

ETIHAD ETISALAT COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (Unaudited)
For the three-month and six-month periods ended 30 June 2019
Together with
Independent Auditors' Review Report

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Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of Etihad Etisalat Company

Introduction

We have reviewed the accompanying 30 June 2019 condensed consolidated interim financial statements of Etihad Etisalat Company ("the Company") and its subsidiaries ("the Group") which comprise:

- the condensed consolidated Interim statement of financial position as at 30 June 2019;
- the condensed consolidated interim statement of profit or loss for the three-month and six-month periods ended 30 June 2019;
- the condensed consolidated interim statement of comprehensive income for the three-month and six-month periods ended 30 June 2019;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2019 ;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2019; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information 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.

Independent auditor's report on review of condensed consolidated interim financial statements (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2019 condensed consolidated interim financial statements of Etihad Etisalat Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

**For KPMG Al Fozan & Partners
Certified Public Accountants**



Khalil Ibrahim Al Sedals
License No. 371



Riyadh on: 17 Dhul Qa'adah 1440H
Corresponding to: 21 July 2019

Etihad Etisalat Company (A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	Unaudited 30 June 2019	Audited 31 December 2018
Assets			
Non-current assets			
Property and equipment	5	21,624,478	22,183,775
Right of use assets	6	2,311,918	-
Intangible assets	7	8,707,223	8,818,165
Capital advances		266,412	450,250
Investment in joint venture		174	1,483
Financial assets		7,636	7,271
Total non-current assets		32,917,841	31,460,944
Current assets			
Inventories		44,667	69,360
Contract assets		240,593	89,180
Accounts receivable	8	3,082,689	3,566,718
Due from related parties	9	68,203	68,452
Prepaid expenses and other assets		983,537	1,269,270
Other financial assets		675,000	1,000,000
Derivative financial instruments		2,993	8,095
Cash and cash equivalents		1,058,537	1,032,850
Total current assets		6,156,219	7,103,925
Total assets		39,074,060	38,564,869
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	1	7,700,000	7,700,000
Statutory reserve		2,648,971	2,648,971
Retained earnings		3,546,842	3,543,131
Foreign currency translation reserve		(9,658)	(10,032)
Hedging reserve		(53,386)	(12,754)
Fair value reserve		365	-
Total shareholders' equity		13,833,134	13,869,316
Non-current liabilities			
Loans and notes payable	10	11,294,350	11,987,788
Lease liabilities		1,774,995	-
Provision for employees' end of service benefits		424,940	426,074
Deferred revenue		33,437	44,582
Deferred government grants income		131,989	141,604
Other financial liabilities		275,536	299,640
Provision for decommissioning liability		146,643	239,654
Total non-current liabilities		14,081,890	13,139,342
Current liabilities			
Loans and notes payable	10	1,441,611	1,033,891
Lease liabilities		662,053	-
Accounts payable		4,464,630	5,154,712
Contract liabilities		228,594	151,259
Due to related parties	9	110,747	163,385
Deferred revenue		1,197,713	1,270,979
Accrued expenses and other liabilities		2,527,118	3,253,275
Derivative financial instruments		46,779	11,249
Provisions		409,410	433,455
Zakat provision		51,150	64,775
Deferred government grants income		19,231	19,231
Total current liabilities		11,159,036	11,556,211
Total liabilities		25,240,926	24,695,553
Total shareholders' equity and liabilities		39,074,060	38,564,869

The attached notes from 1 to 16 are an integral part of these condensed consolidated interim financial statements.

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

Etihad Etisalat Company (A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2019	2018	2019	2018
Revenue	12	3,330,915	2,894,716	6,531,875	5,727,227
Cost of sales		(1,374,614)	(1,119,819)	(2,736,865)	(2,289,565)
Gross profit		1,956,301	1,774,897	3,795,010	3,437,662
Selling and marketing expenses		(319,281)	(311,285)	(594,646)	(765,860)
General and administrative expenses		(361,108)	(373,943)	(685,539)	(553,302)
Impairment loss on accounts receivable	8	(70,539)	(65,666)	(47,978)	(72,422)
Depreciation and amortization	5,6,7	(944,910)	(939,478)	(1,913,508)	(1,875,074)
Impairment loss on property and equipment	5	(15,000)	-	(42,000)	-
Other income		16,007	42,481	26,799	56,743
Operating profit		261,470	127,006	538,138	227,747
Share in results of joint venture		(820)	-	(1,309)	-
Finance expenses		(217,435)	(192,015)	(429,202)	(379,607)
Finance income		10,163	6,357	21,597	11,395
Profit / (Loss) before zakat		53,378	(58,652)	129,224	(140,465)
Zakat expense		(15,607)	(19,974)	(24,203)	(31,568)
Profit / (Loss) for the period		37,771	(78,626)	105,021	(172,033)

