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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

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

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Mobile Telecommunications Company Saudi Arabia - a Saudi Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2023, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") 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 financial statements consists of making inquiries, primarily to 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.

Basis for Qualified Conclusion:

As at 31 March 2023, the interim condensed consolidated financial statements included 'Right of use assets' of SR 815 million (31 December 2022: SR 790 million), 'Lease liabilities' of SR 1,044 million (31 December 2022: SR 680 million), 'Right of use assets - held for sale' of SR 445 million (31 December 2022: SR 1,000 million) and 'Lease liabilities - held for sale' of SR 254 million (31 December 2022: SR 802 million), and 'Finance cost' of SR 21 million (31 March 2022: SR 17 million), 'Amortization of right of use assets' of SR 37 million (31 March 2022: SR 53 million), and '(Loss) Gain on termination of right of use assets and leased liabilities" of (SR 29 million) (31 March 2022: SR 0.6 million). We were unable to obtain sufficient appropriate evidence and complete our review about the carrying amount of those accounts, because of the unavailability of complete information and time limitation imposed by the reporting deadline as of the date of our report. Had we been provided with the required information and completed our review of those account for the period ended 31 March 2023 and prior periods, matters might have come to our attention indicating that adjustments might be necessary to the interim condensed consolidated financial statement. Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2022 was also modified in respect of the same matter.

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

Qualified Conclusion:

Except for the adjustments to the interim condensed consolidated financial statement that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statement has not been prepared, in all material respects, in accordance with International Accounting Standard 34 - Interim Financial Reporting as endorsed in the Kingdom of Saudi Arabia.

Other Matter:

The interim condensed consolidated financial statements of the Group for the three months period ended 31 March 2022 were reviewed by another auditor who expressed unmodified review conclusion on those interim condensed consolidated financial statements on 20 Ramadan 1443H (corresponding to 21 April 2022).

For Ernst & Young
Professional Services

Saad M. Al-Khathlan
Certified Public Accountant
License No. (509)

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EY
سجل تجاري ١٠١٠٣٨٣٨٢١
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شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

Riyadh: 26 Shawwal 1444H
(16 May 2023)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	31 March 2023 (Unaudited)	31 December 2022 (Audited)
ASSETS			
Current assets			
Inventories		**261,231**	146,679
Contract assets		**128,264**	150,971
Financial assets measured at FVTPL	8	**605,250**	-
Trade and other receivables		**4,283,743**	3,990,264
Investment in short term deposit	5	**573,000**	-
Cash and cash equivalents	4	**850,835**	375,430
		6,702,323	4,663,344
Assets held for sale	6	**1,272,029**	2,362,509
Total current assets		**7,974,352**	7,025,853
Non-current assets			
Property and equipment	7	**4,681,356**	4,925,591
Intangible assets	7	**14,778,017**	14,966,922
Right of use assets		**814,770**	789,866
Capital advances		**224,276**	191,835
Investment in associate	9	**1,436**	-
Contract assets		**333,115**	344,897
Derivative financial instruments	20	**99,294**	110,872
Total non-current assets		**20,932,264**	21,329,983
TOTAL ASSETS		**28,906,616**	28,355,836
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		**4,650,882**	5,467,330
Deferred income and contract liabilities		**363,903**	351,251
Borrowings	10	**889,323**	836,800
Lease liabilities		**108,127**	109,820
Amounts due to related parties	11	**2,459,301**	1,319,857
		8,471,536	8,085,058
Liabilities directly associated with assets held for sale	6	**253,595**	801,950
Total current liabilities		**8,725,131**	8,887,008
Non-current liabilities			
Borrowings	10	**7,673,639**	5,171,069
Lease liabilities		**935,713**	569,991
Other non-current liabilities	12	**1,053,414**	3,766,614
Provision for employees' end of service benefits		**162,097**	161,286
Total non-current liabilities		**9,824,863**	9,668,960
Total liabilities		**18,549,994**	18,555,968
EQUITY			
Share capital	13	**8,987,292**	8,987,292
Hedging reserve	20	**99,294**	110,872
Other reserve		**(2,580)**	(8,247)
Statutory reserve		**76,397**	76,397
Retained earnings		**1,196,219**	633,554
Total equity		**10,356,622**	9,799,868
TOTAL LIABILITIES AND EQUITY		**28,906,616**	28,355,836

