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

REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Mobile Telecommunications Company Saudi Arabia (a Saudi joint stock company)** and its subsidiaries (**"the Group"**) as of 31 March 2019 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended and the related notes 1 to 15 which form an integral part of this interim condensed consolidated financial information. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting', as endorsed in the Kingdom of Saudi Arabia, Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity', as endorsed in the Kingdom of Saudi Arabia. A review of interim financial 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, as endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia

ALDAR AUDIT BUREAU
Professional Partnership Co.
Head Office Riyadh
CR 1010443881
Certified Accountants
Abdullah Al Basri & Co.

Aldar Audit Bureau
Abdullah Al Basri & Co.

Abdullah M. Al Basri
Certified Public Accountant
(License No.171)

Riyadh, 11 Shaban 1440 H
Corresponding to 16 April 2019

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 31 MARCH 2019

	Notes	31 March 2019 SR'000	31 December 2018 SR'000
ASSETS			
Current assets			
Cash and cash equivalents		**1,408,296**	1,416,731
Trade and other receivables		**1,742,367**	2,015,642
Contract assets		**387,102**	289,197
Inventories		**180,116**	223,005
Total current assets		**3,717,881**	3,944,575
Non-current assets			
Contract assets		**22,348**	15,442
Right-of-use assets	3	**1,491,818**	-
Property and equipment		**6,043,283**	6,122,614
Intangible assets		**16,690,675**	16,240,679
Total non-current assets		**24,248,124**	22,378,735
TOTAL ASSETS		**27,966,005**	26,323,310
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		**3,980,368**	4,104,497
Current portion of long-term borrowings	7	**2,563,670**	2,526,633
Deferred revenue		**622,240**	720,476
Lease liabilities	3	**358,702**	-
Total current liabilities		**7,524,980**	7,351,606
Non-current liabilities			
Amounts due to related parties	6	**6,344,650**	6,584,703
Lease liabilities	3	**1,182,005**	-
Other non-current liabilities		**1,106,054**	591,615
Long-term borrowings	7	**7,841,488**	7,668,127
Derivative financial instruments		**88,552**	21,586
Provision for employees' end of service benefits	8	**96,827**	93,425
Total non-current liabilities		**16,659,576**	14,959,456
Capital and reserves			
Share capital	9	**5,837,292**	5,837,292
Hedging reserve		**(88,552)**	(21,586)
Other reserves		**(3,302)**	(3,302)
Accumulated deficit		**(1,963,989)**	(1,800,156)
Total capital and reserves		**3,781,449**	4,012,248
TOTAL EQUITY AND LIABILITIES		**27,966,005**	26,323,310

Mehdi Khalfaoui
CFO

Sultan Al-Deghaither
CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

The accompanying notes (1) to (15) form an integral part of these financial statements

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

		For the three month period ended	
	Notes	**31 March 2019 SR'000**	31 March 2018 SR'000
Revenue		**2,093,490**	1,685,973
Cost of revenue and sales		**(613,115)**	(568,604)
Operating and administrative expenses		**(476,065)**	(509,656)
Depreciation and amortization	3&5	**(572,530)**	(427,381)
Expected credit loss on financial assets (ECL)		**(49,302)**	(36,895)
Interest income		**7,132**	4,414
Other income /(expenses)		**5,349**	(10,008)
Finance cost		**(265,647)**	(215,170)
Net profit / (loss) before Zakat		**129,312**	(77,327)
Zakat	13	-	-
Net profit / (loss) for the period		**129,312**	(77,327)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Net fair value change in hedging instruments entered into for cash flow hedges		**(66,966)**	2,806
Total comprehensive income / (loss) for the period		**62,346**	(74,521)
Earnings / (Loss) per share (in Saudi Riyals)	10		
Basic		**0.222**	(0.132)
Diluted		**0.222**	(0.132)

Mehdi Khalfaoui
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The accompanying notes (1) to (15) form an integral part of these financial statements

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

	Share capital SR'000	Hedging reserve SR'000	Other reserves SR'000	Accumulated deficit SR'000	Total SR'000
Balance at 1 January 2018 as reported	5,837,292	(2,613)	(8,165)	(2,132,518)	3,693,996
Total comprehensive income / (loss) for the period	-	2,806	-	(77,327)	(74,521)
Balance at 31 March 2018	5,837,292	193	(8,165)	(2,209,845)	3,619,475