Profit / (Loss) per share:

Basic and diluted Profit / (Loss) per share (in SR)	13	0.05	(0.10)	0.14	(0.22)
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The attached notes from 1 to 16 are an integral part of these condensed consolidated interim financial statements.

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

Etihad Etisalat Company (A Saudi Joint Stock Company)

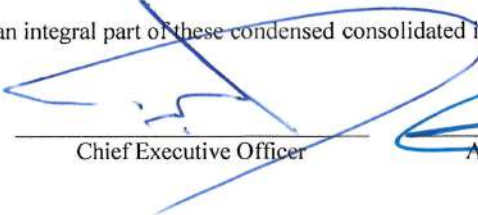
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Profit / (Loss) for the period	<u>37,771</u>	<u>(78,626)</u>	<u>105,021</u>	<u>(172,033)</u>
<i>Items that will be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations	297	(1,972)	374	(2,687)
Cash flow hedge - change in fair value	(18,933)	-	(44,046)	-
Cash flow hedge - reclassified to profit or loss	1,704	-	3,414	-
Net total items that will be reclassified subsequently to profit or loss	<u>(16,932)</u>	<u>(1,972)</u>	<u>(40,258)</u>	<u>(2,687)</u>
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Actuarial losses on re-measurement of employees' end of service benefits	(4,627)	(23,170)	(1,539)	(21,513)
Change in fair value of equity investments at FVOCI	-	-	365	-
Net total items that will not be reclassified subsequently to profit or loss	<u>(4,627)</u>	<u>(23,170)</u>	<u>(1,174)</u>	<u>(21,513)</u>
Total other comprehensive loss for the period	<u>(21,559)</u>	<u>(25,142)</u>	<u>(41,432)</u>	<u>(24,200)</u>
Total comprehensive income / (loss) for the period	<u>16,212</u>	<u>(103,768)</u>	<u>63,589</u>	<u>(196,233)</u>

The attached notes from 1 to 16 are an integral part of these condensed consolidated interim financial statements.


Chief Financial Officer


Chief Executive Officer


Authorized Board Member

Etihad Etisalat Company (A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

For the six-month period ended 30 June 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Hedging reserve	Fair value reserve	Total shareholders' equity
As at 1 January 2018	7,700,000	2,648,971	3,911,783	(6,917)	-	-	14,253,837
Adjustment on application of IFRS 15	-	-	62,345	-	-	-	62,345
Adjustment on application of IFRS 9	-	-	(275,923)	-	-	-	(275,923)
As at 1 January 2018 (adjusted)	7,700,000	2,648,971	3,698,205	(6,917)	-	-	14,040,259
Loss for the period	-	-	(172,033)	-	-	-	(172,033)
Other comprehensive loss for the period	-	-	(21,513)	(2,687)	-	-	(24,200)
Total comprehensive loss for the period	-	-	(193,546)	(2,687)	-	-	(196,233)
As at 30 June 2018	7,700,000	2,648,971	3,504,659	(9,604)	-	-	13,844,026
As at 1 January 2019	7,700,000	2,648,971	3,543,131	(10,032)	(12,754)	-	13,869,316
Adjustment on application of IFRS 16	-	-	(99,771)	-	-	-	(99,771)
As at 1 January 2019 (adjusted)	7,700,000	2,648,971	3,443,360	(10,032)	(12,754)	-	13,769,545
Profit for the period	-	-	105,021	-	-	-	105,021
Other comprehensive (loss) / income for the period	-	-	(1,539)	374	(40,632)	365	(41,432)
Total comprehensive income / (loss) for the period	-	-	103,482	374	(40,632)	365	63,589
As at 30 June 2019	7,700,000	2,648,971	3,546,842	(9,658)	(53,386)	365	13,833,134

The attached notes from 1 to 16 are an integral part of these condensed consolidated interim financial statements.