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

The accompanying notes (1) to (22) 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 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	31 March 2023	31 March 2022
Revenue		**2,422,157**	2,178,580
Cost of revenue		**(1,007,317)**	(942,669)
Gross profit		**1,414,840**	1,235,911
Distribution and marketing expenses		**(506,653)**	(385,573)
General and administrative expenses		**(142,936)**	(74,717)
Depreciation and amortization	7	**(505,464)**	(521,795)
Expected credit loss (ECL)		**(58,615)**	(52,698)
Operating profit		**201,172**	201,128
Finance income		**23,357**	459
Gain on sale of asset held for sale	6	**566,022**	-
Other (loss) / income	18	**(28,499)**	861
Share of loss of associate for the period	9	**(237)**	-
Impairment in investment in associate	9	**(527)**	-
Finance cost		**(168,315)**	(118,142)
Profit before Zakat		**592,973**	84,306
Zakat	17	**(30,308)**	(3,787)
Profit for the period		**562,665**	80,519
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Remeasurement of employees' end of service benefits obligation		**5,667**	-
Fair value change in hedging instruments entered into for cash flow hedges	20	**(11,578)**	**117,863**
Total comprehensive income for the period		**556,754**	**198,382**
Earnings per share (in Saudi Riyals)		**0.63**	0.09
Basic and Diluted	14	**898,729**	898,729

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THREE MONTHS PERIOD ENDED 31 MARCH 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Hedging reserve	Other reserves	Statutory reserve	Retained earnings	Total
Balance at 1 January 2023	**8,987,292**	**110,872**	**(8,247)**	**76,397**	**633,554**	**9,799,868**
Profit for the period	-	-	-	-	**562,665**	**562,665**
Other comprehensive income	-	**(11,578)**	**5,667**	-		**(5,911)**
Total comprehensive income for the period	-	**(11,578)**	**5,667**	-	**562,665**	**556,754**
Balance at 31 March 2023	**8,987,292**	**99,294**	**(2,580)**	**76,397**	**1,196,219**	**10,356,622**
Balance at 1 January 2022 (Audited)	8,987,292	(110,123)	2,066	21,430	138,855	9,039,520
Profit for the period	-	-	-	-	80,519	80,519
Other comprehensive income	-	117,863	-	-	-	117,863
Total comprehensive income for the period	-	117,863	-	-	80,519	198,382
Balance at 31 March 2022 (Unaudited)	8,987,292	7,740	2,066	21,430	219,374	9,237,902

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

The accompanying notes (1) to (22) 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 CASH FLOWS (UNAUDITED)
FOR THREE MONTHS PERIOD ENDED 31 MARCH 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	31 March 2023	31 March 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat		**592,973**	84,306
Adjustments to reconcile net profit for the period before zakat to net cash from operating activities:			
Depreciation and amortization	7	**505,464**	521,795
Expected credit loss		**58,615**	52,698
Other provisions		**(3,476)**	(212)
Other loss, net		**28,500**	-
Reversal / (charge) for inventory provision		**2,479**	(765)
Gain on disposal of property and equipment	6	**(566,022)**	-
Foreign currency loss, net		**585**	129
Finance costs		**168,315**	118,142
Share of loss of associate for the period	9	**237**	-
Impairment in investment in associate	9	**527**	-
Employees' end-of-service benefits charge		**8,061**	6,202
		796,258	782,295
Changes in working capital:			
Trade and other receivables		**(222,087)**	(411,128)
Contract assets		**34,489**	(48,672)
Inventories		**(117,031)**	(16,626)
Movement of cash under lien		**-**	(65)
Trade and other payables		**(420,352)**	464,753
Deferred income and contract liabilities		**12,652**	(16,093)
Other non-current liabilities		**(226,034)**	(167,469)
Cash flows generated (used in) from operations		**(142,105)**	586,995
Employees' end of service benefits paid		**(1,584)**	(2,594)
Net cash generated (used in) from operating activities		**(143,689)**	584,401
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		**(304,290)**	(284,291)
Proceed from disposal of property and equipment		**2,420,700**	-
Purchase of intangible assets		**(231,580)**	(205,436)
Investment in associate		**(2,200)**	
Investment in short term deposits		**(573,000)**	
Net cash from (used in) investing activities		**1,309,630**	(489,727)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowing		**(520,000)**	(200,000)
Payment of lease liabilities		**(94,854)**	(85,310)
Finance costs paid		**(75,097)**	(52,677)
Net cash used in financing activities		**(689,951)**	(337,987)
Net change in cash and cash equivalents		**475,990**	(243,313)
Effect of movements in exchange rates on cash and cash equivalents		**(585)**	(141)
Cash and cash equivalents at beginning of the period		**374,362**	507,189
Cash and cash equivalents at end of the period	4	**849,767**	263,735

