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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTH PERIODS ENDED 30 SEPTEMBER 2020

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Report on Review of Interim Condensed Consolidated Financial Statements

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

Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Mobile Telecommunications Company Saudi Arabia ("the Company"), a Saudi Joint Stock Company and its subsidiaries (collectively the "Group") as at 30 September 2020 and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three and nine month periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine month period then ended, and a summary of significant accounting policies and other selected explanatory notes from (1) to (19).

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 – ("IAS 34") "Interim Financial Reporting" that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA"). 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" this is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed consolidated 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 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 that is endorsed in the Kingdom of Saudi Arabia.

Other Matter

The consolidated financial statements of the Company for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 04 February 2020.

For Dr. Mohamed Al-Amri & Co.

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Riyadh
Certified Public Accountants
Dr. Mohamed Al-Amri & Co.

Gihad Al-Amri
Certified Public Accountant
Registration No. 362

Riyadh, on 17 Rabi I' 1442 H
Corresponding to: 03 November 2020 G

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	30 September 2020 (Unaudited)	31 December 2019 (Audited)
ASSETS			
Current assets			
Cash and bank balances		873,867	1,157,438
Trade and other receivables		1,788,792	1,730,294
Contract assets - current		279,606	274,956
Inventories		134,632	241,972
Total current assets		3,076,897	3,404,660
Non-current assets			
Contract assets - non-current		62,879	131,253
Right of use assets		1,330,279	1,448,479
Property and equipment	5	6,507,361	6,079,981
Capital advances		211,372	457,952
Intangible assets	5	16,425,671	16,215,928
Total non-current assets		24,537,562	24,333,593
TOTAL ASSETS		27,614,459	27,738,253
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		4,235,935	3,531,145
Contract liabilities		478,676	621,319
Lease liabilities - current		319,627	364,098
Total current liabilities		5,034,238	4,516,562
Non-current liabilities			
Amounts due to related parties	7	5,806,424	6,375,763
Lease liabilities - non-current		1,108,531	1,112,127
Other non-current liabilities	8	5,169,363	4,690,270
Long-term borrowings	6	5,924,189	6,707,906
Derivative financial instruments	15	212,072	127,899
Provision for employees' end of service benefits		116,965	104,875
Total non-current liabilities		18,337,544	19,118,840
EQUITY			
Share capital	9	5,837,292	5,837,292
Hedging reserve	15	(212,072)	(127,899)
Other reserves		1,584	1,584
Accumulated deficit		(1,384,127)	(1,608,126)
Total equity		4,242,677	4,102,851
TOTAL LIABILITIES AND EQUITY		27,614,459	27,738,253

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

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 MONTH PERIODS ENDED 30 SEPTEMBER 2020

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the three-month period ended		For the nine-month period ended	
		30 September 2020	30 September 2019	**30 September 2020**	30 September 2019
Revenue		**1,927,586**	2,008,076	**5,855,668**	6,158,326
Cost of revenue		**(661,655)**	(513,043)	**(1,761,616)**	(1,659,188)
Operating and administrative expenses		**(430,208)**	(471,537)	**(1,293,650)**	(1,455,097)
Depreciation and amortization	5	**(628,475)**	(573,285)	**(1,814,561)**	(1,716,003)
Impairment of trade and other receivables		**(68,981)**	(74,308)	**(194,196)**	(195,694)
Finance income		**1,318**	6,246	**11,110**	20,085
Other income		**7,295**	792	**19,770**	12,604
Gain on modification of borrowings		**136,255**	-	**136,255**	-
Finance costs		**(216,956)**	(262,233)	**(720,396)**	(784,817)
Profit before zakat		**66,179**	120,708	**238,384**	380,216
Zakat	13	**(6,009)**	-	**(14,385)**	-
Profit for the period		**60,170**	120,708	**223,999**	380,216
Other comprehensive loss					
Item that may be reclassified subsequently to profit or loss:					
Net fair value change in hedging instruments entered into for cash flow hedges	15	**(6,382)**	(18,613)	**(84,173)**	(130,518)
Total comprehensive income for the period		**53,788**	102,095	**139,826**	249,698
Earnings per share (in Saudi Riyals)	10				
Basic and Diluted		**0.103**	0.207	**0.384**	0.651

