

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE THREE MONTHS PERIOD  
ENDED 31 MARCH 2021**

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

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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 31 March 2021 and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three month periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the three month period then ended, and a summary of significant accounting policies and other selected explanatory notes from (1) to (18).

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" 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 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 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 in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

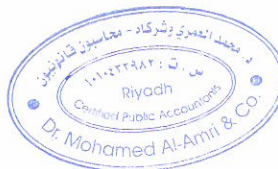
### Other Matter

The interim condensed consolidated financial statements of the Company for the period ended 31 March 2020, were reviewed by another auditor who expressed an unmodified conclusion on those consolidated financial statements on 30 April 2020.

For Dr. Mohamed Al-Amri & Co.



**Gihad Al-Amri**  
Certified Public Accountant  
Registration No. 362



Riyadh, on 6 May 2021 G  
Corresponding to: 24 Ramadan 1442 H


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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	31 March 2021 (Unaudited)	31 December 2020 (Audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	362,495	1,103,401
Trade and other receivables		2,058,023	1,996,013
Contract assets – current		94,582	96,450
Inventories		189,149	187,103
<b>Total current assets</b>		<b>2,704,249</b>	<b>3,382,967</b>
<b>Non-current assets</b>			
Contract assets non-current		227,575	220,072
Right of use assets		1,322,330	1,284,888
Property and equipment	5	6,654,296	6,856,837
Capital advances		183,572	132,832
Intangible assets	5	16,092,035	16,280,159
<b>Total non-current assets</b>		<b>24,479,808</b>	<b>24,774,788</b>
<b>TOTAL ASSETS</b>		<b>27,184,057</b>	<b>28,157,755</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables		4,417,886	4,585,780
Deferred income and contract liabilities		541,114	544,086
Lease liabilities - current		268,139	319,150
Amounts due to related parties	7	1,619,689	3,649,514
<b>Total current liabilities</b>		<b>6,846,828</b>	<b>9,098,530</b>
<b>Non-current liabilities</b>			
Lease liabilities non-current		1,192,178	1,065,097
Other non-current liabilities	8	4,857,933	5,097,608
Long-term borrowings	6	5,181,943	3,836,145
Derivative financial instruments	15	178,645	206,210
Provision for employees' end of service benefits		129,017	125,082
<b>Total non-current liabilities</b>		<b>11,539,716</b>	<b>10,330,142</b>
<b>EQUITY</b>			
Share capital	9	8,987,292	8,987,292
Hedging reserve	15	(178,645)	(206,210)
Other reserves		2,018	2,018
Accumulated deficit		(13,152)	(54,017)
<b>Total equity</b>		<b>8,797,513</b>	<b>8,729,083</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>27,184,057</b>	<b>28,157,755</b>

  
Mehdi Khalfaoui  
CFO

  
Sultan Al Deghaither  
CEO

  
Naif bin Sultan bin Mohammed bin Saud Al Kabeer  
Chairman

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



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

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

**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	For the three-months period ended	
		31 March 2021	31 March 2020
Revenue		1,937,512	2,038,866
Cost of revenue		(722,006)	(565,439)
Operating and administrative expenses		(437,824)	(481,128)
Depreciation and amortization	5	(577,408)	(582,031)
Allowance for expected credit loss on financial assets		(42,192)	(53,562)
Finance income		179	5,324
Other income		7,475	8,190
Finance cost		(121,264)	(260,032)
<b>Profit before zakat</b>		<b>44,472</b>	<b>110,188</b>
Zakat	13	(3,607)	(4,964)
<b>Net profit for the period</b>		<b>40,865</b>	<b>105,224</b>
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Net fair value change in hedging instruments entered into for cash flow hedges	15	27,565	(66,985)
<b>Total comprehensive income for the period</b>		<b>68,430</b>	<b>38,239</b>
<b>Earnings per share (in Saudi Riyals)</b>			
Basic and diluted	10	0.045	0.155

