefits - short term	<b>4,604</b>	3,803	<b>24,848</b>	18,829
Compensation and benefits - post-employment	<b>766</b>	690	<b>2,280</b>	1,689
	<b>5,370</b>	4,493	<b>27,128</b>	20,518

The following balances were outstanding at the reporting date:

	<b>30 September 2022</b>	31 December 2021
	<b>(Unaudited)</b>	(Audited)
Mobile Telecommunications Company K.S.C.P (refer to note 8.1)	<b>1,471,246</b>	1,444,018
Mobile Telecommunications Company K.S.C.P (refer to note 8.2)	<b>4,016</b>	1,262
Founding Shareholders (refer to note 8.3)	<b>84,573</b>	84,573
Other related parties	<b>153</b>	237
	<b>1,559,988</b>	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.

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

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

**8-2 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.

**8-3 Founding Shareholders**

This amount relates to accrued finance charges and is payable to the Group'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.

**9 OTHER NON-CURRENT LIABILITIES**

	<b>30 September 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>1,152,010</b>	1,282,302
Others	<b>104,309</b>	103,424
	<b>3,743,486</b>	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 principal is to be settle annually based on the payment schedule agreed with M.O.F. The amount of SR 1.063 billion has been settled till September 2022 (2021: 0.538 billion). The amount outstanding by the Group as of 30 September 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 (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 30 September 2022, the total outstanding amount payable against spectrum amounts to SR 1.33 billion (31 December 2021: SR: 1.47 billion) out of which SR 0.180 billion is recognized under trade and other payables (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 had 898,729,175 (31 December 2021: 898,729,175) shares of SR 10 each in issue as at the reporting date.

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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 30 September 2022 or 30 September 2021. Profit attributable to the shareholders use in calculating EPS is SR 85 million and SR 299 million for the three and nine-months periods ended 30 September 2022 (30 September 2021: SR 60 and 143 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 months period ended		For the Nine months period ended	
	<b>30 September 2022</b>	30 September 2021	<b>30 September 2022</b>	30 September 2021
Outstanding number of shares during the period	<b>898,729</b>	898,729	<b>898,729</b>	<b>898,729</b>
Basic earnings per share (SR)	<b>0.095</b>	0.067	<b>0.333</b>	0.159

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.

**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:

<b>Revenues</b>	For the three Months period ended		For the Nine Months period ended	
	<b>30 September 2022</b>	30 September 2021	<b>30 September 2022</b>	30 September 2021
Mobile Telecommunications Company	<b>2,211,374</b>	1,946,616	<b>6,485,946</b>	5,707,184
Zain Sales Company	<b>351,651</b>	510,556	<b>1,240,243</b>	1,403,553
Zain Payments Company-Tamam	<b>39,931</b>	4,342	<b>73,692</b>	8,488
Eliminations / Adjustments	<b>(316,332)</b>	(477,343)	<b>(1,128,575)</b>	(1,301,681)
<b>Total Revenues</b>	<b>2,286,624</b>	1,984,171	<b>6,671,306</b>	5,817,544
Cost of operations	<b>(1,476,719)</b>	(1,155,543)	<b>(4,272,044)</b>	(3,400,098)
Depreciation and amortization	<b>(502,983)</b>	(617,511)	<b>(1,529,597)</b>	(1,800,756)
Expected credit loss	<b>(60,438)</b>	(22,786)	<b>(159,988)</b>	(110,928)
Finance income	<b>5,136</b>	733	<b>6,979</b>	979
Other income	<b>2,017</b>	(1,289)	<b>5,975</b>	8,259
Finance costs	<b>(165,908)</b>	(127,386)	<b>(410,932)</b>	(368,489)
Zakat	<b>(2,584)</b>	-	<b>(12,207)</b>	(3,607)
<b>Profit for the period</b>	<b>85,145</b>	60,389	<b>299,492</b>	142,904

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



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**12 SEGMENT REPORTING (continued)**

Following is the gross profit analysis on a segment basis:

	For the three months period ended		For the Nine Months period ended	
	<b>30 September</b>	30 September	<b>30 September</b>	30 September
	<b>2022</b>	2021	<b>2022</b>	2021
Mobile Telecommunications Company	<b>1,344,835</b>	1,238,957	<b>3,790,046</b>	3,698,906
Zain Sales Company	<b>2,358</b>	9,389	<b>25,634</b>	19,313
Zain Payments Company-Tamam	<b>33,086</b>	2,170	<b>61,303</b>	4,846
Eliminations / Adjustments	<b>(3,934)</b>	(6,452)	<b>(13,921)</b>	(4,639)
<b>Gross Profit</b>	<b>1,376,345</b>	1,244,064	<b>3,863,062</b>	3,718,426

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

	<b>30 September</b>	31 December
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Audited)
<b>Assets</b>		
Mobile Telecommunications Company	<b>37,704,202</b>	36,280,897
Zain Sales Company	<b>10,338,689</b>	8,880,038
Zain Payments Company-Tamam	<b>275,062</b>	75,980
Zain Drones Company	<b>1,713</b>	1,800
Eliminations / adjustments	<b>(20,304,831)</b>	(17,361,766)
<b>Total Assets</b>	<b>28,014,835</b>	27,876,949
<b>Liabilities</b>		
Mobile Telecommunications Company	<b>28,282,156</b>	27,373,845
Zain Sales Company	<b>10,214,761</b>	8,761,309
Zain Payments Company-Tamam	<b>137,934</b>	41,258
Zain Drones Company	<b>5,162</b>	3,443
Zain Business	<b>-</b>	20
Eliminations / adjustments	<b>(20,180,590)</b>	(17,342,446)
<b>Total Liabilities</b>	<b>18,459,423</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.

**13 CAPITAL COMMITMENTS AND CONTINGENCIES**

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

	<b>30 September</b>	31 December
	<b>2022</b>	2021
	<b>(Unaudited)</b>	(Audited)
Letters of guarantee	<b>124,151</b>	167,760
Letters of credit	<b>201,875</b>	242,776
	<b>326,026</b>	410,536

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

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**13 CAPITAL COMMITMENTS AND CONTINGENCIES (continued)**

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 September 2022 the amount of lawsuits and violations amounts to SR 10.8 million which has been recorded fully.

**14 ZAKAT**

	<b>30 September 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>12,207</b>	16,978
Balance at end of the period / year	<b>53,439</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 these additional claims to the relevant committees. The Group believes this will not result in any material additional provisions. 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.

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**14 ZAKAT (continued)**

**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 which resulted in the reduction of withholding tax claim amounted to SR 219 million 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.

**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

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**15 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)**

*15-2 Carrying amount vs fair value (continued)*

	Fair value measurement hierarchy	30 September 2022		31 December 2021	
		Carrying value	Fair value	Carrying value	Fair value
Derivative financial instruments	Level 2	<b>106,277</b>	<b>106,277</b>	(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 notional amount of the contract as at 30 September 2022 was SR 2,900 million (31 December 2021: SR 3,200 million) and the fair value was a positive amount of SR 106 million as at 30 September 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 216.4 million was recognized in other comprehensive income for the nine month period ended 30 September 2022 (30 September 2021: gain: SR 48.5 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 nine-months period ended 30 September 2022.

**18 APPROVED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

These interim condensed consolidated financial statements were approved by the Board of Directors on 1 November 2022.