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

REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2020

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH PERIODS ENDED 31 MARCH 2020

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C.C. 15070

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of **Mobile Telecommunications Company Saudi Arabia (a Saudi joint stock company) ("the Group")** as of 31 March 2020 and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three-month period ended 31 March 2020, changes in shareholders' equity and cash flows for the three-month period then ended and the related notes which form an integral part of this interim condensed financial statements. Management is responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting', as endorsed in the Kingdom of Saudi Arabia, Our responsibility is to express a conclusion on this interim condensed 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', as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements 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, as 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 is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

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Corresponding to 30 April 2020

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

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

	Notes	31 March 2020	31 December 2019
ASSETS			
Current assets			
Cash and bank balances		**1,696,356**	1,157,438
Trade and other receivables		**1,577,372**	1,730,294
Contract assets - current		**306,224**	274,956
Inventories		**190,035**	241,972
Total current assets		**3,769,987**	3,404,660
Non-current assets			
Contract assets non-current		**82,532**	131,253
Right-of-use assets		**1,439,489**	1,448,479
Property and equipment	5	**6,185,424**	6,079,981
Capital advances		**351,574**	457,952
Intangible assets		**16,699,118**	16,215,928
Total non-current assets		**24,758,137**	24,333,593
TOTAL ASSETS		**28,528,124**	27,738,253
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		**3,504,037**	3,443,759
Current portion of long-term borrowings	6	**99,715**	58,941
Deferred revenue		**557,265**	621,319
Lease liabilities-current		**314,471**	364,098
Total current liabilities		**4,475,488**	4,488,117
Non-current liabilities			
Amounts due to related parties	7	**6,300,638**	6,375,763
Lease liabilities non-current		**1,162,149**	1,112,127
Other non-current liabilities		**1,651,831**	1,111,681
Long-term borrowings	6	**10,493,350**	10,314,940
Derivative financial instruments	14	**194,884**	127,899
Provision for employees' end of service benefits	8	**108,694**	104,875
Total non-current liabilities		**19,911,546**	19,147,285
Capital and reserves			
Share capital	9	**5,837,292**	5,837,292
Hedging reserve	14	**(194,884)**	(127,899)
Other reserves		**1,584**	1,584
Accumulated deficit		**(1,502,902)**	(1,608,126)
Total capital and reserves		**4,141,090**	4,102,851
TOTAL EQUITY AND LIABILITIES		**28,528,124**	27,738,253

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

The accompanying notes (1) to (14) form an integral part of these 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 MONTH PERIOD ENDED 31 MARCH 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the three-month period ended	
		31 March 2020	31March 2019
Revenue		**2,038,866**	2,093,490
Cost of revenue		**(565,439)**	(613,115)
Operating and administrative expenses		**(481,128)**	(476,065)
Depreciation and amortization	5	**(582,031)**	(572,530)
Expected credit loss on financial assets (ECL)		**(53,562)**	(49,302)
Interest income		**5,324**	7,132
Other income		**8,190**	5,349
Finance cost		**(260,032)**	(265,647)
Net profit before Zakat		**110,188**	129,312
Zakat	12	**(4,964)**	-
Net profit for the period		**105,224**	129,312
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Net fair value change in hedging instruments entered into for cash flow hedges	14	**(66,985)**	(66,966)
Total comprehensive income for the period		**38,239**	62,346
Earnings per share (in Saudi Riyals)	10		
Basic and diluted		**0.180**	0.222

Mehdi Khalfaoui
CFO

Sultan Al-Deghaither
CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Hedging reserve	Other reserves	Accumulated deficit	Total
Balance at 1 January 2019 as previously reported		5,837,292	(21,586)	(3,302)	(1,800,156)	4,012,248
Transition adjustment on adoption of IFRS 16		-	-	-	(293,145)	(293,145)
Balance at 1 January 2019 as restated		5,837,292	(21,586)	(3,302)	(2,093,301)	3,719,103
Total comprehensive income / (loss) for the period		-	(66,966)	-	129,312	62,346
Balance at 31 March 2019		5,837,292	(88,552)	(3,302)	(1,963,989)	3,781,449
Balance at 1 January 2020		**5,837,292**	**(127,899)**	**1,584**	**(1,608,126)**	**4,102,851**
Total comprehensive income / (loss) for the period		**-**	**(66,985)**	**-**	**105,224**	**38,239**
Balance at 31 March 2020		**5,837,292**	**(194,884)**	**1,584**	**(1,502,902)**	**4,141,090**