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Hedging reserve	Other reserves	Accumulated deficit	Total
Balance at 1 January 2019 (Audited)	5,837,292	(21,586)	(3,302)	(2,093,301)	3,719,103
Profit for the period	-	-	-	380,216	380,216
Other comprehensive loss	-	(130,518)	-	-	(130,518)
Total comprehensive income for the period	-	(130,518)	-	380,216	249,698
Balance at 30 September 2019 (Unaudited)	5,837,292	(152,104)	(3,302)	(1,713,085)	3,968,801
Balance at 1 January 2020 (Audited)	**5,837,292**	**(127,899)**	**1,584**	**(1,608,126)**	**4,102,851**
Profit for the period	-	-	-	223,999	223,999
Other comprehensive loss	-	(84,173)	-	-	(84,173)
Total comprehensive income for the period	-	(84,173)	-	223,999	139,826
Balance at 30 September 2020 (Unaudited)	**5,837,292**	**(212,072)**	**1,584**	**(1,384,127)**	**4,242,677**

Mehdi Khalfaoui
CFO

Sultan Al-Deghaither
CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	30 September 2020	30 September 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before zakat		238,384	380,216
Adjustments to reconcile net profit for the period before zakat to net cash from operating activities:			
Depreciation and amortization	5	1,814,561	1,716,003
Impairment of trade and other receivables		194,196	195,694
Other provisions		25,141	4,995
Gain on disposal of property and equipment	5	(554)	(202)
Currency revaluation gain		(6,793)	(256)
Gain on modification of borrowings		(136,255)	-
Finance costs		720,396	784,817
Provision for employees' end of service benefits		15,883	14,634
Operating income before changes in working capital		2,864,959	3,095,901
Changes in working capital:			
Trade and other receivables		(392,743)	(416,359)
Contract assets		63,724	(92,984)
Inventories		107,340	(7,312)
Trade and other payables		146,575	(314,615)
Contract liabilities		(142,643)	(259,015)
Other non-current liabilities	8	479,093	530,146
Cash flows generated from operating activities		3,126,305	2,535,762
Zakat paid	13	(13,935)	-
Employees' end of service benefits paid		(3,793)	(4,157)
Net cash generated from operating activities		3,108,577	2,531,605
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(1,094,149)	(1,265,139)
Proceed from disposal of property and equipment	5	895	430
Purchase of intangible assets		(254,728)	(216,659)
Net cash used in investing activities		(1,347,982)	(1,481,368)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(675,000)	(2,550,000)
Proceeds from bank borrowings		-	2,710,095
Repayment of amounts due to related parties		(447,519)	-
Payment of lease liabilities		(251,625)	(267,026)
Finance costs paid		(668,351)	(921,133)
Net cash used in financing activities		(2,042,495)	(1,028,064)
Net change in cash and cash equivalents		(281,900)	22,173
Effect of movements in exchange rates on cash and bank balances		(1,671)	915
Cash and bank balances at beginning of the period		1,157,438	1,416,731
Cash and bank balances at end of the period		873,867	1,439,819

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

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 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 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 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 Company incurred net profit for the nine month period ended 30 September 2020 SR 224 million (30 September 2019: SR 380 million) and had an accumulated deficit of SR 1.4 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 SR 1.9 billion. 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. The company started its operation in the first quarter of 2019.
b. Zain Business Company is engaged in establishment, construction, repair and maintenance of telecom stations and towers. Share capital SR 10,000. The company is not operational yet.
c. Zain Payments Company is engaged in provide fintech services. Share capital SR 100,000. The company started its operation during the fourth quarter of 2019.
d. Zain Drones Company is engaged in provide professional, scientific and technical drones services along with selling and repairing drones. Share capital SR 10,000. The company started its operation during the fourth quarter of 2019.