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

Etihad Etisalat Company (A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the six -month period ended 30 June 2019	For the six -month period ended 30 June 2018
OPERATING ACTIVITIES		
Cash flows from operating activities		
Profit / (Loss) for the period	105,021	(172,033)
Adjustments for:		
Change in provision for inventory obsolescence	(1,011)	10,239
Depreciation	1,732,475	1,700,123
Amortization of intangible assets	181,033	174,951
Impairment loss on property and equipment	42,000	-
Provision for employees' end of service benefits	35,419	29,964
Impairment loss on accounts receivable	47,978	72,422
Provisions	(23,909)	(36,077)
Government grants	(9,615)	(9,615)
Zakat provision	24,203	31,568
Loss on sale of property and equipment	886	611
Foreign exchange losses	1,428	-
Other income	(3,936)	-
Share in results of joint venture	1,309	-
Finance expenses	429,202	379,607
Finance income	(21,597)	(11,395)
Changes in:		
Accounts receivable	436,051	(399,735)
Inventories	25,704	66,208
Contract assets	(151,413)	(76,283)
Prepaid expenses and other assets	23,873	738
Accounts payable	(549,240)	335,197
Contract liabilities	77,335	108,968
Deferred revenue	(84,411)	(389,090)
Accrued expenses and other liabilities	(402,255)	203,630
Utilization of provision for decommissioning liability	(622)	(396)
Provision used	(19,379)	-
Due from related parties	249	(33,837)
Due to related parties	(52,638)	(20,400)
Cash generated from operating activities	1,844,140	1,965,365
End of service benefits paid	(38,092)	(14,935)
Finance expenses paid	(301,564)	(345,019)
Zakat paid	(37,828)	(43,567)
Net cash generated from operating activities	1,466,656	1,561,844
INVESTING ACTIVITIES		
Other financial assets	325,000	-
Finance income received	36,215	8,870
Purchase of property and equipment	(1,117,350)	(839,916)
Proceeds from sales of property and equipment	13	4,791
Acquisition of intangible assets	(108,930)	-
Net cash used in investing activities	(865,052)	(826,255)
FINANCING ACTIVITIES		
Proceeds from loans and notes payable	282,173	149,804
Payment of loans and notes payable	(566,673)	(908,912)
Payment of lease liabilities	(291,417)	-
Net cash used in financing activities	(575,917)	(759,108)
Net changes in cash and cash equivalents	25,687	(23,519)
Cash and cash equivalents at 1 January	1,032,850	1,192,181
Cash and cash equivalents at 30 June	1,058,537	1,168,662
Supplementary non-cash information		
Property and equipment purchased credited to capital expenditure payable	(272,273)	293,021

The attached notes from 1 to 16 are an integral part of these condensed consolidated interim financial statements

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

Etihad Etisalat Company (A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 CORPORATE INFORMATION

1.1 Etihad Etisalat Company

Etihad Etisalat Company ("Mobily" or the "Company"), a Saudi Joint Stock Company, is registered in the Kingdom of Saudi Arabia under commercial registration number 1010203896 issued in Riyadh on 14 December 2004 (corresponding to Dhul Qa'adah 2, 1425H). The main address for the Company is P.O. Box 23088, Riyadh 11321, Kingdom of Saudi Arabia.

The Company was incorporated pursuant to the Royal decree number M/40 dated 18 August 2004 (corresponding to Rajab 2, 1425H) approving the Council of Ministers resolution number 189 dated 10 August 2004 (corresponding to Jumada II 23, 1425H) to approve the award of the license to incorporate a Saudi Joint Stock Company under the name of "Etihad Etisalat Company".

Pursuant to the Council of Ministers resolution number 190 dated 10 August 2004 (corresponding to Jumada II 23, 1425H), the Company obtained the licenses to install and operate 2G and 3G mobile telephone network including all related elements and the provision of all related services locally and internationally through its own network.

Pursuant to the Communication and Information Technology Commission (CITC) resolution number 5125 dated 21 February 2017 (corresponding to Jumada I 24, 1438H), the Company obtained a Unified License to provide all licensed telecommunication services including fixed line voice services and fixed internet.