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

The accompanying notes (1) to (14) form an integral part of these financial statements

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	31 March 2020	31 March 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		**105,224**	129,312
Adjustments to reconcile net profit for the year to net cash from operating activities:			
Expected credit loss on financial assets (ECL)		**53,562**	49,302
Depreciation and amortization		**582,031**	572,530
Other provisions		**24,528**	907
Zakat provision		**4,964**	-
Finance charges		**260,032**	265,647
Gain on disposal of assets	5	**(254)**	(202)
Currency revaluation gain		**(8,150)**	(1,102)
Provision for employees' end-of-service benefits	8	**5,300**	4,669
Operating income before changes in working capital		**1,027,237**	1,021,063
Changes in working capital			
Trade and other receivables		**(35,248)**	(175,861)
Inventories		**51,937**	42,889
Contract assets		**17,453**	(104,810)
Trade and other payables		**(300,520)**	(409,555)
Deferred revenue		**(64,054)**	(98,237)
Other non-current liabilities		**540,149**	514,439
Cash flows generated from operating activities		**1,236,954**	789,928
Employee retirement benefits paid	8	**(1,481)**	(1,267)
Net cash generated from operating activities		**1,235,473**	788,661
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		**(352,510)**	(276,395)
Proceed from disposal of assets	5	**254**	430
Purchase of intangible assets		**(145,987)**	(120,354)
Net cash (used in) investing activities		**(498,243)**	(396,319)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceed from borrowing facility		**171,181**	168,356
Payment of lease liabilities		**(86,809)**	(86,799)
Finance cost paid		**(281,991)**	(482,087)
Net cash (used in) financing activities		**(197,619)**	(400,530)
Net change in cash and cash equivalents		**539,611**	(8,188)
Effect of movements in exchange rates on cash and bank balances		**(693)**	(247)
Cash and bank balances at beginning of the year		**1,157,438**	1,416,731
Cash and bank balances at end of the year		**1,696,356**	1,408,296

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

The accompanying notes (1) to (14) form an integral part of these financial statements

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) (continued)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	31 March 2020	31 March 2019
Adjustment transactions:		
Adjustment to property and equipment and intangible assets with corresponding effect to trade payable and capital advances	**597,263**	443,767
Adjustment to finance cost paid with corresponding effect to borrowings and amounts due to related parties.	**187,500**	375,000
Changes in fair value of derivative financial instruments and corresponding debit to shareholders' equity	**66,985**	66,966
Adjustment to advances from shareholders and amounts due to related parties with corresponding effect to trade payable	**75,125**	240,054
Non- cash transaction of provisions with corresponding to trade payable	**185,283**	152,874

Mehdi Khalfaoui
CFO

Sultan Al-Deghaither
CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

The accompanying notes (1) to (14) form an integral part of these financial statements

1 ORGANIZATION AND ACTIVITIES

1.1 General Activities

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

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.

Based on the High Order dated 30 Dhu Al-Hijjah 1437 H (corresponding to 01 October 2016) which was announced by the Capital Market Authority on 01 Muharram 1438 H (corresponding to 02 October 2016) which directed the Communications and Information Technology Commission ("CITC") to coordinate with Mobile Telecommunication Company Saudi Arabia to:

a. Extend its license for an additional 15-years period, bringing the remaining period to 32 years ending on 21/Rabi Al Awwal 1469 H (corresponding to 18 January 2047).
b. Coordinate with the Ministry of Finance to discuss the alternatives regarding the amounts due to the government; and
c. Grant the Company a Unified License where it can offer all telecommunication services including fixed services which was issued on 23 Jumada first 1438 H (corresponding to 20 February 2017).

In the fourth quarter of 2018, the Company signed an agreement with the Ministry of Finance, the Ministry of Communications and Information Technology and CITC, which includes the consolidation of the annual royalty for commercial service and the settlement of disputed amounts for the period from 2009 to 2017, which includes the following:

a. Consolidate the annual royalty fee and reducing it from 15% to 10% of net revenues starting from 01 January 2018. (Impact was reflected in cost of revenue and sales); and
b. Settlement of the disputed amounts between the Company and CITC regarding the payment of disputed annual royalty fee for the period from 2009 to 2017. Under the condition, that the Company further invests in expanding its infrastructure in addition to other conditions over the next 3 years.