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

The accompanying notes (1) to (22) 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 CASH FLOWS (UNAUDITED) (continued)
FOR THREE MONTHS PERIOD ENDED 31 MARCH 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

Non Cash Transactions:

	31 March 2023	31 March 2022
Adjustment to property and equipment with corresponding to trade payables and capital advances	**(697,551)**	100,047
Adjustment to property and equipment with corresponding to investment	**(605,000)**	
Adjustment to intangible assets with corresponding to trade payables	**223,267**	142,585
Changes in fair value of derivative financial instruments	**(11,578)**	48,475
Termination adjustment in ROU held for sale	**(554,961)**	-
Termination adjustment in LL held for sale	**548,355**	-
Transfer property plant and equipment and ROU to assets held for sale	-	2,362,509
Transfer of LL to held for sale	-	801,950
Transfer of MOF non-current liability to long term borrowing	**2,487,167**	-
Transfer of MOF current payable to short term borrowing	**572,523**	-

Mehdi Khalfaoui
CFO

Sultan Al-Deghaither
CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

The accompanying notes (1) to (22) form an integral part of these interim condensed consolidated financial statements

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 (KSA) 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 Group 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 current liabilities of the Group exceed the current assets of the Group by SR 751 million (2022: SR 1.86 billion) which includes SR 2.46 billion (2022: SR 1.32 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 unutilized portion of the Syndicated Murabaha Facility amounting SR 1 billion (refer note 10-1). The Management 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 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. On 9 April 2021, the Company has increased its share capital amounting to SR 57 million. On 6 October 2022, the company increased its share capital by SR 91 million to reach SR 148 million.
c. Zain Drones Company is engaged in providing professional, scientific and technical drones services along with selling and repairing drones. Share capital SR 10,000. The company started its operation during the fourth quarter of 2019.

1 ORGANIZATION AND ACTIVITIES (continued)

1.3 Binding Agreement for sale of Tower

The Group has received unanimous approval of the Board of Directors, after excluding the following members: H.H. Prince Naif bin Sultan, Mr. Raied AlSaif, Mr. Saud AlBawardi, and Mr. Hisham Attar from voting on the offers because they are related parties once the transaction is executed, for the final offers (the “Final Offers”) from the Public Investment Fund (PIF), HRH Prince Saud Bin Fahad Bin Abdulaziz and Sultan Holding Company to acquire Zain’s towers infrastructures. The approved final offers were to acquire stakes in Zain KSA’s towers infrastructure comprising of 8,069 towers, valuing these assets at SR 3,026 million (USD 807 million).

On 28 May 2022, Zain KSA received a letter from the Communications Space and Technology Commission (CST) No.4319/1443/AH dated 27/10/1443H (corresponding to 28/5/2022G), which included the CST's Board of Directors approval for “Zain Business Limited” Company (a subsidiary of Zain KSA) to acquire at least 8,069 of the telecom tower sites owned by Zain KSA, after Zain Business Limited obtains a license (providing wholesale services for infrastructure – (Class A) towers and masts), provided that the regulatory requirements related to licensing are met.

In September 2022, PIF acquired Zain Business Limited and change the name, with Commercial registration number 10100472408, to Golden Lattice Investment Company (GLI).

In October 2022, the Group has also entered into a Shareholders’ Agreement “SHA” with PIF, HRH Prince Saud bin Fahd bin Abdulaziz, Sultan Holding Company and GLI in respect of GLI, such that the shareholding structure of GLI upon Completion shall be: PIF – 60%; the Group – 20%; HRH Prince Saud bin Fahad Bin Abdul Aziz– 10% and Sultan Holding Company – 10%.

Simultaneously in October 2022, the Group also signed with GLI an Asset Purchase Agreement “APA”; whereby at least aforementioned sites will be transferred, in batches and within a period not exceeding 18 months from the Financial Completion, from the Group to GLI for an aggregate value as mentioned above. Whereby the Group, upon the “Financial Completion” under the APA, will receive a cash proceed of SR 2,421 million along with a 20% equity stake in GLI.

The “Financial Completion" under the APA is only achieved when the required licenses are obtained, and the Group transfers at least 3,000 sites out of total towers agreed to be transferred to GLI, then “The Financial Completion” date will be triggered and the signed APA and SHA will be executed. During the period ended 31 March 2023 The Financial Completion date has been triggered and consequently 3,600 sites has been derecognized from the books of the Group and transferred to GLI.