The Company's main activity is to establish and operate mobile wireless telecommunications network, fiber optics networks and any extension thereof, manage, install and operate telephone networks, terminals and communication unit systems, in addition to sell and maintain mobile phones and communication unit systems in the Kingdom of Saudi Arabia. The Group commenced its commercial operations on 25 May 2005 (corresponding to Rabi Al-Thani 17, 1426H).

The authorized, issued and paid up share capital of the Company is SR 7,700 million divided into 770 million shares of SR 10 each.

1.2 Subsidiary Companies

Below is the summary of Company's subsidiaries' and ownership percentage as at 30 June 2019 and 31 December 2018:

<u>Name</u>	<u>Country of incorporation</u>	<u>Ownership percentage</u>		<u>Initial Investment</u>
		<u>Direct</u>	<u>Indirect</u>	
Mobily Ventures Holding S.P.C.	Bahrain	100.00%	-	2,510
Mobily Infotech India Private Limited	India	99.99%	0.01%	1,836
Bayanat Al-Oula for Network Services Company	Saudi Arabia	99.00%	1.00%	1,500,000
Zajil International Network for Telecommunication Company	Saudi Arabia	96.00%	4.00%	80,000
National Company for Business Solutions	Saudi Arabia	95.00%	5.00%	9,500
National Company for Business Solutions FZE	United Arab Emirates	-	100.00%	184

2 BASIS OF ACCOUNTING

2.1 Statement of Compliance

These condensed consolidated interim financial statements comprise the financial information of the Company and its subsidiaries (together referred to as the 'Group').

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants.

The condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with Group's annual consolidated financial statements for the year ended 31 December 2018.

The unaudited condensed consolidated interim financial statements have been approved for issuance on 21 July 2019 (corresponding to 17 Dhul Qa'adah 1440H).

2.2 Basis of measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis unless stated otherwise using the going concern basis of assumption.

2.3 Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Riyal ("SR") which is the functional currency of the Company. All amounts have been rounded off to the nearest thousands unless otherwise stated.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are in accordance with International Financial Reporting Standards "IFRS" that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA which are consistent with those that were applied in the Group's annual consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has adopted IFRS 16 retrospectively under which the cumulative effect of initially applying the standard is recognized in retained earnings at the date of initial application (i.e. 1 January 2019). Accordingly, the information presented for 2018 has not been restated.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies are set out below.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group has used the following practical expedients when applying IFRS 16:

- Not to recognize right-of-use assets and lease liabilities for leases with less than 12 months of remaining lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

B. As a lessee

The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognize right-of-use assets and lease liabilities for some leases of short term and low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

i. Significant accounting policies

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

C. As a lessor

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the Group has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

Etihad Etisalat Company (A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following table summarizes the impact of adopting IFRS 16 on the Group's condensed consolidated financial statements for the period ended 30 June 2019.

Impact on the condensed consolidated interim statement of financial position

	As reported	Adjustment IFRS 16	Amounts without adoption of IFRS 16
Assets			
Non-current assets			
Property and equipment	21,624,478	83,010	21,707,488
Right of use assets	2,311,918	(2,311,918)	-
Intangible assets	8,707,223	-	8,707,223
Capital advances	266,412	-	266,412
Investment in joint venture	174	-	174
Financial assets	7,636	-	7,636
Total non-current assets	32,917,841	(2,228,908)	30,688,933
Current assets			
Inventories	44,667	-	44,667
Contract assets	240,593	-	240,593
Accounts receivable	3,082,689	-	3,082,689
Due from related parties	68,203	-	68,203
Prepaid expenses and other assets	983,537	209,653	1,193,190
Other financial assets	675,000	-	675,000
Derivative financial instruments	2,993	-	2,993
Cash and cash equivalents	1,058,537	-	1,058,537
Total current assets	6,156,219	209,653	6,365,872
Total assets	39,074,060	(2,019,255)	37,054,805
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	7,700,000	-	7,700,000
Statutory reserve	2,648,971	-	2,648,971
Retained earnings	3,546,842	106,523	3,653,365
Foreign currency translation reserve	(9,658)	-	(9,658)
Hedging reserve	(53,386)	-	(53,386)
Fair value reserve	365	-	365
Total shareholders' equity	13,833,134	106,523	13,939,657
Non-current liabilities			
Loans and notes payable	11,294,350	-	11,294,350
Lease liabilities	1,774,995	(1,774,995)	-
Provision for employees' end of service benefits	424,940	-	424,940
Deferred revenue	33,437	-	33,437
Deferred government grants income	131,989	-	131,989
Other financial liabilities	275,536	-	275,536
Provision for decommissioning liability	146,643	100,455	247,098
Total non-current liabilities	14,081,890	(1,674,540)	12,407,350
Current liabilities			
Loans and notes payable	1,441,611	-	1,441,611
Lease liabilities	662,053	(662,053)	-
Accounts payable	4,464,630	-	4,464,630
Contract liabilities	228,594	-	228,594
Due to related parties	110,747	-	110,747
Deferred revenue	1,197,713	-	1,197,713
Accrued expenses and other liabilities	2,527,118	210,815	2,737,933
Derivative financial instruments	46,779	-	46,779
Provisions	409,410	-	409,410
Zakat provision	51,150	-	51,150
Deferred government grants income	19,231	-	19,231
Total current liabilities	11,159,036	(451,238)	10,707,798
Total liabilities	25,240,926	(2,125,778)	23,115,148
Total shareholders' equity and liabilities	39,074,060	(2,019,255)	37,054,805