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Hedging reserve	Other reserves	Accumulated deficit	Total
Balance at 1 January 2020 (Audited)	5,837,292	(127,899)	1,584	(1,608,126)	4,102,851
Profit for the period	-	-	-	105,224	105,224
Other comprehensive loss	-	(66,985)	-	-	(66,985)
Total comprehensive income for the period	-	(66,985)	-	105,224	38,239
Balance at 31 March 2020 (Unaudited)	5,837,292	(194,884)	1,584	(1,502,902)	4,141,090
<b>Balance at 1 January 2021 (Audited)</b>	<b>8,987,292</b>	<b>(206,210)</b>	<b>2,018</b>	<b>(54,017)</b>	<b>8,729,083</b>
Profit for the period	-	-	-	40,865	40,865
Other comprehensive income	-	27,565	-	-	27,565
Total comprehensive income for the period	-	27,565	-	40,865	68,430
<b>Balance at 31 March 2021 (Unaudited)</b>	<b>8,987,292</b>	<b>(178,645)</b>	<b>2,018</b>	<b>(13,152)</b>	<b>8,797,513</b>

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	31 March 2021	31 March 2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before zakat		44,472	110,188
<i>Adjustments to reconcile net profit for the period before zakat to net cash from operating activities:</i>			
Depreciation and amortization	5	577,408	582,031
Allowance for expected credit loss on financial assets		42,192	53,562
Other provisions		(131)	24,528
Net other (gain)/losses		(7,231)	-
Reversal of inventory provision		(467)	-
Gain on disposal of property and equipment	5	-	(254)
Foreign currency loss / (gain)		406	(8,150)
Finance costs		121,264	260,032
Provision for employees' end of service benefits		5,681	5,300
		<u>783,594</u>	<u>1,027,237</u>
<i>Changes in working capital:</i>			
Trade and other receivables		(120,703)	(35,248)
Contract assets		(5,635)	17,453
Inventories		(1,579)	51,937
Movement of cash under lien	4	149,814	16,712
Trade and other payables		43,204	(300,520)
Contract liabilities		(2,972)	(64,054)
Other non-current liabilities	8	(239,675)	711,330
<b>Cash flows generated from operating activities</b>		<u>606,048</u>	<u>1,424,847</u>
Employees' end of service benefits paid		(1,746)	(1,481)
<b>Net cash generated from operating activities</b>		<u>604,302</u>	<u>1,423,366</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(198,543)	(352,510)
Proceed from disposal of property and equipment	5	-	254
Purchase of intangible assets		(151,107)	(145,987)
<b>Net cash used in investing activities</b>		<u>(349,650)</u>	<u>(498,243)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from bank borrowings		1,340,432	-
Payment of lease liabilities		(74,960)	(86,809)
Payment against amount due to related parties		(1,055,100)	-
Finance costs paid		(1,053,695)	(281,991)
<b>Net cash used in financing activities</b>		<u>(843,323)</u>	<u>(368,800)</u>
<b>Net change in cash and cash equivalents</b>		<u>(588,671)</u>	<u>556,323</u>
Effect of movements in exchange rates on cash and cash equivalents		(2,421)	(693)
Cash and cash equivalents at beginning of the period		882,794	895,902
<b>Cash and cash equivalents at end of the period</b>	4	<u>291,702</u>	<u>1,451,532</u>

  
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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 MONTHS PERIOD ENDED 31 MARCH 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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**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 Group realized net profit for the three months period ended 31 March 2021, SR 41 million (31 March 2020: SR 105 million) and had an accumulated deficit of SR 13 million as at 31 March 2021 (31 December 2020: SR 54 million) and the current liabilities of the Group exceed the current assets of the Group by SR 4.1 billion which includes SR 1.6 billion related to due to related parties. Based on the latest approved business plan, the Group's management believes that the Group will be successful in meeting its obligations in the normal course of operations considering the undrawn part of the MFA amounting SR 3.9 billion. The directors of the Group have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

***1.2 subsidiaries***

The Company established the following fully owned subsidiaries in KSA:

- a. Zain Sales Company is engaged in distributing, selling telecom equipment and handsets; and providing consulting services. Share capital SR 10,000. The company started its operation in the first quarter of 2019.
- b. Zain Business Company is engaged in establishment, construction, repair and maintenance of telecom stations and towers. Share capital SR 10,000. The company is not operational yet.
- c. Zain Payments Company-Tamam is engaged in providing fintech services. Share capital SR 100,000. The company started its operation during the fourth quarter of 2019. In 2020, the Company has increased its share capital amounting to SR 20,000,000.
- d. Zain Drones Company is engaged in provide professional, scientific and technical drones services along with selling and repairing drones. Share capital SR 10,000. The company started its operation during the fourth quarter of 2019.



