

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS
PERIOD ENDED 30 JUNE 2023**

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 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 30 June 2023, and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2023, and the related interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and explanatory notes. Board of Directors 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") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim 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" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial statement consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

for Ernst & Young Professional Services


Ahmed Ibrahim Reda
Certified Public Accountant
License No. 356

Riyadh: 24 Muharram 1445H
(11 August 2023)



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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	30 June 2023 (Unaudited)	31 December 2022 (Restated-Note 22)	01 January 2022 (Restated-Note 22)
ASSETS				
Current assets				
Inventories		273,992	146,679	213,723
Contract assets		114,546	150,971	67,224
Financial assets measured at FVTPL	7	605,250	-	-
Trade and other receivables		4,801,324	3,990,264	2,988,348
Cash and cash equivalents	4	689,810	375,430	511,977
		<u>6,484,922</u>	<u>4,663,344</u>	<u>3,781,272</u>
Assets held for sale	5, 21	1,729,182	2,817,779	-
Total current assets		<u>8,214,104</u>	<u>7,481,123</u>	<u>3,781,272</u>
Non-current assets				
Property and equipment	6	4,465,963	4,925,591	6,639,995
Intangible assets	6	14,594,381	14,966,922	15,561,044
Right of use assets		436,149	439,629	1,537,037
Capital advances		205,081	191,835	274,841
Investment in an associate and joint ventures	8	10,602	-	-
Contract assets		324,593	344,897	288,822
Derivative financial instruments	20	116,297	110,872	-
Total non-current assets		<u>20,153,066</u>	<u>20,979,746</u>	<u>24,301,739</u>
TOTAL ASSETS		<u>28,367,170</u>	<u>28,460,869</u>	<u>28,083,011</u>
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables		4,520,568	5,427,216	4,839,209
Dividend Payable	16	449,365	-	-
Deferred income and contract liabilities		375,890	351,251	601,049
Borrowings	9	869,897	836,800	3,213,549
Lease liabilities		108,127	109,820	263,771
Amounts due to related parties	10	2,493,316	1,319,857	1,530,090
		<u>8,817,163</u>	<u>8,044,944</u>	<u>10,447,668</u>
Liabilities directly associated with assets held for sale	5, 21	553,737	1,205,203	-
Total current liabilities		<u>9,370,900</u>	<u>9,250,147</u>	<u>10,447,668</u>
Non-current liabilities				
Borrowings	9	7,135,528	5,171,069	2,638,024
Lease liabilities		566,041	309,512	1,264,453
Other non-current liabilities	11	1,077,629	3,766,614	4,445,416
Derivative financial instruments		-	-	110,123
Provision for employees' EOSB		166,261	161,286	135,434
Total non-current liabilities		<u>8,945,459</u>	<u>9,408,481</u>	<u>8,593,450</u>
Total liabilities		<u>18,316,359</u>	<u>18,658,628</u>	<u>19,041,118</u>
EQUITY				
Share capital	12	8,987,292	8,987,292	8,987,292
Hedging reserve	20	116,297	110,872	(110,123)
Other reserve		(2,581)	(8,247)	2,066
Statutory reserve		76,397	76,397	21,430
Retained earnings		873,406	635,927	141,228
Total equity		<u>10,050,811</u>	<u>9,802,241</u>	<u>9,041,893</u>
TOTAL LIABILITIES AND EQUITY		<u>28,367,170</u>	<u>28,460,869</u>	<u>28,083,011</u>