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. 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 2019 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 2019 annual consolidated financial statements except for the change in the accounting policy of hedging which has been disclosed in note 4 of these interim condensed consolidated financial statements.

Use of estimates and judgements

As explained in note (16), the Group has reviewed the key sources of estimation uncertainties disclosed in the last annual financial statements against the backdrop of Covid-19 pandemic.

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

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

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

Standards that are issued and effective for the current year

There are some other amendments to IFRS and IFRIC that were applied by the Group with effective dates before period ended 30 September 2020. 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 had a material impact on the financial statements of the Group.

4 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019 except for as mentioned below.

As permitted by IFRS 9, the Group has elected to transition to applying the hedge accounting requirements of IFRS 9 effective from 1 July 2020. On transition to IFRS 9 in 2018, the Group had elected to continue to apply the hedge accounting requirements of IAS 39.

4 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

The IFRS 9 general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

The Group's qualifying hedging relationships in place as at 1 July 2020 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on transition. As the critical terms of the hedging instruments match those of their corresponding hedged item, the hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Group has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

The application of the IFRS 9 hedge accounting requirements has had no impact on the results and financial position of the Group for the current and/or prior years.

Hedge accounting policy

For hedge accounting, the Group designates derivatives as either hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge) or hedges of a net investment in a foreign operation (net investment hedge).

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

4 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight-line amortization. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognised in other comprehensive income. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument. Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the foreign currency forward contracts relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the ‘other gains and losses’ line item. Gains and losses on the hedging instrument accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

Certain amendments and interpretations apply for the first time in 2020, but do not have an impact on the condensed consolidated interim financial information of the Group.

5 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

During the nine month period ended 30 September 2020, the Group acquired property and equipment with a cost of SR 1,386 million and intangible assets with a cost of SR 801 million (30 September 2019: property and equipment with a cost of SR 538 million and intangible assets with a cost of SR 663 million). During the period, the Group disposed property and equipment with a net book value of SR 273 thousand and intangible assets with a net book value of SR 68 thousands (30 September 2019: property and equipment with a net book value of SR 228 thousand and intangible assets with a net book value of SR Nil) resulting in a gain on sale of property and equipment disposed amounting to SR 622 thousand and loss on intangibles assets disposed amounting to SR 68 thousand (30 September 2019: a gain on sale of property and equipment disposed amounting to SR 202 thousand and intangible assets disposed amounting to SR Nil).

During the nine month period ended 30 September 2020, the depreciation and amortization expense amounted to SR 1,815 million (30 September 2019: SR 1,716 million).

6 LONG-TERM BORROWINGS

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Syndicate Murabaha facility (refer to note 6.1)	**3,681,538**	4,471,830
Junior Murabaha Facility Agreement (refer to note 6.2)	**2,242,651**	2,236,076
Long-term borrowings	**5,924,189**	6,707,906

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 LONG-TERM BORROWINGS (Continued)

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

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Saudi Riyal	**5,241,221**	5,428,745
US Dollar	**682,968**	1,279,161
Total	**5,924,189**	6,707,906

6-1 Syndicated Murabaha facility

On 31 July 2013, the Group 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 amount stood at SR 8.6 billion with the Saudi Riyals 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 Group 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 Group 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 Saudi Riyals portion totaling SR 4.3 billion and the USD portion totaling USD 0.5 billion (SR 1.7 billion).

Moreover, the agreement includes a working capital facility totaling SR 647.3 million with the Saudi Riyals portion totaling SR 462.4 million and the USD portion totaling USD 49.3 million (SR 184.9 million) for two years that was extended in this quarter for one additional year. 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.P 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 Group is complying with the existing loan covenants.

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

During the fourth quarter of 2018, the Group made a second early voluntary payment for (Saudi Riyals portion: SR 374.8 million, and the USD portion: USD 40.1 million) totaling SR 525 million.