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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**1 ORGANIZATION AND ACTIVITIES (continued)**

The Company announced after receiving a letter from CITC, which included the approval of CITC's Board on the application submitted to CITC from Mobile Telecommunication Company Saudi Arabia (ZAIN KSA), Etihad Etisalat Company (Mobily), and Raidah Investment Company (AlRaidah) and IHS KSA Ltd. (IHS) to form a consortium to acquire the telecom towers owned by Mobily and Zain KSA, and to merge and unify these towers under a commercial entity registered in the Kingdom of Saudi Arabia, "Towers Company", for the purpose of obtaining licensing (providing infrastructure wholesale services - category (A) towers and masts), provided that Mobily, Zain KSA and AlRaidah collectively will own the majority of the shares of the company to be established, "Towers Company", while IHS maintains a minority of the shares, and the new entity must fulfill the regulatory requirements related to the licensing and acquisition of the towers of Mobily and Zain KSA in preparation for obtaining the final approval from CITC.

**2 BASIS OF PREPARATION**

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as endorsed in the Kingdom of Saudi Arabia. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2020 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 2020 annual consolidated financial statements.

***Use of estimates and judgements***

There have been no material revisions to the nature and amount of estimates of amounts reported in prior periods.

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 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 this 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 31 March 2021. Those standards and interpretation or amendments are not disclosed in this interim condensed consolidated financial statements as the management did not consider these relevant to the company operation or had a material impact on the financial statements of the Group.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**4 CASH AND CASH EQUIVALENTS**

	<b>31 March 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
Cash in hand	<b>1,266</b>	1,297
Cash at banks	<b>361,229</b>	1,102,104
	<b>362,495</b>	1,103,401
Cash at bank under lien	<b>(70,793)</b>	(220,607)
	<b>291,702</b>	882,794

**5 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS**

During the three months period ended 31 March 2021, the Group acquired property and equipment with a cost of SR 67 million and intangible assets with a cost of SR 3 million (31 March 2020: property and equipment with a cost of SR 422 million and intangible assets with a cost of SR 674 million). During the period, there were no disposal made by the Group.

During the three months period ended 31 March 2021, the depreciation and amortization expense amounted to SR 577 million (31 March 2020: SR 582 million).

**6 LONG-TERM BORROWINGS**

	<b>31 March 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
Syndicate Murabaha facility (refer to note 6.1)	<b>2,934,916</b>	1,591,309
Junior Murabaha Facility Agreement (refer to note 6.2)	<b>2,247,027</b>	2,244,836
<b>Long-term borrowings</b>	<b>5,181,943</b>	3,836,145

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

	<b>31 March 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>
Saudi Riyal	<b>4,632,864</b>	3,538,002
US Dollar	<b>549,079</b>	298,143
<b>Total</b>	<b>5,181,943</b>	3,836,145

**6-1 Syndicated Murabaha facility**

On 27 September 2020, the Group refinanced and extended the maturity date of its existing five years syndicated Murabaha facility (MFA) 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. As at 31 March 2021, the Group utilized only the outstanding amount of the existing agreement SR 3.1 billion against 7 billion existing facility. The total amount paid by the Group against the refinanced loan was 2.832 billion as of November 31, 2020. As at 31 March 2021, total undrawn amount against MFA amounting to SR 3.9 billion.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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**6 LONG-TERM BORROWINGS (Continued)**

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 2020 in consolidated statement of profit and loss and other comprehensive income as gain on modification of borrowings.

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

The Group is complying with the existing loan covenants.

**6-2 Junior Murabaha**

On 16 June 2019, the Group has Junior Murabaha facility agreement amounting to SR 2.25 billion with a consortium of five banks 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.

**MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA**  
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

The Group has the following related parties:

<b>Party</b>	<b>Relationship</b>
Oman Telecommunications Company SAOG	Parent Company of Mobile Telecommunications Company K.S.C.P (ultimate parent)
Mobile Telecommunications Company K.S.C.P (Zain Group)	Founding shareholder / Parent Group
Zain Bahrain	Subsidiary to Founding Shareholder
Zain Sudan	Subsidiary to Founding Shareholder
MTC Lebanon S.A.R.L.	Subsidiary to Founding Shareholder
Zain Iraq/Atheer Telecom Iraq Limited 'Atheer'	Subsidiary to Founding Shareholder
Zain Global Communications Co. SPC	Subsidiary to Founding Shareholder
Infra Capital Investments Company	Founding Shareholder

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

	For the three-months period ended	
	<b>31 March 2021</b>	31 March 2020
Revenue from entities owned by shareholder	<b>2,113</b>	12,809
Purchases from entities owned by shareholder	<b>13,801</b>	37,574
Fees charged by a Founding Shareholder (refer to note 7.1)	<b>29,336</b>	51,151
Finance charges charged by a Founding Shareholder	<b>13,900</b>	76,382

The following balances were outstanding at the reporting date:

	<b>31 March 2021</b>	31 December 2020
Mobile Telecommunications Company K.S.C.P (refer to note 7.1)	<b>1,355,919</b>	1,326,583
Mobile Telecommunications Company K.S.C.P (refer to note 7.3)	<b>100,054</b>	2,159,267
Founding Shareholders (refer to note 7.2)	<b>130,861</b>	130,861
Infra Capital Investments (refer to note 7.3)	<b>32,750</b>	32,698
Other related parties	<b>105</b>	105
	<b>1,619,689</b>	3,649,514

**7-1 Mobile Telecommunications Company K.S.C.P**

This amount relates to accrued Service rendered and Branding 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 charges and is payable to the Company's founding shareholders. The amount is unsecured and does not have any fixed terms of repayment but is not repayable until certain conditions are met in the Syndicated Murabaha facility referred to in note 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 charges of SR 118 million (31 December 2020: SR 1,122 million).



**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2021**

(All amounts in Saudi Riyals thousands unless otherwise stated)

**8 OTHER NON-CURRENT LIABILITIES**

	<b>31 March 2021</b>	31 December 2020
Payable to MOF	<b>3,500,614</b>	3,500,614
Long-term payable - Spectrum	<b>1,221,515</b>	1,389,951
Others	<b>135,804</b>	207,043
	<b>4,857,933</b>	5,097,608

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 this agreement will be bearing commercial commission payable annually, while the amount due will be repayable starting June 2021. The amount deferred by the Company as of 31 March 2021 amounted to SR 4,039 million out of which SR 538 million is recognized under trade and other payables (31 December 2020: SR 4,039 million). The accrued interest related to the MOF payable is recorded under trade and other payables.

**9 SHARE CAPITAL**

The Company had 898,729,175 (31 December 2020: 898,729,175) shares of SR 10 each in issue as at the reporting date. There were no movements in share capital in the period under review. (Refer note 10)

**10 EARNINGS PER SHARE**

**Profit attributable to ordinary shareholders**

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Group as the numerator, i.e. no adjustments to profit were necessary in 31 March 2021 or 31 March 2020. Profit attributable to the shareholders use in calculating EPS is 41 million for period ended 31 March 2021 (31 March 2020: SR 105 million)

**Weighted average number of ordinary shares**

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

	<b>31 March 2021</b>	31 March 2020
		<i>Restated</i>
Outstanding during the period	<b>898,729</b>	677,495
Basic earnings per share (SR)	<b>0.045</b>	0.155

On 14 October 2020 Zain KSA increased the capital through right issue by issuing 450,000,000 shares. The revised share capital after the right issue is SR 8,987,291,750. The prior period EPS has been adjusted to incorporate the impact of the right issue.

Basic earnings per share is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. There is no dilutive effect on the earnings per share of the Group.

**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. 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.

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

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**11 SEGMENT REPORTING (Continued)**

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

	For the three months period ended	
	31 March 2021	31 March 2020
<b>Revenues</b>		
Mobile Telecommunications Company	1,898,993	1,949,700
Zain Sales Company	483,698	599,583
Zain Payments Company-Tamam	1,992	24
Zain Drones Company	-	-
Eliminations / adjustments	(447,171)	(510,441)
<b>Total Revenues</b>	<b>1,937,512</b>	<b>2,038,866</b>
Cost of operations	(1,159,830)	(1,046,567)
Depreciation and amortization	(577,408)	(582,031)
Allowances against expected credit loss on financial assets	(42,192)	(53,562)
Interest income	179	5,324
Other income	7,475	8,190
Finance costs	(121,264)	(260,032)
Zakat	(3,607)	(4,964)
<b>Profit for the period</b>	<b>40,865</b>	<b>105,224</b>