Etihad Etisalat Company (A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended 30 June 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact on the condensed consolidated interim statements of profit or loss and other comprehensive income

	As reported	Adjustment IFRS 16	Amounts without adoption of IFRS 16
Revenue	6,531,875	-	6,531,875
Cost of sales	(2,736,865)	(234,254)	(2,971,119)
Gross profit	3,795,010	(234,254)	3,560,756
Selling and marketing expenses	(594,646)	(28,608)	(623,254)
General and administrative expenses	(685,539)	(32,349)	(717,888)
Impairment loss on accounts receivable	(47,978)	-	(47,978)
Depreciation and amortization	(1,913,508)	240,937	(1,672,571)
Impairment loss on property and equipment	(42,000)	-	(42,000)
Other income	26,799	(3,936)	22,863
Operating profit	538,138	(58,210)	479,928
Share in results of joint venture	(1,309)	-	(1,309)
Finance expenses	(429,202)	64,962	(364,240)
Finance income	21,597	-	21,597
Profit before zakat	129,224	6,752	135,976
Zakat	(24,203)	-	(24,203)
Profit for the period	105,021	6,752	111,773
Total comprehensive income for the period	63,589	6,752	70,341

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA for the year ended 31 December 2018, except for new significant judgments related to the application of IFRS 16, which are described in Note 3.

4.1 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the condensed consolidated interim financial statements are categorized within the fair value hierarchy. This is described as follows based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the condensed consolidated interim financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Group also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

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5 PROPERTY AND EQUIPMENT

Cost:

At 1 January 2019
Adjustment on application of IFRS 16

Additions

Reclassification

Transfers

Disposals

At 30 June 2019

Depreciation:

At 1 January 2019

Adjustment on application of IFRS 16

Charge for the period

Impairment

Reclassification

Disposals

At 30 June 2019

Net book value:

At 30 June 2019

At 31 December 2018

During the six-month ended 30 June 2019, the Group has capitalized borrowing costs amounting to SR 14 million (31 December 2018: SR 10 million) and internal technical salaries amounting to SR 86 million (31 December 2018: SR 176 million).

Land	Buildings	Leasehold improvements	Telecommunication network equipment	Computer equipment and software	Office equipment and furniture	Vehicles	Capital work in progress	Total
273,192	1,235,556	836,398	40,234,102	5,513,613	437,220	3,046	3,549	48,536,676
-	(18,620)	4,805	(152,878)	-	-	-	-	(152,878)
-	-	-	964,552	88,944	2,695	-	13,658	1,056,034
-	-	-	301,954	(301,954)	-	-	-	-
-	-	-	13,763	-	-	-	(13,763)	-
-	(1,182)	-	(811)	(18)	(51)	-	-	(2,062)
273,192	1,215,754	841,203	41,360,682	5,300,585	439,864	3,046	3,444	49,437,770
-	303,688	673,240	20,746,870	4,203,076	423,389	2,638	-	26,352,901
-	-	-	(67,887)	-	-	-	-	(67,887)
-	26,988	18,125	1,225,444	215,207	1,623	54	-	1,487,441
-	-	-	42,000	-	-	-	-	42,000
-	-	-	196,327	(194,068)	(2,259)	-	-	-
-	(374)	-	(729)	(18)	(42)	-	-	(1,163)
-	330,302	691,365	22,142,025	4,224,197	422,711	2,692	-	27,813,292
273,192	885,452	149,838	19,218,657	1,076,388	17,153	354	3,444	21,624,478
273,192	931,868	163,158	19,487,232	1,310,537	13,831	408	3,549	22,183,775