1 ORGANIZATION AND ACTIVITIES (continued)

1.4 Agreement for investment in associate

On 9 July 2022, the Group and Zain Ventures Holding Company W.L.L signed an Shareholders' agreement with Digital Application Trading Company L.L.C "PHT" registered under the laws of KSA, by virtue of which all parties of the agreement agreed and recorded terms and conditions relating to the shareholding, funding, management and support requirements of Entertainment Content Trading Company (Single Owner) L.L.C "ECT" already formed and registered under the laws of KSA, currently owned by PHT.

The Group, Zain Ventures Holding Company W.L.L, PHT and ECT on 8 September 2022 entered into a Subscription Agreement, by virtue of which the Group and Zain Ventures Holding Company W.L.L agrees to subscribe to 30% shares shareholding in ECT with an amount of SR 9.38 million each, in two phases out of which SR 2 million has been paid as at 31 March 2023 (also refer note 9).

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 and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). 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 2022 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 2022 annual consolidated financial statements for the year ended 31 December 2022.

New Standards, Amendment to Standards and Interpretations:

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2023 and has been explained in the Groups' annual consolidated financial statements, but they do not have a material effect on the Groups' interim condensed consolidated financial statements.

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 these 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

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has assessed that these amendments have no significant impact on the interim condensed consolidated financial statements.

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards that are issued and effective for the current period **(continued)**

Standard, interpretation, amendments	**Description**	**Effective date**
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require entities to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023

4 CASH AND CASH EQUIVALENTS

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Cash in hand	**1,697**	1,678
Cash at banks	**349,138**	373,752
Short term deposits	**500,000**	-
	850,835	375,430
Cash at bank under lien	**(1,068)**	(1,068)
	849,767	374,362

The Group invests part of the surplus cash in time deposits with maturity period of three month or less with local commercial banks. The annual commission average rates on these deposits were 3.7% to 5.2% (31 March 2022: 0.4% to 1.8%). As at 31 March 2023, the amount invested as time deposit is 0.5 billion (2022: Nil).

5 INVESTMENT IN SHORT TERM DEPOSIT

The Group has invested in short term deposit for a period exceeding 3 months during the period amounting to SAR 573 million (2022: Nil). The deposit carries annual commission on market terms.

6 ASSETS HELD FOR SALE

This represents the carrying value of 4,469 (2022: 8,069) telecom tower assets amounting to SR 827 million (2022: 1,363 million) and right of use of assets amounting to SR 445 million (2022: 1,000 million) and its related lease liabilities directly associated to the assets classified as held for sale amounting to SR 254 million (2022: 802 million). During the period, pursuant to triggering of financial completion under the APA, the Group has derecognized 3,600 towers with net book value of SR 536 million against an adjustment to advances form GLI amounting to SR 745 million and SR 605 million as in-kind consideration of 60.5 million shares (20% stake) in GLI. The gain has been realized in profit and loss for the period amounting to SR 595 million less associated transaction costs of SR 29 million.

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 ASSETS HELD FOR SALE (continued)

During February 2022, the board of the directors approved the final offer to sell stakes in Zain KSA's towers infrastructure, on the basis that management is committed to a plan to sell these assets and accordingly classified the assets and the liabilities directly associated to these assets as held for sale and stop depreciating the assets from the date of classifying them as held for sale. First phase of the transaction, i.e. financial completion, has already been completed during the period and the remaining phases are expected to close in first quarter of 2024, subject to customary closing conditions in subsequent phases. The Group is the anchor tenant on commercial terms on each of the towers being sold. (Refer note 1.3)

7 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

During the three-months period ended 31 March 2023, the Group acquired property and equipment amounted to SR 29 million (31 March 2022: SR 121 million) and intangible assets amounted to SR 8 million (31 March 2022: SR 2 million). During the period, the Group did not dispose any property and equipment (31 March 2022: No disposals).

During the three-months period ended 31 March 2023, the total depreciation and amortization expense amounted to SR 505 million, out of which SR 468 million relates to property and equipment and intangible assets and the remaining amount of SR 37 million relates to the depreciation charge for right of use assets (31 March 2022: the total depreciation and amortization expense amounted to SR 522 out of which SR 469 relates to property and equipment and intangible assets and the remaining amount of SR 53 million relates the depreciation charge for right of use assets).