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

	31 March 2021	31 December 2020
<b>Assets</b>		
Mobile Telecommunications Company	33,903,081	35,328,930
Zain Sales Company	7,205,551	6,602,773
Zain Payments Company-Tamam	29,127	27,653
Zain Drones Company	446	473,854
Eliminations / adjustments	(13,954,148)	(14,275,455)
<b>Total Assets</b>	<b>27,184,057</b>	<b>28,157,755</b>
<b>Liabilities</b>		
Mobile Telecommunications Company	25,267,710	26,774,782
Zain Sales Company	7,072,465	6,458,833
Zain Payments Company-Tamam	21,744	18,043
Zain Drones Company	2,120	1,701
Zain Business	10	10
Eliminations / adjustments	(13,977,505)	(13,824,697)
<b>Total Liabilities</b>	<b>18,386,544</b>	<b>19,428,672</b>

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

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**12 CAPITAL COMMITMENTS AND CONTINGENCIES**

The Company had capital commitments of SR 484 million as at the reporting date (31 December 2020: SR 194 million). The Company had contingent liabilities as follow:

	<b>31 March 2021</b>	31 December 2020
Letters of guarantee	<b>70,793</b>	78,352
Letters of credit	<b>170,000</b>	170,000
	<b>240,793</b>	248,352

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

The CITC's violation committee has issued several penalty resolutions against the Group; which the Group has objected to. The reasons of issuing these resolutions vary between linking ID for the issued prepaid SIM Cards and providing promotions that have not been approved by CITC and/or other reasons. As of 31 March 2021 the amount of lawsuits and violations amounts to SAR 60.24 million which has been recorded fully.

**13 ZAKAT**

	<b>31 March 2021</b>	31 December 2020
<b>Zakat provision</b>		
Balance at beginning of the period / year	<b>24,254</b>	18,607
Charge for the period / year	<b>3,607</b>	19,581
Payment during the period / year	-	(13,934)
Balance at end of the period / year	<b>27,861</b>	24,254

**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 2019 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.

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.

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**13 ZAKAT (Continued)**

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.

Zain received additional assessment for the remaining years until 2019. The company has appealed those assessments in Q1 2021.

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

**14 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

**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

	Fair value measurement hierarchy	31 March 2021		31 December 2020	
		Carrying value	Fair value	Carrying value	Fair value
Derivative financial instruments	Level 2	178,645	178,645	206,210	206,210

**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.



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**14 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (Continued)**

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 31 March 2021 was SR 1,827 million (31 December 2020: SR 1,827 million) and the fair value was a negative amount of SR 178 million as at 31 March 2021 (31 December 2020: SR 206 million).

The average contracted fixed interest rate ranges from 2% to 3%. A gain of SR 27.5 million was recognized in other comprehensive income for the three month period ended 31 March 2021 (31 March 2020: loss: SR 67 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 and continues to evolve 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 evolving business disruption of the COVID-19 pandemic.

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 condensed consolidated interim financial information. 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 condensed consolidated interim financial information.

*Impairment of non-financial assets*

The Group has performed a qualitative assessment for its investment in CGUs, considering the minimal impact of COVID-19 on entities operating in the telecommunication sector, and compared the actual results for the period against the budget and industry benchmarks to conclude that the impairment assessment as at 31 December 2020 remains largely unchanged.

The Group has also considered any impairment indicators arising and any significant uncertainties around its property, plant and equipment, intangible assets 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 continues to monitor the appropriateness of the management overlays considering evolving impact of current pandemic situation in respective location.

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**16 IMPACT OF COVID-19 (Continued)**

*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 the Group, customers and suppliers, with a view of potential increase in contingent liabilities and commitments 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 Group'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 Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2020. As a result, this condensed consolidated interim financial information has been appropriately prepared on a going concern basis.

**17 SUBSEQUENT EVENTS**

There are no subsequent events since the period end that require disclosure or amendments in these Consolidated Financial Statements.

**18 APPROVED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

These interim condensed consolidated financial statements were approved by the Board of Directors on 6 May 2021.

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