	Note	Share capital SR'000	Hedging reserve SR'000	Other reserves SR'000	Accumulated deficit SR'000	Total SR'000
Balance at 1 January 2019 as previously reported		**5,837,292**	**(21,586)**	**(3,302)**	**(1,800,156)**	**4,012,248**
Transition adjustment on adoption of IFRS 16	**3**	**-**	**-**	**-**	**(293,145)**	**(293,145)**
Balance at 1 January 2019 as restated		**5,837,292**	**(21,586)**	**(3,302)**	**(2,093,301)**	**3,719,103**
Total comprehensive income / (loss) for the period		**-**	**(66,966)**	**-**	**129,312**	**62,346**
Balance at 31 March 2019		**5,837,292**	**(88,552)**	**(3,302)**	**(1,963,989)**	**3,781,449**

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

The accompanying notes (1) to (15) form an integral part of these financial statements

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

	Notes	March 2019 SR'000	March 2018 SR'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit / (loss) for the period		**129,312**	(77,327)
Adjustments to reconcile net profit/ (loss) for the period to net cash from operating activities:			
Expected credit loss on financial assets (ECL)		**49,302**	21,761
Depreciation and amortization		**572,530**	427,381
Other provisions		**907**	-
Finance charges		**265,647**	215,170
Currency revaluation (gain) / loss		**(1,422)**	3,166
Provision for employees' end-of-service benefits	8	**4,669**	4,730
Operating income before changes in working capital		**1,020,945**	594,881
Changes in working capital			
Trade and other receivables		**166,309**	33,538
Inventories		**42,889**	50,030
Contract assets		**(104,810)**	(103,110)
Trade and other payables		**270,680**	(150,658)
Deferred revenue		**(98,237)**	12,307
Other non-current liabilities		**(206,463)**	1,813
Cash flows generated from operating activities		**1,091,313**	438,801
Employee Retirement Benefits Paid	8	**(1,267)**	(3,863)
Finance cost paid – due to banks		**(482,086)**	(104,268)
Net cash generated from operating activities		**607,960**	330,670
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		**(497,193)**	(353,745)
Proceed from disposal of property and equipment		**202**	3
Purchase of intangible assets		**(1,213)**	(900)
Net cash (used in) investing activities		**(498,204)**	(354,642)
CASH FLOWS FROM FINANCING ACTIVITIES			
Current and non-current portion of borrowing facility, net		**210,398**	121,319
Payment of lease liabilities		**(89,637)**	-
Amounts due to related parties		**(240,054)**	118,103
Net cash (used in) / generated from financing activities		**(119,293)**	239,422
Net change in cash and cash equivalents		**(9,537)**	215,450
Effect of movements in exchange rates on cash and cash equivalents		**1,102**	321
Cash and cash equivalents at beginning of the year		**1,416,731**	1,115,809
Cash and cash equivalents at end of the year		**1,408,296**	1,331,580

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

The accompanying notes (1) to (15) form an integral part of these financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) (continued)
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2019

	31 March 2019 SR'000	31 March 2018 SR'000
Non-cash transactions:		
Adjustment to property and equipment and intangible assets with corresponding effect to accounts payable and other receivables	**340,809**	486,361
Adjustment to advances from shareholders with corresponding effect to current portion of borrowing facilities	-	35,419
Changes in fair value of derivative financial instruments and corresponding debit to shareholders' equity	**66,966**	2,806

Mehdi Khalfaoui
CFO

Sultan Al-Deghaither
CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

1 ORGANIZATION AND ACTIVITIES

1.1 Mobile Telecommunications Company Saudi Arabia (the "Company") along with its subsidiaries (together the "Group" or "Zain KSA"), provides mobile telecommunication services in the Kingdom of Saudi Arabia in which it operates, purchases, delivers, installs, manages and maintains mobile telephone services.

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

The registered address of the Group is P.O. Box 295814, Riyadh 11351, Kingdom of Saudi Arabia.

During the third quarter of 2018, the Group became a subsidiary of Mobile Telecommunications Company K.S.C.P. Kuwait.