1 ORGANIZATION AND ACTIVITIES (continued)

The Company incurred net profit the three month period ended 31 March 2020: SR 105 million, (31 March 2019:SR 129 million), had an accumulated deficit of SR 1.5 billion as at this date (31 December 2019: SR 1.6 billion) and the current liabilities of the company exceed the current assets of the company by SAR 705 million. Based on the latest approved business plan, the Company's management believes that the Company will be successful in meeting its obligations in the normal course of operations. The directors of the Company have a reasonable expectation that the Company 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. It has started its operation in the first quarter of 2019.
b. Zain Business Company will engage 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 will provide fintech services. Share capital SR 100,000. The company started its operation during the fourth quarter of 2019.
d. Zain Drones Company will provide professional, scientific and technical drones services along with selling and repairing drones. Share capital SR 10,000. The company started its operation during the fourth quarter of 2019.

1.3 Capital Restructure

The Company's capital will be reduced from SAR 5,837,291,750 to SAR 4,229,165,260, representing a decrease in the capital of around 28%. The reason for the decrease in the capital is the amortization of accumulated losses amounting to SAR 1,608,126,490 as at 31 December 2019.
Following the capital reduction, the Company plans to increase its capital from 4,229,165,260 SAR to become SAR 8,729,165,260 through a rights issue with a total value of 4,500,000,000 SAR. This will result in the injection of additional fresh cash, which will be used to reduce the Company's debt. The recommendation of the Board is subject to the approval of the relevant authorities including the Capital Market Authority and the relevant extraordinary general assemblies

1.4 Impact of COVID-19 outbreak

As of the date of preparation of the interim condensed consolidated financial statements, for the three months period ended 31 March 2020, the extent to which covid-19 might affect the business and the operation is uncertain as it depends on many factors. The Company may not be able to forecast accurately its impact; therefore, the Company's management believes that the Covid-19 pandemic has had no material effects on Zain KSA reported financial results for the period ended 31 March 2020 and the management continues to monitor the situation and its impact on the operation as it evolves

1.5 Approved interim condensed consolidated financial statements

These interim condensed consolidated financial statements were approved by the Board of Directors on 30 April 2020.

1 ORGANIZATION AND ACTIVITIES (continued)

1.6 Refinancing Arrangements

On 16 June 2019, the Company has signed a new Junior Murabaha facility agreement amounting to SR 2.25 billion with a consortium of five banks to settle its existing commercial loan which has been obtained from Industrial and Commercial Bank of China (ICBC). The agreement has better terms and will have lower financing cost. The duration of the agreement is two years, with an option to be extended for one year upon Company's request. This loan is fully secured by a corporate guarantee from Mobile Telecommunications Company K.S.C.P. In the third quarter 2019, the Company paid ICBC facility in full from the proceed of the Junior Murabaha facility.

2 BASIS OF PREPARATION

Statement of compliance

The interim condensed consolidated financial statement have been prepared in accordance with International Financial Reporting Standard "IFRS" as endorsed by SOCPA in the Kingdom of Saudi Arabia along with other pronouncement endorsed by SOCPA and the Company's By-Laws.

The Capital Market Authority (CMA) announced the Board of Commissioners resolution dated 16 October 2016 (corresponding to 15 Muharram 1438H), which obligates the listed entities to apply the cost model to measure the property, plant and equipment, investment properties and intangible assets upon adopting the IFRSs for three years period starting from the IFRSs adoption date, while continuing to abide by the IFRSs, that are endorsed in the Kingdom of Saudi Arabia, disclosure requirements, which require or encourage the disclosure of the fair value within the notes to the interim condensed consolidated financial statements. The Company has complied with the requirements in these interim condensed consolidated financial statements.

Basis of measurement

These interim condensed consolidated financial statements have been prepared on the historical cost basis except for the end of service benefits provision, which has been actuarially valued and the measurement of financial assets and financial liabilities at fair value as explained in the relevant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

Basis of consolidation

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

2 BASIS OF PREPARATION (continued)

Critical accounting estimates and judgments

The preparation of interim condensed consolidated financial statements in accordance with IFRSs that are endorsed in the Kingdom of Saudi Arabia requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Functional and presentation currency

Saudi Riyal is the functional currency. These interim condensed consolidated financial statements are presented in Saudi Riyals (SR), rounded off to the nearest thousand.