Mehdi Khalfaoui
CFO

Sultan Al-Deghaither
CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

The accompanying notes (1) to (24) 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 AND SIX MONTHS PERIOD ENDED 30 JUNE 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	For the three-months period ended		For the six-months period ended	
		30 June 2023	30 June 2022	30 June 2023	30 June 2022
Revenue		2,392,378	2,206,103	4,814,535	4,384,682
Cost of revenue		(908,742)	(955,296)	(1,916,059)	(1,897,965)
Gross Profit		1,483,636	1,250,807	2,898,476	2,486,717
Distribution and marketing expenses		(510,861)	(362,022)	(1,017,514)	(747,596)
General and administrative expenses		(116,806)	(75,049)	(259,742)	(149,765)
Depreciation and amortization	6	(538,832)	(528,233)	(1,044,296)	(1,050,028)
Expected credit loss (ECL)		(56,886)	(46,852)	(115,501)	(99,550)
Operating profit		260,251	238,651	461,423	439,778
Finance income		14,547	1,384	37,904	1,843
Gain on sale of asset held for sale		(617)	-	565,405	-
Other (loss) / income	18	27,297	18,230	(1,202)	19,093
Share of loss of associate for the period		(341)	-	(578)	-
Impairment in investment in associate		-	-	(527)	-
Finance cost		(158,722)	(118,602)	(327,037)	(236,745)
Profit before Zakat		142,415	139,663	735,388	223,969
Zakat	17	(18,236)	(5,836)	(48,544)	(9,623)
Profit for the period		124,179	133,827	686,844	214,346
Other comprehensive income					
<i>Item that will not be reclassified subsequently to profit or loss:</i>					
Remeasurement of employees' end of service benefits obligation		-	-	5,666	-
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Fair value change in hedging instruments entered into for cash flow hedges	20	17,003	43,487	5,425	161,350
Total comprehensive income for the period		141,182	177,314	697,935	375,696
Earnings per share (in Saudi Riyals)					
Basic and Diluted	13	0.14	0.15	0.76	0.24


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

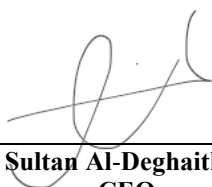
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR SIX MONTHS PERIOD ENDED 30 JUNE 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

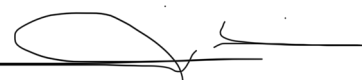
	Share capital	Hedging reserve	Other reserves	Statutory reserve	Retained earnings	Total
Balance at 1 January 2023 (Restated – Note 22)	8,987,292	110,872	(8,247)	76,397	635,927	9,802,241
Profit for the period	-	-	-	-	686,844	686,844
Other comprehensive income for the period	-	5,425	5,666	-	-	11,091
Total comprehensive income for the period	-	5,425	5,666	-	686,844	697,935
Dividend Declared – Note 16	-	-	-	-	(449,365)	(449,365)
Balance at 30 June 2023 (Unaudited)	8,987,292	116,297	(2,581)	76,397	873,406	10,050,811
Balance at 1 January 2022 (Restated – Note 22)	8,987,292	(110,123)	2,066	21,430	141,228	9,041,893
Profit for the period	-	-	-	-	214,346	214,346
Other comprehensive income for the period	-	161,350	-	-	-	161,350
Total comprehensive income for the period	-	161,350	-	-	214,346	375,696
Balance at 30 June 2022 (Restated – Note 22)	8,987,292	51,227	2,066	21,430	355,574	9,417,589



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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR SIX MONTHS PERIOD ENDED 30 JUNE 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	30 June 2023	30 June 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat		735,388	223,969
<i>Adjustments to reconcile net profit for the period before zakat to net cash from operating activities:</i>			
Depreciation and amortization	6	1,044,296	1,050,028
Expected credit loss		115,501	99,550
Other provisions		(10,984)	(1,603)
Loss in relation to leases termination, net		1,442	(17,080)
Reversal / (charge) for inventory provision		3,054	(1,765)
Gain on disposal of property and equipment	6	(566,022)	(968)
Foreign currency loss, net		1,170	344
Finance costs		327,037	236,745
Gain on modification of borrowing		-	(1,388)
Share of loss of associate for the period	8	578	-
Impairment in investment in associate	8	527	-
Employees' end-of-service benefits charge		14,758	11,784
		1,666,745	1,599,616
<i>Changes in working capital:</i>			
Trade and other receivables		(658,745)	(986,090)
Contract assets		56,729	(92,064)
Inventories		(130,366)	40,905
Movement of cash under lien		-	3,720
Trade and other payables		(545,145)	877,698
Deferred income and contract liabilities		24,639	30,347
Other non-current liabilities		(201,818)	(727,314)
Cash flows generated from operations		212,039	746,818
Employees' end of service benefits paid		(4,119)	(4,844)
Net cash generated from operating activities		207,920	741,974
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(420,790)	(515,589)
Proceeds from disposal of property and equipment		2,420,700	1,016
Purchase of intangible assets		(266,690)	(242,712)
Investment in associate		(4,887)	-
Net cash from (used in) investing activities		1,728,333	(757,285)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowing		(1,092,523)	(2,900,000)
Proceeds from borrowings		-	3,220,000
Payment of lease liabilities		(172,770)	(196,528)
Finance costs paid		(356,580)	(179,837)
Net cash used in financing activities		(1,621,873)	(56,365)
Net change in cash and cash equivalents		314,380	(71,676)
Effect of movements in exchange rates on cash and cash equivalents		-	(187)
Cash and cash equivalents at beginning of the period		374,362	507,189
Cash and cash equivalents at end of the period	4	688,742	435,326