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

a. Extend its license for an additional 15-years period, bringing the remaining period to 32 years ending on 21/Rabi Al Awwal 1469 H (corresponding to 18 January 2047). (Yearly impact will be reduction in amortization charge of license by approximately SR 433 million and reduction in loss by the same amount);
b. Coordinate with the Ministry of Finance to discuss the alternatives regarding the amounts due to the government; and
c. Grant the Group a Unified License where it can offer all telecommunication services including fixed services which was issued on 23 Jumada first 1438 H (corresponding to 20 February 2017)

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

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

1 ORGANIZATION AND ACTIVITIES (continued)

On 16 Jumada I 1440 H (corresponding to 22 January 2019) the Group acquired 2600 MHz spectrum for a period of 15 years starting from 1 January 2020, for a total license fee of SR 324 million payable in an equal annual installments for 15 years starting from 1 January 2020.

On 10 Rajab 1440 H (corresponding to 17 March 2019) the Group acquired 100 MHz of additional spectrum in the 3.5 GHz spectrum, for a period of 15 years, for a total license fee of SR 624 million payable in equal annual installments for 13 years starting from 01 January 2022.

On 20 Rajab 1440 H (corresponding to 27 March 2019) Zain KSA announces signing an agreement for the Sale and lease back of its Tower, worth SR 2.52 billion. The sale of approximately 8,100 passive tower infrastructure and the building of an additional 1,500 (over the next 6 years) together with the lease back of such towers, for 15 years with the option to extend. The transaction will be executed once the approvals of regulatory authorities including CITC is secured.

The Group incurred net profit for the three month period ended 31 March 2019 of SR 129 million (31 March 2018: SR (77) million), and had an accumulated deficit of SR 1.96 billion as at this date (31 March 2018: SR 2.21 billion). The Group's management believes that the Group will be successful in meeting its obligations in normal course of operations. The directors of the Group have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

1.2 The Board of Directors, in their meeting held on May 7, 2018, recommended restructuring the share capital of the Group by reducing it from SR 5,837,291,750 to SR 3,616,110,780 and the total number of shares from 583,729,175 shares to 361,611,078 shares by cancellation of 222,118,097 shares. The purpose of such capital reduction is to absorb the accumulated losses of the Group as at June 30, 2017. Further, the Board has recommended increasing the share capital by SR 6,000,000,000 through the issuance of 600,000,000 new shares (rights issue) which will increase its capital from SAR 3,616,110,780 to SAR 9,616,110,780 and will result in the injection of additional fresh cash, which will be used to reduce the Group's debt. The recommendation of the Board is subject to the approval of the relevant authorities including the Capital Market Authority and the relevant extraordinary general assemblies.

1.3 Subsidiary Companies

In the fourth quarter of 2018, the Company established two fully owned limited liability Companies with a share capital of SR 10,000 each.

a. Zain Business Company will be responsible for the establishment, construction, repair and maintenance of telecom stations and towers. The Company is not operational yet.
b. Zain Sales Company will be responsible for distributing, selling telecom equipment and handsets; and providing consulting services. The Company started its operation in this quarter.

1.4 These financial statements were approved by the Board of Directors on 16 April 2019.

2 BASIS OF PREPARATION

Statement of compliance

These interim condensed consolidated financial statements (interim condensed consolidated financial information) have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as endorsed in Saudi Arabia.

This is the first set of interim condensed financial statements where IFRS 16 has been applied. Changes to significant accounting policies are described (Note 3).

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

Basis of measurement

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

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

The Group has used same accounting policies including risk management policies that were used for the year ended 31 December 2018, unless mentioned otherwise (Note 3).

Basis of consolidation

These interim condensed consolidated financial statements comprising the interim condensed consolidated statement of financial position, interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows and notes to the interim condensed consolidated interim financial statements of the Group, including assets, liabilities and the results of the operations of the Company and its subsidiaries, as set out in note 1.3. Subsidiaries are entities owned by the Group. Subsidiaries are consolidated from the date on which ownership commences until the date its ceases. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

2 BASIS OF PREPARATION (continued)

Critical accounting estimates and judgments

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

The significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 16.

Extension and termination options in lease contracts

Extension and termination options are included in a number of leases across the Group. These terms are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable by both the Group and the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Discounting of lease payments

The lease payments are discounted using the Group incremental borrowing rate (“IBR”). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

Functional and presentation currency

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

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the main accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the annual financial statements as at 31 December 2018. The changes in accounting policies are also expected to be reflected in the financial statements for the year ending 31 December 2019.

The Group has initially adopted IFRS 16 "Leases" from 1 January 2019.