8 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS

Further to the sale of towers, the Group has entered into a Shareholders' Agreement "SHA" with PIF, HRH Prince Saud bin Fahd bin Abdulaziz, Sultan Holding Company and GLI in respect of GLI, and has completed the ownership of 20% of GLI for an amount of SR 605Million. The majority shareholder of GLI has an unconditional call option to purchase 100% stake of the Group in GLI at an already agreed price.

The management of the Group has determined that due to existing call option as at the interim condensed financial statement date and its' inability to exercise power in financial and operating policy decision of GLI, hence it has no significant influence over GLI.

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Financial Assets Measured At Fair Value Through Profit and Loss		
Unquoted equity shares	605,250	-
Closing Balance	**605,250**	-

Unquoted equity shares are carried at fair value, less impairment, if any. Due to the non-availability of reliable measures of the fair value, the in-kind consideration paid by GLI (an independent buyer) is considered as representation of fair value of the investment. Based on the latest available financial information, management is of the view that no further impairment loss is required as at 31 March 2023 in respect of equity investments.

(All amounts in Saudi Riyals thousands unless otherwise stated)

9 INVESTMENT IN AN ASSOCIATE

On 9 July 2022, the Group and Zain Ventures Holding Company W.L.L signed an Shareholders' agreement with Digital Application Trading Company L.L.C "PHT" registered under the laws of KSA, by virtue of which all parties of the agreement agreed and recorded terms and conditions relating to the shareholding, funding, management and support requirements of Entertainment Content Trading Company (Single Owner) L.L.C "ECT" already formed and registered under the laws of KSA, currently owned by PHT.

The Group, Zain Ventures Holding Company W.L.L, PHT and ECT on 8 September 2022 entered into a Subscription Agreement, by virtue of which the Group and Zain Ventures Holding Company W.L.L agrees to subscribe to 30% shareholding in ECT with an amount of SR 9.38 million each, in two phases. The first phase of investment has been completed and the company subscribed with SR 2 million capital increase as at 31 March 2023, providing 15% of ownership in ECT. The remaining SR 2.687 million was paid in April 2023. The Group has significant influence over ECT with 15% shareholding and 33% representation on the Board of ECT.

The movement in investment in an associate during the year is as follows:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
At the beginning of the period	**-**	-
Investment	**2,200**	-
Share of loss of associate for the period	**(237)**	-
Impairment	**(527)**	-
Closing Balance	**1,436**	-

Below is the financial summary of the associate taken from the management-prepared financial statements for the period ended 31 March 2023.

	31 March 2023 (Unaudited)
Statement of financial position:	
Current assets	**9,723**
Non-current assets	**65**
Current liabilities	**9,047**
Net equity	**741**
Statement of profit or loss and other comprehensive income:	
Revenue	**1,255**
Total comprehensive loss during the period	**(1,577)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

10 BORROWINGS

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Syndicate Murabaha facility (refer to note 10.1)	**5,503,272**	**5,487,869**
Working Capital Murabaha facility (refer to note 10.1)	**-**	**520,000**
Murabaha facility agreement (refer to note 10.2)	**3,059,690**	**-**
Total borrowings	**8,562,962**	**6,007,869**

The current and non-current amounts are as follows:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Current borrowings	**889,323**	836,800
Non-current borrowings	**7,673,639**	5,171,069
Total borrowings	**8,562,962**	6,007,869

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

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Saudi Riyal	**7,537,835**	4,888,748
US Dollar	**1,025,127**	1,119,121
Total	**8,562,962**	6,007,869

10-1 Syndicated Murabaha facility

On 27 September 2020, the Group refinanced and extended the maturity date of its existing five years syndicated Murabaha facility (MFA) obtained from the commercial banks for a total amount available up to SR 6 billion with two years grace period, at commercial market 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 2023, the Group has utilized SR 6 billion from existing facility of SR 7 billion. which includes 6 billion from long term facility while Nil (2022: SR 0.52 billion) is related against the working capital facility. During the period ended 31 March 2023, the Group has drawn down SR Nil (2022: SR 2.8 billion) from the existing long term facility and SR Nil (2022: 0.65 billion) from working capital facility while settling 0.52 billion of working capital facility. As at 31 March 2023, total unused facility against MFA amounting to SR 1 billion from the working capital facility.