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6 RIGHT OF USE ASSETS

	Telecommunication network equipment	Buildings	Land	Others	Total
Cost:					
As at 1 January 2019	-	-	-	-	-
Adjustment on application of IFRS 16	3,452,069	389,896	53,263	255,691	4,150,919
As at 1 January 2019 (adjusted)	3,452,069	389,896	53,263	255,691	4,150,919
Additions	123,085	3,898	-	5,866	132,849
Lease cancellation	(44,652)	(1,729)	-	(2,916)	(49,297)
As at 30 June 2019	3,530,502	392,065	53,263	258,641	4,234,471
Depreciation:					
As at 1 January 2019	-	-	-	-	-
Adjustment on application of IFRS 16	1,453,487	167,094	11,810	67,091	1,699,482
As at 1 January 2019 (adjusted)	1,453,487	167,094	11,810	67,091	1,699,482
Charge for the period	188,962	29,939	1,334	24,799	245,034
Lease cancellation	(20,177)	(397)	-	(1,389)	(21,963)
As at 30 June 2019	1,622,272	196,636	13,144	90,501	1,922,553
Net book value:					
At 30 June 2019	1,908,230	195,429	40,119	168,140	2,311,918

7 INTANGIBLE ASSETS

	Telecommunication services licenses	Goodwill	Indefeasible Right of Use (IRU)	Others	Total
Cost:					
As at 1 January 2019	13,534,100	1,466,865	1,151,215	97,689	16,249,869
Additions	46,200	-	23,891	-	70,091
As at 30 June 2019	13,580,300	1,466,865	1,175,106	97,689	16,319,960
Amortization:					
As at 1 January 2019	6,812,172	-	521,843	97,689	7,431,704
Charge for the period	138,052	-	42,981	-	181,033
As at 30 June 2019	6,950,224	-	564,824	97,689	7,612,737
Net book value:					
As at 30 June 2019	6,630,076	1,466,865	610,282	-	8,707,223
As at 31 December 2018	6,721,928	1,466,865	629,372	-	8,818,165

8 ACCOUNTS RECEIVABLE

	30 June 2019	31 December 2018
Accounts receivable	5,155,223	5,591,274
Less: allowance for doubtful debts	(2,072,534)	(2,024,556)
	3,082,689	3,566,718

The movement of the allowance for doubtful debts is as follows:

	30 June 2019	31 December 2018
Opening balance	(2,024,556)	(1,636,529)
Adjustment on application of IFRS 9	-	(276,499)
Opening balance (adjusted)	(2,024,556)	(1,913,028)
Charge for the period / year	(47,978)	(111,528)
Closing balance	(2,072,534)	(2,024,556)

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9 RELATED PARTIES TRANSACTIONS AND BALANCES

During the period, the Group transacted with following related parties:

Party	Relationship
Emirates Telecommunication Corporation	Founding shareholder
Emirates Data Clearing House	Affiliate to Emirates Telecommunication Corporation
Etisalat Misr	Subsidiary to Emirates Telecommunication Corporation
Etisalat Afghanistan	Subsidiary to Emirates Telecommunication Corporation
Etisalat Al Maghrib S.A (Maroc Telecom)	Subsidiary to Emirates Telecommunication Corporation
Pakistan Telecommunication Company Limited	Subsidiary to Emirates Telecommunication Corporation

The Group transacted with related parties in ordinary course of business. Following are the details of major transactions with the related parties:

	30 June 2019	30 June 2018
Interconnection services and roaming services rendered	55,300	75,123
Interconnection services and roaming services received	203,077	157,252
Management fees	14,062	11,262
Other management expenses	(2,324)	33,391
Telecommunication services	3,255	2,002