General Impact of application of IFRS 16 Leases

The key changes to the Group's accounting policies resulting from its adoption of IFRS 16 is summarized below:

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortized over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- variable lease payment that are based on an index or a rate.
- amounts expected to be payable by the lessee under residual value guarantees.
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability.
- any lease payments made at or before the commencement date less any lease incentives received.
- any initial direct costs, and
- restoration costs.

Payments associated with leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Low-value assets comprise IT-equipment and small items of office furniture.

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial applications.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The Group has adopted IFRS 16 modified retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

	2019
Operating lease commitments disclosed as at 31 December 2018	**1,822,285**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	1,295,119
Add/(less): adjustments as a result of a different treatment of extension and termination options and other adjustments	314,700
Lease liability recognized as at 1 January 2019	**1,609,819**
Of which are:	
Current lease liabilities	374,735
Non-current lease liabilities	1,235,084
	1,609,819

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 01 January 2019 was 5.6 % interest expense on lease liabilities amounted to SAR 20.5 million for the three month period ended 31 March 2019.

	31 December 2018	**Increase/decrease**	**1 January 2019**
Right of use of assets	-	1,585,203	**1,585,203**
Trade and other receivables	2,015,642	(268,529)	**1,747,113**
Lease liabilities- current	-	374,735	**374,735**
Lease liabilities- non current	-	1,235,084	**1,235,084**
Retained earnings	(1,800,156)	(293,145)	**(2,093,301)**

The recognized right-of-use assets relate to the following types of assets:

	Land and building	**Cellular and other equipment**
Balance as of 1 January 2019	1,480,792	104,411
Add: Additions	10,088	-
Less: Amortizations	(75,092)	(28,381)
Closing balance as at 31 March 2019	**1,415,788**	**76,030**

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

The following table summarizes the impact on interim condensed consolidated statement of financial position as at 31 March 2019:

	As reported	IFRS 16 Adjustments	Amounts without adoption of IFRS 16
ASSETS			
Current assets			
Cash and cash equivalents	**1,408,296**	-	**1,408,296**
Trade and other receivables	**1,742,367**	268,531	**2,010,898**
Contract assets	**387,102**	-	**387,102**
Inventories	**180,116**	-	**180,116**
Total current assets	**3,717,881**	**268,531**	**3,986,412**
Non-current assets			
Contract assets	**22,348**	-	**22,348**
Right-of-use assets	**1,491,818**	(1,491,818)	-
Property and equipment	**6,043,283**	-	**6,043,283**
Intangible assets	**16,690,675**	-	**16,690,675**
Total non-current assets	**24,248,124**	**(1,491,818)**	**22,756,306**
TOTAL ASSETS	**27,966,005**	**(1,223,287)**	**26,742,718**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	**3,980,368**	36,550	**4,016,918**
Current portion of long-term borrowings	**2,563,670**	-	**2,563,670**
Deferred revenue	**622,240**	-	**622,240**
Lease liabilities	**358,702**	(358,702)	-
Total current liabilities	**7,524,980**	**(322,152)**	**7,202,828**
Non-current liabilities			
Amounts due to related parties	**6,344,650**	-	**6,344,650**
Lease liabilities	**1,182,005**	(1,182,005)	-
Other non-current liabilities	**1,106,054**	-	**1,106,054**
Long-term borrowings	**7,841,488**	-	**7,841,488**
Derivative financial instruments	**88,552**	-	**88,552**
Provision for employees' end of service benefits	**96,827**	-	**96,827**
Total non-current liabilities	**16,659,576**	**(1,182,005)**	**15,477,571**
Capital and reserves			
Share capital	**5,837,292**	-	**5,837,292**
Hedging reserve	**(88,552)**	-	**(88,552)**
Other reserves	**(3,302)**	-	**(3,302)**
Accumulated deficit	**(1,963,989)**	280,870	**(1,683,119)**
Total capital and reserves	**3,781,449**	**280,870**	**4,062,319**
TOTAL EQUITY AND LIABILITIES	**27,966,005**	**(1,223,287)**	**26,742,718**

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

The following table summarizes the impact on the interim condensed consolidated statement of profit or loss for the three-month period ended 31 March 2019:

	For the three-month period ended 31 March 2019		
	As reported	**IFRS 16 Adjustments**	**Amounts without adoption of IFRS 16**
Revenue	**2,093,490**	-	**2,093,490**
Cost of revenue and sales	**(613,115)**	-	**(613,115)**
Operating and administrative expenses	**(476,065)**	(136,272)	**(612,337)**
Depreciation and amortization	**(572,530)**	103,473	**(469,057)**
Expected credit loss on financial assets (ECL)	**(49,302)**	-	**(49,302)**
Interest income	**7,132**	-	**7,132**
Other income /(expenses)	**5,349**	-	**5,349**
Finance cost	**(265,647)**	20,524	**(245,123)**
Net profit / (loss) before Zakat	**129,312**	**(12,275)**	**117,037**
Zakat	-	-	-
Net profit / (loss) for the period	**129,312**	**(12,275)**	**117,037**

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- reliance on previous assessments on whether leases are onerous.
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The Group's leasing activities and how these are accounted for:

The Group mostly leases indoor and outdoor spaces for installation of its telecommunications sites. Rental contracts are typically made for fixed periods of 1 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, theses leases were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

4 SEGMENT INFORMATION

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

	For the three-month period ended 31March	
Revenues	**2019**	2018
Mobile Telecommunications Company "Zain KSA"	**2,016,318**	1,685,973
Zain Sales Company "Sales Co."	**679,910**	-
Eliminations / Adjustments	**(602,738)**	-
Total Revenues	**2,093,490**	1,685,973
Cost of operations (excluding depreciation and amortization)	**(1,089,180)**	(1,078,260)
Depreciation and amortization	**(572,530)**	(427,381)
Expected credit loss on financial assets (ECL)	**(49,302)**	(36,895)
Interest income	**7,132**	4,414
Other income /(expenses)	**5,349**	(10,008)
Finance cost	**(265,647)**	(215,170)
Zakat and income tax	**-**	-
Net Profit / (loss)	**129,312**	(77,327)

Following is the gross profit analysis on a segmental basis:

	For the three-month period ended 31March	
	2019	2018
Mobile Telecommunications Company "Zain KSA"	**1,451,374**	1,117,369
Zain Sales Company "Sales Co."	**14,334**	-
Eliminations / Adjustments	**14,667**	-
Gross Profit	**1,480,375**	1,117,369

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

Assets	**31 March 2019**	31 December 2018
Mobile Telecommunications Company "Zain KSA"	**28,806,608**	26,323,310
Zain Sales Company "Sales Co."	**1,021,339**	-
Eliminations / Adjustments	**(1,861,942)**	-
Total Assets	**27,966,005**	26,323,310
Liabilities		
Mobile Telecommunications Company "Zain KSA"	**25,055,124**	22,311,062
Zain Sales Company "Sales Co."	**1,006,031**	-
Eliminations / Adjustments	**(1,876,599)**	-
Total Liabilities	**24,184,556**	22,311,062

5 PROPERTY AND EQUIPMENT

During the three-month period ended 31 March 2019, the Group acquired assets with a cost of SR 840 million (31 March 2018: SR 841 million). During the period, the Group disposed assets with a net book value of SR 228 Thousand (31 March 2018: SR 4 thousand) resulting in a gain / (loss) on sale of property and equipment amounting to SR 202 thousand (31 March 2018: SR 3 thousand). During the three-month period ended 31 March 2019, the depreciation and amortization expense amounted to SR 572 million (31 March 2018: SR 427 million).

6 RELATED PARTY INFORMATION

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

	For the three month period ended	
	31 March 2019 SR'000	31 December 2018 SR'000
Revenue from entities owned by a shareholder	**1,733**	1,224
Purchases from entities owned by a shareholder	**12,158**	11,449
Branding and Management fees charged by a shareholder	**53,949**	164,934
Finance charges charged by a shareholder	**81,108**	81,216

The following balances were outstanding at the reporting date:

	31 March 2019 SR'000	31 December 2018 SR'000
Amounts due to shareholders	**6,344,572**	6,584,625
Amounts due to entity owned by a shareholder	**78**	78
Amounts due from a shareholder	**725**	721

In accordance with the arrangements agreed with the shareholders during 2009, some of the founding shareholders have provided advances to the Group. During 2012, pursuant to all related approvals, the principal amount of these advances were utilized to increase the share capital of the Group. Additionally, a founding shareholder has provided additional loans and made certain payments on behalf of the Group. All advances, loans and amounts due to shareholders carry finance cost that approximate the prevailing market rates.