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR SIX MONTHS PERIOD ENDED 30 JUNE 2023 (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

Non-Cash Transactions:

	30 June 2023	30 June 2022
Adjustment to property and equipment with corresponding to trade payables and capital advances	782,156	407,486
Adjustment to property and equipment with corresponding to investment	605,000	-
Adjustment to intangible assets with corresponding to trade payables	244,957	216,645
Termination adjustment in ROU held for sale	636,607	-
Termination adjustment in LL held for sale	657,617	-
Transfer of MOF non-current liability to long term borrowing	2,487,167	-
Transfer of MOF current payable to short term borrowing	572,523	-
Additions to right of use assets and lease liabilities	497,425	216,905
Dividend payable	(449,365)	-



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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

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.

As at the period ended 30 June 2023, the current liabilities of the Group exceed the current assets of the Group by SR 1.16 billion (31 December 2022: SR 1.77 billion and 1 January 2022: SR 6.67) which includes SR 2.49 billion (31 December 2022: SR 1.32 billion and 1 January 2022: 1.53 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 to note 9-1). 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.
- d. Data Reach – Single Member Company has been formed with a share capital of SR 5,000 to engage in activities of data sciences and analysis, data processing, establishing web hosting infrastructure and cloud computing, which has not commenced operation as at reporting date.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2023 – (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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 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 proceeds 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 was triggered and consequently 3,600 sites were derecognized from the books of the Group and transferred to GLI.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2023 – (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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 4.69 million has been paid as at 30 June 2023 (also refer to 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 MATERIAL ACCOUNTING POLICY INFORMATION

The Group has applied the same accounting policies and methods of computation in its interim condensed consolidated financial statements as in its 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 Group's annual consolidated financial statements, but they do not have a material effect on the Group's 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.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2023 – (CONTINUED)**

(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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Cash in hand	1,706	1,678
Cash at banks	338,104	373,752
Short term deposits	350,000	-
	689,810	375,430
Cash at bank under lien	(1,068)	(1,068)
	688,742	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 5.45% (30 June 2022: 0.4% to 1.8%). As at 30 June 2023, the amount invested as time deposit is 350 million (2022: Nil).

5 ASSETS HELD FOR SALE

This represents the carrying value of 4,469 (31 December 2022: 8,069) telecom tower assets amounting to SR 828 million (31 December 2022: 1,363 million) and right of use of assets amounting to SR 901 million (31 December 2022: 1,456 million) and its related lease liabilities directly associated to the assets classified as held for sale amounting to SR 239 million (31 December 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 from GLI amounting to SR 745 million and SR 605 million as in-kind consideration of 60.5 million shares (20% equity 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.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2023 – (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

5 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 stopped 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 Q1 2023 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 to note 1.3)

6 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

During the six-months period ended 30 June 2023, the Group acquired property and equipment amounted to SR 91 million (30 June 2022: SR 272 million) and intangible assets amounted to SR 8 million (30 June 2022: SR 24 million). During the period, the Group did not dispose any property and equipment (30 June 2022: 0.48 million).

During the six-months period ended 30 June 2023, the total depreciation and amortization expense amounted to SR 1,044 million, out of which SR 536 million relates to property and equipment and SR 394 million relates to intangible assets and the remaining amount of SR 114 million relates to the depreciation charge for right of use assets (30 June 2022: the total depreciation and amortization expense amounted to SR 1,050 million out of which SR 559 million relates to property and equipment and SR 371 million relates to intangible assets and the remaining amount of SR 120 million relates the depreciation charge for right of use assets).

7 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 605 million. 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 consolidated 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.

	30 June 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	-

The investment in these unquoted equity shares is carried at fair value. The Group engaged a third party for the assessment of the fair value of the investment. The carrying value of the investment appears between the indicative range of the fair value of the investment as provided by the third party valuer. Based on this, management is of the view that there is no material change in fair value as at 30 June 2023 in respect of this equity investment.