During the second quarter of 2019, the Group made the third early voluntary payment for (Saudi Riyals portion: SR 214.2 million, and the USD portion: USD 22.9 million) totaling SR 300 million.

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 LONG-TERM BORROWINGS (Continued)

6-1 Syndicated Murabaha facility (Continued)

During the second quarter of 2020, the Group made a fourth early voluntary payment for (Saudi Riyals portion: SR 481.9 million, and the USD portion: USD 51.5 million) totaling SR 675 million.

On 27 September 2020, the Group refinanced and extended the maturity date of its existing five years syndicated Murabaha facility until 2025 for a total amount available up to SR 6 billion with two years grace period, at better commercial terms. Moreover, the agreement includes a working capital facility of SR 1 billion (originally SR 0.65 billion in 2018) bringing the total facility amounting to SR 7 billion until 2025, bringing additional liquidity for the Group to fund its business growth plans. Therefore, on 30 September 2020, the Group utilized only the outstanding amount of the existing agreement (SR 3.85 billion) and will withdraw the remaining amount as per the Group's business requirements. The Group recalculates the gross carrying amount of the of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate and accordingly adjusted the gross carrying amount of the loan to reflect actual and revised estimated contractual cash flows. The difference between the existing carrying amount of the Murabaha facility and the revised gross carrying amount amounts to SR 136 million which has been recognized in interim condensed consolidated statement of profit and loss and other comprehensive income as gain on modification of borrowings.

6-2 Junior Murabaha

On 16 June 2019, the Group 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 Group'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 TRANSACTIONS AND AMOUNTS DUE TO RELATED PARTIES

The Group has the following related parties:

Party	Relationship
Oman Telecommunications Company SAOG	Parent Company of Mobile Telecommunications Company K.S.C.P
Mobile Telecommunications Company K.S.C.P (Zain Group)	Founding shareholder / Parent Company
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 Company SPC	Subsidiary to Founding Shareholder
Infra Capital Investments Company	Founding Shareholder

(All amounts in Saudi Riyals thousands unless otherwise stated)

7 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 nine-month period ended	
	30 September 2020 (Unaudited)	30 September 2019 (Unaudited)	**30 September 2020 (Unaudited)**	30 September 2019 (Unaudited)
Revenue from entities owned by shareholder	**2,067**	3,413	**23,396**	10,258
Purchases from entities owned by shareholder	**18,004**	16,961	**76,716**	50,404
Fees charged by a Founding Shareholder (refer to note 7.1)	**29,296**	51,673	**91,115**	158,665
Finance costs charged by a Founding Shareholder	**63,556**	81,194	**213,586**	245,158

The following balances were outstanding at the reporting date:

	30 September 2020 (Unaudited)	31 December 2019 (Audited)
Mobile Telecommunications Company K.S.C.P (refer to note 7.1)	**1,447,236**	1,356,121
Mobile Telecommunications Company K.S.C.P (refer to note 7.3)	**4,195,600**	4,856,420
Founding Shareholders (refer to note 7.2)	**130,861**	130,861
Infra Capital Investments Company (refer to note 7.3)	**32,622**	32,256
Other related parties	**105**	105
	5,806,424	6,375,763

7-1 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 6-1.

7-2 Founding Shareholders

This amount relates to accrued finance costs and is payable to the Company's founding shareholders. The amount is unsecured and does not have any fixed terms of repayment but is not repayable until certain conditions are met in the Syndicated Murabaha facility referred to in note 6-1.

7-3 Mobile Telecommunications Company K.S.C.P 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 6-1. These amounts include accrued financial costs of SR 1,211 million (31 December 2019: SR 1,413 million).