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the annual consolidated financial statements as at 31 December 2019.

4 SEGMENT REPORTING

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

	For the three month period ended	
Revenues	**31 March 2020**	31 March 2019
Mobile Telecommunications Company	**1,949,700**	2,016,318
Zain Sales Company	**599,583**	679,910
Zain Payments	**24**	-
Zain Drones	**-**	-
Eliminations / Adjustments	**(510,441)**	(602,738)
Total Revenues	**2,038,866**	2,093,490
Cost of operations	**(1,046,567)**	(1,089,180)
Depreciation and amortization	**(582,031)**	(572,530)
Expected credit loss on financial assets (ECL)	**(53,562)**	(49,302)
Interest income	**5,324**	7,132
Other income	**8,190**	5,349
Finance cost	**(260,032)**	(265,647)
Zakat	**(4,964)**	-
Net Profit	**105,224**	129,312

Revenue reported above represents revenue generated from external and internal customers. There were SR 510 million (31 March 2019: SR 603 million) as intercompany revenue and adjustments for Zain Sales Company eliminated at consolidation.

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 SEGMENT REPORTING (continued)

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

Assets	**31 March 2020**	31 December 2019
Mobile Telecommunications Company	**33,680,174**	31,947,008
Zain Sales Company	**4,665,120**	3,765,265
Zain Payments	**24,582**	734
Zain Drones	**300**	317
Eliminations / Adjustments	**(9,842,052)**	(7,975,071)
Total Assets	**28,528,124**	27,738,253
Liabilities		
Mobile Telecommunications Company	**29,689,497**	27,952,376
Zain Sales Company	**4,543,608**	3,666,648
Zain Payments	**5,683**	880
Zain Drones	**663**	584
Eliminations / Adjustments	**(9,852,417)**	(7,985,086)
Total Liabilities	**24,387,034**	23,635,402

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

5 PROPERTY AND EQUIPMENT

During the three-month period ended 31 March 2020, the Company acquired assets with a cost of SR 1,096 million (31 March 2019: SR 840 million). During the period, the Company disposed assets with a net book value of SR "0" (31 March 2019: SR 228 thousand) resulting in a gain on sale of property and equipment amounting to SR 254 thousand (31 March 2019: SR 202 thousand). During the three-month period ended 31 March 2020, the depreciation and amortization expense amounted to SR 582 million (31 March 2019: SR 573 million).

6 LONG TERM BORROWINGS

	31 March 2020	31 December 2019
Syndicate Murabaha facility (refer to note 6.1)	**4,535,275**	4,535,314
Ministry of Finance (refer to note 6.3)	**3,877,906**	3,665,974
Junior Murabaha Facility Agreement (refer to note 6.4)	**2,250,142**	2,250,126
Less: debt arrangement costs	**(70,258)**	(77,533)
Total	**10,593,065**	10,373,881
Less: current portion included in current liabilities	**(99,715)**	(58,941)
	10,493,350	10,314,940

6 LONG-TERM BORROWINGS (continued)

6-1 Syndicated Murabaha facility

On 31 July 2013, the Company had refinanced 2009 "Murabaha financing agreement" with a consortium of banks, which also includes existing Murabaha facility investors to extend the maturity date of its Murabaha facility for five years until 30 June 2018, which was due on 31 July 2013. This facility principal stood at SR 8.6 billion with the SR portion totaling SR 6.3 billion and the USD portion totaling USD 0.6 billion (SR 2.3 billion). This facility has been restructured as an amortizing facility, 25% of which will be due during years 4 to 5 of the life of the facility, as a mandatory minimum amount due, with 75% due at maturity date. The Company settled SR 2.7 billion from this facility bringing the outstanding principal to SR 5.9 billion at the maturity date.

On 5 June 2018, the Company has refinanced 2013 "Murabaha financing agreement" and extended the maturity date for additional five years until 29 June 2023 with a three years' grace period. The new facility principal stands, at the financing day, at SR 5.9 billion with the SR portion totaling SR 4.25 billion and the USD portion totaling USD 0.45 billion (SR 1.705 billion). Moreover, the agreement includes a working capital facility totaling SR 647.3 million with the SR portion totaling SR 462.4 million and the USD portion totaling USD 49.3 million (SR 184.9 million) for two years. The working capital facility has not been utilized yet.