Financing charges, as specified under the "Murabaha financing agreement" are payable in quarterly installments over five years. MFA is secured partially by a guarantee from Mobile Telecommunications Company K.S.C.P 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

10 BORROWINGS (continued)

10-2 Murabaha facility with MOF

During 2013, the Company signed an agreement with the Ministry of Finance (MOF), Kingdom of Saudi Arabia to defer payments of its dues to the government for the next seven years ending May 2020. These deferred payments under agreement contain commercial commission payable annually, while the amount is repayable in seven years starting from June 2021 as per original terms, which was then revised in 31 October 2021. Based on revised scheduling the first repayment amounting to SR 0.538 billion has been settled in November 2021. The amount deferred by the Company as of 31 December 2022: SR 3.06 billion out of which SR 0.573 billion was recognized under trade and other payables as current portion.

On 20 February 2023, the Group has signed a revised agreement with MOF in which the existing deferral of payment to MOF along with commercial commission payable is converted into a Murabaha facility with MOF and Al Rajhi Banking & Investment Corporation has been appointed as the Murabaha Facility Agent. The facility matures on June 2027 with yearly scheduled repayment on 1 June every year till maturity, starting from June 2023. Finance charges are payable in either quarterly or yearly frequency, to be decided at each repayment term by the Group. The accrued interest related to the MOF payable is recorded under trade and other payables.

The facility doesn't have any security assigned to it. The Group is complying with the existing loan covenant of Murabaha facility.

11 TRANSACTIONS AND AMOUNTS DUE TO RELATED PARTIES

The Group has the following related parties:

Party	Relationship
Oman Telecommunications Company SAOG	Parent Company of Mobile Telecommunications Company K.S.C.P (ultimate parent)
Mobile Telecommunications Company K.S.C.P (Zain Group)	Founding shareholder / Parent Group
Zain Bahrain B.S.C ("MTCB")	Subsidiary to Founding Shareholder
Sudanese Mobile Telephone (Zain) Company Limited ("Zain Sudan")	Subsidiary to Founding Shareholder
Mobile Telecommunications Company Lebanon ("MTCL")	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
Golden Lattice Investment Company	Investee

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

	For the three months period ended	
	31 March 2023	31 March 2022
Revenue from entities owned by shareholder	**37,741**	1,800
Purchases from entities owned by shareholder	**51,572**	24,560
Fees charged by a Founding Shareholder (refer note 11.1)	**42,500**	33,017
Operational expenses charged by related party	**96,561**	-

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 TRANSACTIONS AND AMOUNTS DUE TO RELATED PARTIES (continued)

Compensation and benefits to key management personnel

	For the three months period ended	
	31 March 2023	31 March 2022
Compensation and benefits - short term	**5,193**	5,797
Compensation and benefits - post-employment	**846**	846
	6,039	6,643

The following balances were outstanding at the reporting date:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Mobile Telecommunications Company K.S.C.P (refer to note 11.1)	**666,022**	1,230,247
Mobile Telecommunications Company K.S.C.P (refer to note 11.2)	**5,300**	5,050
Founding Shareholders (refer to note 11.3)	**84,573**	84,573
Other related parties (refer to note 11.4)	**1,703,406**	(13)
	2,459,301	1,319,857
Current	**2,459,301**	1,319,857

11-1 Mobile Telecommunications Company K.S.C.P

This amount relates to accrued management fees and is payable to the Company's largest shareholder. The amount is unsecured, interest free and does not have any fixed terms of repayment but is not repayable until certain conditions are met in the Syndicated Murabaha facility referred to in note 10-1.

11-2 Mobile Telecommunications Company K.S.C.P and Infra Capital Investments

This amount represents the other inter-company balance that are payable to shareholders and doesn't bear any interest.

11-3 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 10-1.

11-4 Other related parties

This amount includes advance received from GLI as proceed for the 4,469 telecom tower assets and amount payable to GLI.

12 OTHER NON-CURRENT LIABILITIES

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Payable to MOF (refer to note 12-1)	**-**	2,487,167
Long-term payable – Spectrum (refer to note 12-2)	**1,000,741**	1,171,478
Others	**52,673**	107,969
	1,053,414	3,766,614

(All amounts in Saudi Riyals thousands unless otherwise stated)

12 OTHER NON-CURRENT LIABILITIES (continued)

12-1 The amount relates to deferral of due to government in pursuant to the agreement signed with MOF in 2013. During the period the Group has signed the Murabaha facility with MOF on 20 February 2023 to convert the outstanding amount as at the signing date into Murabaha facility (also refer note number 10-2). As at signing date the outstanding amount was SR 3.06 billion (31 December 2022: SR 3.06 billion) out of which SR 0.573 billion is recognized under borrowings as current liabilities (31 December 2022: SR 0.573 billion under trade and other payables).