Balances with related parties

	30 June 2019	31 December 2018
Balance due from	68,203	68,452
Balance due to	110,747	163,385

Compensation and benefits to key management personnel

	30 June 2019	30 June 2018
Short term employee benefits	47,907	37,542
Post-employment benefits	1,102	1,091
Total compensation and benefits to key management personnel	49,009	38,633

Services rendered to related parties comprise of the provision of telecommunication service, interconnection services and roaming services by the Group based on normal commercial terms. Services received from related parties comprise of telecommunication service, interconnection services and roaming services to the Group based on normal commercial terms. Management fees and other management expenses are calculated based on the relevant agreements with Emirates Telecommunication Corporation. The balances due to and from related parties are unsecured and will be settled in cash.

Transactions with key management personnel comprise of remunerations to Board of Directors and other senior management members who are key management personnel of the Group.

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10 LOANS AND NOTES PAYABLE

	30 June 2019	31 December 2018
Long-term loans	12,735,961	13,021,679
Less: current portion	(1,441,611)	(1,033,891)
Non-current	11,294,350	11,987,788

a) Maturity profile of loans and notes payable:

	30 June 2019	31 December 2018
Less than one year	1,441,611	1,033,891
Between one to five years	10,754,847	8,704,052
Over five years	539,503	3,283,736

11 FINANCIAL ASSETS AND LIABILITIES

11.1 FINANCIAL ASSETS

	30 June 2019	31 December 2018
Financial assets at fair value:		
Financial assets - fair value through other comprehensive income *	7,636	7,271
Derivative financial instruments**	2,993	8,095
Total financial assets at fair value	10,629	15,366
Financial assets at amortized cost:		
Accounts receivable	3,082,689	3,566,718
Due from related parties	68,203	68,452
Other financial assets	675,000	1,000,000
Cash and cash equivalents	1,058,537	1,032,850
Total financial assets at amortized cost	4,884,429	5,668,020
Total financial assets	4,895,058	5,683,386
Current financial assets	4,887,422	5,676,115
Non-current financial assets	7,636	7,271
Total financial assets	4,895,058	5,683,386

11.2 FINANCIAL LIABILITIES

	30 June 2019	31 December 2018
Financial liabilities at fair value:		
Derivative financial instruments**	46,779	11,249
Total financial liabilities at fair value	46,779	11,249
Financial liabilities at amortized cost:		
Loans and notes payable	12,735,961	13,021,679
Lease liabilities	2,437,048	-
Accounts payable	4,464,630	5,154,712
Due to related parties	110,747	163,385
Other financial liabilities	275,536	299,640
Total financial liabilities at amortized cost	20,023,922	18,639,416
Total financial liabilities	20,070,701	18,650,665
Current financial liabilities	6,725,820	6,363,237
Non-current financial liabilities	13,344,881	12,287,428
Total financial liabilities	20,070,701	18,650,665

* The fair value of these unquoted equity shares was categorized as level 3.

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

Fair values of financial assets and financial liabilities measured at amortized cost are not significantly different from their carrying amounts.

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12 REVENUE

	Consumer	Business	Wholesale	Outsourcing	Total
30 June 2019					
Usage	3,876,572	226,684	431,151	-	4,534,407
Activation and subscription fees	929,046	198,172	-	-	1,127,218
Others	345,677	345,214	94,553	84,806	870,250
	5,151,295	770,070	525,704	84,806	6,531,875
30 June 2018					
Usage	3,424,756	296,464	310,901	-	4,032,121
Activation and subscription fees	981,091	174,475	-	-	1,155,566
Others	270,762	162,874	50,575	55,329	539,540
	4,676,609	633,813	361,476	55,329	5,727,227

13 BASIC AND DILUTED PROFIT / (LOSS) PER SHARE

Basic profit / (loss) per share is calculated by dividing the profit / (loss) for the period attributable to ordinary equity holders of the company by the weighted average number of ordinary shares outstanding during the period.

The diluted profit / (loss) per share is same as the basic profit / (loss) per share as the Group does not have any dilutive instruments in issue.

	30 June 2019	30 June 2018
Profit / (Loss) for the period	105,021	(172,033)
Weighted average number of shares	770,000	770,000
Basic and diluted profit / (loss) per share (in SR)	0.14	(0.22)

14 COMMITMENTS AND CONTINGENCIES

14.1 Capital commitments

The Group has capital commitments resulting from contracts for supply of property and equipment, which were entered into and not yet executed at the condensed consolidated statement of financial position date in the amount of SR 782 million as at 30 June 2019 (31 December 2018: SR 1.2 billion).