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8 INVESTMENT IN AN ASSOCIATE AND JOINT VENTURES

8-1 Digital Application Trading Company L.L.C

On 9 July 2022, the Group and Zain Ventures Holding Company W.L.L signed a 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 associate during the period is as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
At the beginning of the period	-	-
Investment in Playherra	4,887	-
Share of loss of associate for the period	(578)	-
Impairment	(527)	-
Closing Balance	3,782	-

Below is the financial summary of the associate taken from the management-prepared financial statements for the period ended 30 June 2023.

	30 June 2023 (Unaudited)
Statement of financial position:	
Current assets	3,144
Non-current assets	312
Current liabilities	5,614
Net equity	(1,762)
Statement of profit or loss and other comprehensive income:	
Revenue	1,960
Total comprehensive loss during the period	(3,852)

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8 INVESTMENT IN AN ASSOCIATE AND JOINT VENTURES

8-2 Integrated Data Company for Information Technology L.L.C

On 9 July 2022, the Group and other Mobile Network Operators (MNOs) signed a Term sheet to establish a Integrated Data Company for Information Technology L.L.C “IDC” to process insight provided by MNOs for enabling KSA governmental agencies to plan and achieve 2030 vision efficiently. Subsequently all parties signed Subscription and Shareholders’ agreement, pursuant to which the Group acquired 31% shareholding with a representation of two directors on the Board of IDC. The Board of IDC will have eight directors, out of which each MNO can appoint two directors and two independent directors (to be appointed unanimously by all three MNOs) and six other directors. The amount invested in IDC amounts to SR 6.82 million and is payable as at the date of these condensed consolidated financial statements. IDC has yet to commence its’ operations, however has been incorporated on 21 Ramadan 1444H (corresponding to 12 April 2023).

9 BORROWINGS

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Syndicate Murabaha facility (refer to note 9.1)	5,518,257	5,487,869
Working Capital Murabaha facility (refer to note 9.1)	-	520,000
Murabaha facility agreement (refer to note 9.2)	2,487,168	-
Total borrowings	8,005,425	6,007,869

The current and non-current amounts are as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Current borrowings	869,897	836,800
Non-current borrowings	7,135,528	5,171,069
Total borrowings	8,005,425	6,007,869

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Saudi Riyal	6,514,208	4,888,748
US Dollar	1,491,217	1,119,121
Total	8,005,425	6,007,869

9-1 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 bringing the total facility amounting to SR 7 billion until 2025, providing additional liquidity for the Group to fund its business growth plans.

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9 BORROWINGS (continued)

9-1 Syndicated Murabaha facility (continued)

As at 30 June 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 30 June 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 30 June 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.

9-2 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.

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10 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
Zain Tech Solutions FZ- LLC	Subsidiary to Founding Shareholder
FOO (Holding) SAL	Subsidiary to Founding Shareholder
Infra Capital Investments Company	Founding Shareholder
Golden Lattice Investment Company	Investee
Integrated Data Company for Information Technology L.L.C	Investee

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

	For the three months period ended		For the six months period ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Revenue from entities owned by shareholder	26,257	2,363	63,998	4,163
Purchases from entities owned by shareholder	38,696	16,431	90,448	40,991
Fees charged by a Founding Shareholder (refer to note 10.1)	42,500	33,419	85,000	66,437
Operational expense charged by related party	114,957	-	211,518	-

	For the three months period ended		For the six months period ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Compensation and benefits - short term	9,691	8,711	19,715	17,853
Compensation and benefits - post-employment	808	808	1,608	1,616
	10,499	9,519	21,323	19,469

The following balances were outstanding at the reporting date:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Mobile Telecommunications Company K.S.C.P (refer to note 10.1)	708,523	1,230,247
Mobile Telecommunications Company K.S.C.P (refer to note 10.2)	6,552	5,050
Founding Shareholders (refer to note 10.3)	68,464	84,573
Other related parties (refer to note 10.4)	1,709,777	(13)
	2,493,316	1,319,857
Current	2,493,316	1,319,857

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10 TRANSACTIONS AND AMOUNTS DUE TO RELATED PARTIES (continued)

10-1 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 9-1.

10-2 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.

10-3 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 9-1.