(All amounts in Saudi Riyals thousands unless otherwise stated)

8 OTHER NON-CURRENT LIABILITIES

	30 September 2020	31 December 2019
Payable to MOF	**3,500,614**	3,578,590
Long-term payable - Spectrum	**1,466,090**	922,688
Others	**202,659**	188,992
	5,169,363	4,690,270

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. These deferred payments under this agreement will be bearing commercial commission payable annually, while the amount due will be repayable in equal instalments starting September 2021. The amount deferred by the Company as of 30 September 2020 amounted to SR 4,039 million out of which SR 538 million is recognised under trade and other payables (31 December 2019: SR 3,578 million). The accrued interest related to the MOF payable is recorded under trade and other payables.

9 SHARE CAPITAL

The Company had 583,729,175 shares of SR 10 each in issue as at the reporting date. There were no movements in share capital in the period under review. (Refer note 17)

10 EARNINGS PER SHARE

Basic and diluted earnings per share is based on the profit for the three and nine month periods ended 30 September 2020 of SR 60 million and SR 224 million, respectively (30 September 2019: the profit for the three and nine month periods amounting to SR 121 million and SR 380 million, respectively) divided by the weighted average number of shares in issue of 583,729,175 share (30 September 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 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 of Saudi Arabia. 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 SEGMENT REPORTING (Continued)

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

	For the three month period ended		For the nine month period ended	
Revenues	**30 September 2020**	30 September 2019	**30 September 2020**	30 September 2019
Mobile Telecommunications Company	**1,857,345**	1,923,505	**5,655,526**	5,918,108
Zain Sales Company	**627,021**	682,164	**1,747,438**	2,032,294
Zain Payments Company	**119**	-	**220**	-
Zain Drones Company	**-**	-	**-**	-
Eliminations / adjustments	**(556,899)**	(597,593)	**(1,547,516)**	(1,792,076)
Total Revenues	**1,927,586**	2,008,076	**5,855,668**	6,158,326
Cost of operations	**(1,091,863)**	(984,580)	**(3,055,266)**	(3,114,285)
Depreciation and amortization	**(628,475)**	(573,285)	**(1,814,561)**	(1,716,003)
Impairment of trade and other receivables	**(68,981)**	(74,308)	**(194,196)**	(195,694)
Finance income	**1,318**	6,246	**11,110**	20,085
Other income	**7,295**	792	**19,770**	12,604
Gain on modification of borrowings	**136,255**	**-**	**136,255**	**-**
Finance costs	**(216,956)**	(262,233)	**(720,396)**	(784,817)
Zakat	**(6,009)**	-	**(14,385)**	-
Profit for the period	**60,170**	120,708	**223,999**	380,216

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

Assets	**30 September 2020**	31 December 2019
Mobile Telecommunications Company	**33,055,639**	31,947,008
Zain Sales Company	**5,848,294**	3,765,265
Zain Payments Company	**27,624**	734
Zain Drones Company	**502**	317
Eliminations / adjustments	**(11,317,600)**	(7,975,071)
Total Assets	**27,614,459**	27,738,253
Liabilities		
Mobile Telecommunications Company	**28,968,055**	27,952,376
Zain Sales Company	**5,728,317**	3,666,648
Zain Payments Company	**16,426**	880
Zain Drones Company	**1,324**	584
Eliminations / adjustments	**(11,342,340)**	(7,985,086)
Total Liabilities	**23,371,782**	23,635,402

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

12 CAPITAL COMMITMENTS AND CONTINGENCIES

The Company had capital commitments of SR 936 million as at the reporting date (31 December 2019: SR 1,441 million).

The Company had contingent liabilities as follow:

	30 September 2020	31 December 2019
Letters of guarantee	**56,954**	100,286
Letters of credit	**150,000**	161,250
	206,954	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.

13 ZAKAT

Zakat provision	**30 September 2020**	31 December 2019
Balance at beginning of the period / year	**18,607**	-
Charge for the period / year	**14,385**	18,607
Payment during the period / year	**(13,935)**	-
Balance at end of the period / year	**19,057**	18,607

Status of assessments

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

The Group had submitted its financial statements along with zakat and returns for the years 2009 to 2018 and paid zakat and withholding tax according to the filed returns.

On 18 Ramadan 1436H (corresponding to 07 July 2015G), The Group received the zakat and withholding tax assessments from 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.