14.2 Contingent liabilities

The Group had contingent liabilities in the form of letters of guarantee and letters of credit amounting to SR 802 million as at 30 June 2019 (31 December 2018: SR 769 million).

The CITC's violation committee has issued several penalty resolutions against the Group which the Group has opposed to in accordance with the Telecom Status and its implementing regulations. The reasons of issuing these resolutions vary between the manner followed in issuing prepaid SIM Cards and providing promotions that have not been approved by CITC and/or other reasons.

Multiple lawsuits were filed by the Group against CITC at the Board of Grievances in order to oppose to such resolutions of the CITC's violation committee in accordance with the Telecom Status and its regulations, as follows:

- There are (819) lawsuits filed by the Group against CITC amounting to SR 710 million as of 30 June 2019.
- The Board of Grievance has issued (177) verdicts in favor of the Group voiding (177) resolutions of the CITC's violation committee with a total penalties amounting to SR 505 million as of 30 June 2019.
- Some of these preliminary verdicts have become conclusive (after they were affirmed by the appeal court) cancelling penalties with a total amounting to SR 478 million as of 30 June 2019.

Management and the Board of Directors believe that, based on the status of these lawsuits as of 30 June 2019, adequate and sufficient provisions have been recorded.

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14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

14.2 Contingent liabilities (continued)

There are 182 lawsuits filed by some of the shareholders against the Group before the Committee for the Resolutions of Security Disputes and still being adjudicated by such committee. The Company has received (3) preliminary verdicts and (153) final verdicts in its favor and (11) dismissals while (1) case has been maintained (2) cases have been abandoned and (12) cases are on-going as of 30 June 2019.

The Group is subject to zakat according to the regulations of the General Authority of Zakat and Tax (GAZT) in the Kingdom of Saudi Arabia. The Group files its zakat returns on a consolidated basis, starting from the financial year ended December 31, 2009 and thereafter, where it includes the Company and its subsidiaries due to the fact that the Group is one economic entity wholly owned and managed by the Company.

The Group has filed its zakat returns with GAZT for the years through 2018 and settled its zakat thereon. During the year ended 31 December 2016, the Group submitted adjusted zakat returns for the years 2013 and 2014, as a result of restatement of the consolidated financial statements for the said years.

The Group has finalized its zakat status and obtained the final zakat assessments for the years until 2006. During the first quarter of 2019, the tax and zakat status for the year 2008 has been finalized. The Group has received zakat assessments for the years 2007, 2009, 2010 and 2011 that showed additional zakat and withholding tax assessments of SR 279 million and SR 232 million respectively, which have been appealed against by the Group at the Preliminary and Higher Appeal Committees. Recently, the Higher Appeal Committee has issued certain rulings in favor of the company related to zakat and withholding tax disputes. Management believes that it has sufficient grounds to contest the matters included in the assessments and the eventual outcome of the appeal process will not result in any significant liability.

15 SEGMENT INFORMATION

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker ("CODM") and used to allocate resources to the segments and to assess their performance.

The Group is engaged in a single line of business, being the supply of telecommunications services and related products. The majority of the Group's revenues, profits and assets relate to its operations in the Saudi Arabia. The operating segments that are regularly reported to the CODM are Consumer, Business, Wholesale and Outsourcing.

The CODM used to receive other operational financial aggregates on a group consolidated level. This is the measure reported to the Group's Board of Directors for the purpose of resource allocation and assessment of segment performance.

	30 June 2019	30 June 2018
Consumer revenues	5,151,295	4,676,609
Business revenues	770,070	633,813
Wholesale revenues	525,704	361,476
Outsourcing revenues	84,806	55,329
Total revenue	6,531,875	5,727,227
Total cost of sales	(2,736,865)	(2,289,565)
Total operating expense	(1,301,364)	(1,334,841)
Depreciation and amortization	(1,913,508)	(1,875,074)
Impairment loss on property and equipment	(42,000)	-
Total non-operating expense	(408,914)	(368,212)
Capital expenditures	1,126,125	1,358,325

16 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.