Financing charges, as specified under the "Murabaha financing agreement" are payable in quarterly installments over five years. The new facility is secured partially by a guarantee from Mobile Telecommunications Company K.S.C and a pledge of shares of the Company owned by some of the founding shareholders and assignment of certain contracts and receivables and fixed assets up to the outstanding balance.

The Company is complying with the existing loan covenants.

During the third quarter of 2018, the Company made an early voluntary payment for (SR portion: SR 428.3 million, and the USD portion: USD 45.8 million) totaling SR 600 million.

During the fourth quarter of 2018, the Company made a second early voluntary payment for (SR portion: SR 374.81 million, and the USD portion: USD 40.05 million) totaling SR 525 million.

During the second quarter of 2019, the Company made the third early voluntary payment for (SR portion: SR 214.2 million, and the USD portion: USD 22.88 million) totaling SR 300 million.

6-2 Industrial and Commercial Bank of China loan

On 15 August 2016, the Company has signed a long-term commercial loan facility agreement amounting to SR 2.25 billion with a two years' tenor that is extendable by one additional year and payable at maturity. The facility agreement signed with the Industrial and Commercial Bank of China replace the existing syndicated facility. The facility is unconditionally and irrevocably guaranteed by Mobile Telecommunications Company K.S.C. On 18 March 2018, the Company extended the final maturity date to 8 August 2019. On 3 July 2019, the Company settled the said facility from the proceed of the new Junior Murabaha facility.

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 LONG-TERM BORROWINGS (continued)

6-3 Ministry of Finance

During 2013, the Company has signed an agreement with the Ministry of Finance, Saudi Arabia to defer payments of its dues to the government for the next seven years, estimated at SR 5.6 billion. These deferred payments under this agreement will be bearing commercial commission payable annually, while the amount due will be repayable in equal instalments starting June 2021. The amount deferred by the Company as of 31 March 2020 amounted to SR 3,750 million (31 December 2019: SR 3,578 million).

6-4 Junior Murabaha

On 16 June 2019, the Company has signed a new Junior Murabaha facility agreement amounting to SR 2.25 billion with a consortium of five banks to settle its existing commercial loan which has been obtained from Industrial and Commercial Bank of China (ICBC). The agreement has better terms and will have lower financing cost. The duration of the agreement is two years, with an option to be extended for one year upon Company's request. This loan is fully secured by a corporate guarantee from Mobile Telecommunications Company K.S.C.P. Financing charges are payable in quarterly installments.

7 AMOUNTS DUE TO RELATED PARTIES

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

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

	For the three month period ended	
	31 March 2020	**31 March 2019**
Revenue from a subsidiaries	**12,809**	3,589
Purchases from a subsidiaries	**37,574**	20,591
Fees charged by a Founding shareholders	**51,151**	53,949
Finance charges charged by a Founding shareholder	**76,382**	81,108

The following balances were outstanding at the reporting date:

	31 March 2020	31 December 2019
Mobile Telecommunications Company K.S.C (refer to note 7.1)	**1,407,272**	1,356,121
Mobile Telecommunications Company K.S.C (refer to note 7.3)	**4,730,006**	4,856,420
Founding shareholders (refer to note 7.2)	**130,861**	130,861
Infra Capital Investments (refer to note 7.3)	**32,394**	32,256
Other related parties	**105**	105
	6,300,638	6,375,763

(All amounts in Saudi Riyals thousands unless otherwise stated)

7 AMOUNTS DUE TO RELATED PARTIES (continued)

7-1 Mobile Telecommunications Company K.S.C

This amount relates to accrued management fees and is payable to the Company's largest shareholder. The amount is unsecured, interest free and does not have any fixed terms of repayment but is not repayable until certain conditions are met in the Syndicated Murabaha facility referred to in note 7.1.

7-2 Founding shareholders

This amount relates to accrued finance charges and is payable to the Company's founding shareholders. The amount is unsecured, bears interest at market rates 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.

7-3 Mobile Telecommunications Company K.S.C and Infra Capital Investments

These amounts are payable to shareholders and bears interest at market rates. The amounts are unsecured and cannot be repaid until certain conditions are met in the Syndicated Murabaha facility referred to in note 7.1. These amounts include accrued financial charges of SR 1,301 million (31 December 2019: SR 1,413 million).