7 LONG TERM BORROWINGS

	31 March 2019 SR'000	31 December 2018 SR'000
Syndicate Murabaha facility (refer to note 7.1)	**4,838,532**	4,837,087
Industrial and Commercial Bank of China loan (refer to note 7.2)	**2,270,099**	2,269,160
Ministry of Finance (refer to note 7.3)	**3,380,117**	3,179,998
Less: debt arrangement costs	**(83,590)**	(91,485)
Total	**10,405,158**	10,194,760
Less: current portion included in current liabilities	**(2,563,670)**	(2,526,633)
	7,841,488	7,668,127

7-1 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 stood at SAR 8.6 billion with the SAR portion totaling SAR 6.3 billion and the USD portion totaling USD 0.6 billion (SAR 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 SAR 2.7 billion from this facility bringing the outstanding principal to SAR 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 SAR 5.9 billion with the SAR portion totaling SAR 4.25 billion and the USD portion totaling USD 0.45 billion (SAR 1.705 billion). Moreover, the agreement includes a working capital facility totaling SAR 647.3 million with the SAR portion totaling SAR 462.4 million and the USD portion totaling USD 49.3 million (SAR 184.9 million) for two years. The working capital facility has not been utilized yet.

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

The Group is complying with the existing loan covenants.

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

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

7 LONG TERM BORROWINGS (Continued)

7-2 On 15 August 2016, the Group has signed a long-term commercial loan facility agreement amounting to SR 2.25 billion with a two years' tenor that is extendable by one additional year and payable at maturity. The new facility agreement signed with the Industrial and Commercial Bank of China to replace the existing syndicated facility; this new facility will have lower financing cost compared to the existing facilities. Financing charges are based on LIBOR plus agreed margin and payable in quarterly instalments. The Facility is unconditionally and irrevocably guaranteed by Mobile Telecommunications Company K.S.C.

On 18 March 2018, the Group has extended the final maturity date to 8 August 2019.

7-3 During 2013, the Group has signed an agreement with the Ministry of Finance, Saudi Arabia to defer payments of its dues to the government for the next seven years, estimated at SAR 5.6 billion. These deferred payments under this agreement will be bearing commercial commission payable annually, while the amount due will be repayable in equal instalments starting June 2021. The amount deferred by the Group as of 31 March 2019 amounted to SAR 3,067 million (31 December 2018: SAR 2,898 million).

8 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	31 March 2018 SR'000	31 December 2018 SR'000
Opening balance (restated)	**93,425**	94,167
Current service cost	**4,669**	18,167
Interest cost	**-**	3,952
Payments	**(1,267)**	(17,998)
Actuarial gain	**-**	(4,863)
Closing balance	**96,827**	93,425

The most recent actuarial valuation was performed by Lux Actuaries & Consultants for the year ended 31 December 2018 and was performed using the projected unit credit method.

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

Attrition rates	10% to 13%
Salary increases	4%
Discount rate	4.9%

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

9 SHARE CAPITAL

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

10 EARNINGS PER SHARE

Basic and diluted earnings / (loss) per share is based on the net profit / (loss) for the three-month period amounting to SR 129 million (31 March 2018: Losses for the three-month period amounting to SR (77) million) divided by a weighted average number of shares in issue of 583,729,175.

11 DIVIDENDS

No dividends were declared during the period.

12 CAPITAL COMMITMENTS AND CONTINGENCIES

The Group had capital commitments of SR 919 million (31 December 2018: SR 1,206 million) as at the reporting date.

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.

13 ZAKAT

Zakat charge for the period

Due to negative zakat base, no zakat has been charged during the period.

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 2017 and paid zakat and withholding tax according to the filed returns.

On 18 Ramadan 1436 H (corresponding to 07 July 2015), 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.

To appeal before the High Appeal Committee (HAC), Zain completed the required conditions in the Articles of the Saudi Tax Law, by paying the invoices issued by GAZT amounting SR 48 million on 16 November 2017 related to Withholding Tax (WHT) and issued a bank guarantee for the amount of SR 43 million related to the penalty generated from the delay in paying the WHT.

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

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

14 FAIR VALUE OF FINANCIAL ASSETS AND LIABILTIES

Assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All the financial assets and liabilities of the Group are carried at amortized cost. Therefore, the fair value hierarchy disclosure which requires a three-level category of fair value is not disclosed.

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

15 COMPARATIVE FIGURES

Previous year figures have been rearranged and/or reclassified, wherever necessary, for the purpose of comparison in the interim condensed consolidated financial statements.