The Group appealed this claim for additional payments on 27 August 2015, and was able to have the amount of SR 352 million related to zakat revoked entirely. In addition, SR 219 million of the withholding tax claim was also revoked.

To appeal before the High Appeal Committee (HAC), The Company 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, The Group received the reassessment letter for the paid amount and presented its objections before the HAC on the preliminary Appeal Committee opinion on 19 November 2017.

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

14 FAIR VALUE OF FINANCIAL ASSETS AND LIABILTIES

14.1 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.

14.2 carrying amount vs fair value

The group considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

- Cash and cash equivalents
- Trade and other receivables
- Trade and other payables
- Borrowings
- Other non-current liabilities

		30 September 2020		31 December 2019	
	Fair value measurement hierarchy	**Carrying value**	**Fair value**	Carrying value	Fair value
Derivative financial instruments	Level 2	**212,072**	**212,072**	127,899	127,899

14.3 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.

15 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 6-1). The notional amount of the contract as at 30 September 2020 was SR 3,860 million (31 December 2019: SR 2,980 million) and the fair value was a negative amount of SR 212 million as at 30 September 2020 (31 December 2019: SR 127.9 million). The group has changed the accounting policy to account for the hedging instruments from IAS 39 to IFRS 9 however the existing accounting treatment followed by the group is consistent with the requirement of IFRS 9 (refer note 4) .

15 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The average contracted fixed interest rate ranges from 2% to 3%. A loss of SR 84.1 million was recognized in other comprehensive loss for the nine month period ended 30 September 2020 (30 September 2019: SR 130.5 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.

16 IMPACT OF COVID-19

The outbreak of the novel Coronavirus (COVID-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities. The Group is continually monitoring its impact, while working closely with the local regulatory authorities, to manage the potential business disruption of the COVID-19 outbreak.

In light of COVID-19, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the interim condensed consolidated financial statement. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the interim condensed consolidated financial statements.

Impairment of non-financial assets

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

Expected Credit Losses ("ECL") and impairment of financial assets

The Group has applied management overlays on the existing ECL models by applying probability weightage scenarios on the relevant macroeconomic factors relative to the economic climate of the respective market in which it operates. The Group has also assessed the exposures in potentially affected sectors for any indicators of impairment and concluded there is no material impact on account of COVID-19.

Commitments and contingent liabilities

The Group has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among customers and suppliers, with a view of potential increase in commitments and contingent liabilities and no issues were noted.

Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Company has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, these interim condensed consolidated financial statements has been appropriately prepared on a going concern basis.

17 SUBSEQUENT EVENTS

a) On 08 October 2020 Extraordinary General Assembly Meeting (EGA) was conveyed in which share capital reduction has been approved by the shareholder's. As per the approval of the EGA, the shareholders have approved to reduce the share capital through the cancelation of 135,000,000 shares. The share capital before the reduction amounted to SR 5,837,291,750 and the share capital after reduction will be SR 4,487,291,750 by reducing of SR 1,350,000,000. The percentage change in share capital, after the share capital reduction ratio will be 23.1%, therefore the reduction ratio per share is 0.23.

b) On 14 October 2020 Extraordinary General Assembly Meeting (EGA) was conveyed in which capital increase of the Company through right issue has been has been approved by the shareholder's. As per the approval of the EGA, the shareholders have approved to increase the share capital through the issuance of 450,000,000 shares. The revised share capital after the right issue will be SR 8,987,291,750 by increasing the capital by SR 4,500,000,000. The Percentage increase per share will be 1.003 Rights per share.

18 COMPARATIVE FIGURES

Previous year figures have been reclassified for the purpose of comparison in the interim condensed consolidated financial statements. For better presentation and substance of transaction, a reclassification made in the interim condensed consolidated statement of financial position for payables to MOF from long-term borrowings to other non-current liability for the amount of SR 3,579 million as at 31 December 2019.

19 APPROVED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the Board of Directors on 02 November 2020.