8 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	31 March 2020	31 December 2019
Opening balance	**104,875**	93,425
Current service cost	**5,300**	17,596
Interest cost	**-**	4,315
Payments	**(1,481)**	(5,575)
Actuarial gain	**-**	(4,886)
Closing balance	**108,694**	104,875

The most recent actuarial valuation was performed by Lux Actuaries & Consultants for the year ended 31 December 2019 and was performed using the projected unit credit method.

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

Attrition rates	10% to 13%
Salary increases	4%
Discount rate	4.45%

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

9 SHARE CAPITAL

The Company had 583,729,175 shares of SR10 each in issue as at the reporting date. There were no movements in share capital in the period under review.

(All amounts in Saudi Riyals thousands unless otherwise stated)

10 EARNINGS PER SHARE

Basic and diluted Earnings per share is based on the profit for the three month period ended 31 March 2020 of SR 105 million (31 March 2019: SR 129 million) divided by the weighted average number of shares in issue of 583,729,175 (31 March 2019: 583,729,175 share).
No figure for diluted earnings per share has been calculated, as there are no potentially dilutive ordinary shares outstanding.

11 CAPITAL COMMITMENTS AND CONTINGENCIES

The Company had capital commitments of SR 1,075 million (31 December 2019: SR 1,441 million) as at the reporting date.

The Company had contingent liabilities in the form of letters of guarantee and letters of credit amounting to SR 245 million as at 31 March 2020 (31 December 2019: SR 262 million).

	31 March 2020	31 December 2019
Letter of Guarantee	**83,574**	100,286
Letter of Credit	**161,250**	161,250
	244,824	261,536

The Company 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 Company, 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 Company.

12 COMPONENTS OF ZAKAT BASE

Zakat provision	**31 March 2020**	31 December 2019
Balance at beginning of the period / year	**18,607**	-
Charge for the period / year	**4,964**	18,607
Balance at end of the period / year	**23,571**	18,607

Status of assessments

The Company had finalized its zakat and tax status up to 2008 and obtained the related certificate.
The Company had submitted its financial statements along with zakat and returns for the years 2009 to 2018 and paid zakat and withholding tax according to the filed returns.

On 18 Ramadan 1436 H (corresponding to 07 July 2015), the Company received the Zakat and withholding tax assessments from General Authority of Zakat and Tax (GAZT) for the years 2009 to 2011 whereby they asked to pay an additional amount of SR 620 million of which SR 352 million are related to Zakat differences and SR 267 million as withholding tax subject to delay penalty payable from the due date up to the settlement date equals to 1% for every 30 days.

12 COMPONENTS OF ZAKAT BASE (continued)

Status of assessments (continued)

Zain appealed this claim for additional payments on 27 August 2015, and was able to have the amount of SR 352 million related to Zakat revoked entirely. In addition, SR 219 million of the withholding tax claim was also revoked.
To appeal before the High Appeal Committee (HAC), Zain completed the required conditions in the Articles of the Saudi Tax Law, by paying the invoices issued by GAZT amounting SR 48 million on 16 November 2017 related to Withholding Tax (WHT) and issued a bank guarantee for the amount of SR 43 million related to the penalty generated from the delay in paying the WHT.

Based on the above, Zain received the reassessment letter for the paid amount and presented its objections before the HAC on the preliminary Appeal Committee opinion on 19 November 2017.

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

13 FAIR VALUE OF FINANCIAL ASSETS AND LIABILTIES

Assets and liabilities measured at fair value in the 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 hedging. Therefore, the fair value hierarchy disclosure which requires a three-level category of fair value is not disclosed.

The carrying values of all the financial assets and liabilities reflected in the financial statements are the reasonable approximation of their fair values.

The fair value of these derivatives was categorized as level 2.

Level 2 derivative financial instruments, 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.

14 DERIVATIVE FINANCIAL INSTRUMENTS

The Company entered into profit rate swaps, which mature in 2023. The notional amount of the contract as at 31 March 2020 was SR 2,980 million (31 December 2019: SR 2,980 million) and the fair value was a negative amount of SR 194.8 million as at 31 March 2020 (31 December 2019: SR 127.9 million). The average contracted fixed interest rate ranges from 1.55% to 3%. A loss of SR 66.98 million was recognized in other comprehensive loss for the three month period ended 31 March 2020 (31 March 2019: SR 66.96 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.