12-2 As of 31 March 2023, the total outstanding amount payable against spectrum amounts to SR 1.18 billion (31 December 2022: SR: 1.36 billion) out of which SR 0.180 billion is recognized under trade and other payables as at 31 March 2023 (31 December 2022: SR 0.188 billion). The amount of the installment is to be settled annually based on the payment schedule agreed with CST.

13 SHARE CAPITAL

The Company had 898,729,175 (31 December 2022: 898,729,175) shares of SR 10 each in issue as at the reporting date.

14 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 2023 or 31 March 2022. Profit attributable to the shareholders use in calculating EPS is SR 563 million for the period ended 31 March 2023 (31 March 2022: SR 81 million respectively).

Weighted average number of ordinary shares

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

	For the three months period ended	
	31 March 2023	31 March 2022
Outstanding number of shares during the period	**898,729**	898,729
Basic earnings per share (SR)	**0.63**	0.090

Basic earnings per share is calculated by dividing the profit after zakat 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.

15 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

15 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	
Revenues	**31 March 2023**	31 March 2022
Mobile Telecommunications Company	**2,318,242**	2,134,127
Zain Sales Company	**349,842**	394,098
Zain Payments Company-Tamam	**67,416**	10,427
Zain Drones Company	**25**	-
Eliminations / Adjustments	**(313,368)**	(360,072)
Total Revenues	**2,422,157**	2,178,580
Cost of operations	**(1,656,906)**	(1,402,959)
Depreciation and amortization	**(505,464)**	(521,795)
Allowances against expected credit loss on financial assets	**(58,615)**	(52,698)
Finance income	**23,357**	459
Gain on sale of assets held for sale	**566,022**	-
Other (loss) / income	**(28,499)**	861
Share of loss for the period and Impairment in investment in associate	**(764)**	-
Finance costs	**(168,315)**	(118,142)
Zakat	**(30,308)**	(3,787)
Net Profit	**562,665**	80,519

Following is the gross profit analysis on a segment basis:

	For the three months period ended	
	31 March 2023	31 March 2022
Mobile Telecommunications Company	**1,355,345**	1,224,372
Zain Sales Company	**(663)**	3,803
Zain Payments Company-Tamam	**57,416**	8,344
Zain Drones	**25**	-
Eliminations / Adjustments	**2,717**	(608)
Gross Profit	**1,414,840**	1,235,911

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

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Assets		
Mobile Telecommunications Company	**39,543,676**	38,440,502
Zain Sales Company	**11,250,785**	10,797,703
Zain Payments Company-Tamam	**476,993**	370,138
Zain Drones Company	**4,250**	4,079
Eliminations / adjustments	**(22,369,088)**	(21,256,586)
Total Assets	**28,906,616**	28,355,836
Liabilities		
Mobile Telecommunications Company	**29,367,153**	28,806,419
Zain Sales Company	**11,107,182**	10,650,927
Zain Payments Company-Tamam	**310,539**	219,062
Zain Drones Company	**7,416**	6,639
Eliminations / adjustments	**(22,242,296)**	(21,127,079)
Total Liabilities	**18,549,994**	18,555,968

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 CAPITAL COMMITMENTS AND CONTINGENCIES

The Company had capital commitments of SR 567 million as at the reporting date (31 December 2022: SR 342 million). The Company had contingent liabilities as follow:

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Letters of guarantee	**34,438**	30,206
Letters of credit	**211,250**	211,250
	245,688	241,456

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 CST'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 CST and/or other reasons. As of 31 March, 2023, the amount of lawsuits and violations amounts to SR 25.5 million which has been recorded fully (31 March 2022: SR 10 million).

WITH HOLDING TAX (WHT)

On 18 Ramadan 1436H (corresponding to 7 July 2015), The Group received withholding tax assessments from ZATCA for the years from 2009 to 2011 whereby ZATCA asked to pay an additional amount of SR 267 million as withholding tax subject to delays penalty payable from the due date up to the settlement date equals to 1% for every 30 days.

The Group appealed this claim on 27 August 2015 which resulted in the reduction of withholding tax claim amounted to SR 219 million to SR 48 million.

To appeal before the High Appeal Committee (HAC), the Group completed the required conditions in the Articles of the Saudi Tax Law, by paying the invoices issued by ZATCA 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.

On 3 June 2021, the HAC issued its decision on the final claim which was reduced to SR 8.4 million.

The Group received additional assessment with an amount of SR 269.3 million for certain withholding tax items for the years from 2015 to 2021. The Group has appealed those assessments against the relevant committees.

On 9 Jumada Al-Akhirah 1444H (corresponding to 2 January 2023) the Tax Committees for Resolution of Tax Violations and Disputes passed resolution in favor of the Group in relation to ZATCAs' assessment related to 2012 and 2013 for the withholding tax on international traffic and related penalties. On 6 Ramadan 1444H (corresponding to 28 March 2023) ZATCA has filed an appeal for the aforementioned decision to The Appeal Committee for Tax Violations and Disputes.

The Group believes that the outcome of those appeals will be in the Group's favor with no material financial impact as the Group has sufficient provisions to cover these amounts.

(All amounts in Saudi Riyals thousands unless otherwise stated)

17 ZAKAT

Zakat provision	**31 March 2023 (Unaudited)**	31 December 2022 (Audited)
Balance at beginning of the period / year	**65,541**	41,232
Charge for the period / year	**30,308**	24,309
Balance at end of the period / year	**95,849**	65,541

Status of assessments

The Group had finalized its zakat status up to 2008 and obtained the related certificates. The Group had submitted its consolidated financial statements along with group zakat returns for the years from 2009 to 2020 and paid zakat according to the filed returns. In 2021 Zain Payment Company – Tamam had submitted, paid and obtained zakat certificate form ZATCA separately, consequently the Group had submitted zakat return for 2021 excluding Zain Payment Company – Tamam.

On 18 Ramadan 1436H (corresponding to 7 July 2015), The Group received the zakat assessments from Zakat, Tax and Customs Authority (ZATCA) for the years from 2009 to 2011 whereby ZATCA asked to pay an additional amount of SR 352 million related to zakat differences.

The Group appealed this claim on 27 August 2015 and was able to have the amount of SR 352 million related to zakat revoked entirely.

The Group received additional assessment of SR 20 million for Zakat for the years from 2014 to 2018 which the Group has appealed against these additional claims to the relevant committees. The Group believes this will not result in any material additional provisions. Zakat was assessed by ZATCA and agreed with no additional claim for the years ended 2012 and 2013. The Group has not received Zakat assessment for 2019, 2020 and 2021 yet.

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

18 OTHER (LOSS) / INCOME

	For the three months period ended	
	31 March 2023	31 March 2022
(Loss) / gain on leases (Also refer note 18.1)	**(29,109)**	594
Foreign exchange loss	**(585)**	(128)
Gain on disposal of assets	**-**	382
Other	**1,195**	13
	(28,499)	861

18-1 This amount relates to loss or gain on termination of lease labilities and ROU, during the period the Group has terminated leases related 3,600 sites, which has been transferred to GLI and the leases agreements has been duly novated in the name of GLI. The loss recognized for the stated sites amount to SR 34.28 million.

(All amounts in Saudi Riyals thousands unless otherwise stated)

19 FAIR VALUE OF FINANCIAL ASSETS AND LIABILTIES

19-1 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.

19-2 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
- Due to related parties
- Trade and other payables
- Borrowings
- Other non-current liabilities
- Investment FVTPL

		31 March 2022 Unaudited		31 December 2022 Audited	
	Fair value measurement hierarchy	**Carrying value**	**Fair value**	Carrying value	Fair Value
Derivative financial instruments	Level 2	**99,294**	**99,294**	110,872	110,872
Investment FVTPL	Level 3	**605,250**	**605,250**	-	-

19-3 Valuation techniques

These derivatives are valued using widely recognized valuation models. The Company relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparties include the use of forward pricing standard models using present value calculations and mid-market valuations.

Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices**.**

20 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 10-1). The outstanding notional amount of the contract as at 31 March 2023 was SR 2.9 billion (31 December 2022: SR 2.9 billion) and the fair value was a positive amount of SR 99 million as at 31 March 2023 (31 December 2022: SR 111 million).

The average contracted fixed interest rate ranges from 2% to 3%. A loss of SR 11.6 million was recognized in other comprehensive income for the three-month period ended 31 March 2023 (31 March 2022: gain of SR 118 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.

21 SUBSEQUENT EVENTS

No material events occurred subsequent to the reporting date, which could materially affect the condensed consolidated interim financial statements, and the related disclosures for the period ended 31 March 2023.

22 APPROVED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the Board of Directors on 18 Shawwal 1444H (Corresponding to 8 May 2023).