10-4 Other related parties

This amount includes remaining value of advance amounting to SR 1.68 Billion, received from GLI as proceed for the 4,469 telecom tower assets. Net payable to GLI SR 1.702 billion and amount payable to IDC SR 6.820 million.

11 OTHER NON-CURRENT LIABILITIES

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Payable to MOF (refer to note 11-1)	-	2,487,167
Long-term payable – Spectrum (refer to note 11-2)	1,018,581	1,171,478
Others	59,048	107,969
	1,077,629	3,766,614

11-1 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 to note number 10-2). As at signing date the outstanding amount was SR 2.49 billion (31 December 2022: SR 3.06 billion) out of which SR 0.553 billion is recognized under borrowings as current liabilities (31 December 2022: SR 0.573 billion under trade and other payables).

11-2 As of 30 June 2023, the total outstanding amount payable against spectrum amounts to SR 1.21 billion (31 December 2022: SR: 1.36 billion) out of which SR 0.188 billion is recognized under trade and other payables as at 30 June 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.

12 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.

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13 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 30 June 2023 or 30 June 2022. Profit attributable to the shareholders use in calculating EPS is SR 124 million and SR 687 million for the three and six-months period ended 30 June 2023 (30 June 2022: SR 134 million and SR 214 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		For the six-months period ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Outstanding number of shares during the period	898,729	898,729	898,729	898,729
Basic earnings per share (SR)	0.14	0.15	0.76	0.24

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.

14 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.

	For the three-months period ended		For the six-months period ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Revenues				
Mobile Telecommunications Company Saudi Arabia	2,289,596	2,140,444	4,607,838	4,274,572
Zain Sales Company	323,790	494,494	673,632	888,592
Zain Payments Company-Tamam	72,327	23,334	139,743	33,761
Zain Drones Company	(280)	-	(255)	-
Eliminations / Adjustments	(293,055)	(452,169)	(606,423)	(812,243)
Total Revenues	2,392,378	2,206,103	4,814,535	4,384,682
Cost of operations	(1,536,409)	(1,392,367)	(3,193,315)	(2,795,326)
Depreciation and amortization	(538,832)	(528,233)	(1,044,296)	(1,050,028)
Allowances against expected credit loss on financial assets	(56,886)	(46,852)	(115,501)	(99,550)
Finance income	14,547	1,384	37,904	1,843
Gain on sale of assets held for sale	(617)	-	565,405	-
Other income	27,297	18,230	(1,202)	19,093
Share of loss for the period and Impairment in investment in associate	(341)	-	(1,105)	-
Finance costs	(158,722)	(118,602)	(327,037)	(236,745)
Zakat	(18,236)	(5,836)	(48,544)	(9,623)
Profit for the period	124,179	133,827	686,844	214,346

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14 SEGMENT REPORTING (continued)

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

Following is the gross profit / (loss) analysis on a segment basis:

	For the three-months period ended		For the six-months period ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
Mobile Telecommunications Company Saudi Arabia	1,429,705	1,220,839	2,785,050	2,445,211
Zain Sales Company	(6,568)	19,473	(7,231)	23,276
Zain Payments Company-Tamam	60,621	19,873	118,038	28,218
Zain Drones Company	(280)	-	(255)	-
Eliminations / Adjustments	158	(9,378)	2,874	(9,988)
Gross Profit	1,483,636	1,250,807	2,898,476	2,486,717

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

	30 June 2023 (Unaudited)	31 December 2022 (Restated)	01 January 2022 (Restated)
Assets			
Mobile Telecommunications Company	39,620,183	38,545,535	36,486,959
Zain Sales Company	11,634,333	10,797,703	8,880,038
Zain Payments Company-Tamam	537,716	370,138	75,980
Zain Drones Company	3,969	4,079	1,800
Eliminations / adjustments	(23,429,031)	(21,256,586)	(17,361,766)
Total Assets	28,367,170	28,460,869	28,083,011
Liabilities			
Mobile Telecommunications Company	29,755,746	28,909,079	27,577,534
Zain Sales Company	11,499,169	10,650,927	8,761,309
Zain Payments Company-Tamam	352,196	219,062	41,258
Zain Drones Company	8,071	6,639	3,443
Zain Business	-	-	20
Eliminations / adjustments	(23,298,823)	(21,127,079)	(17,342,446)
Total Liabilities	18,316,359	18,658,628	19,041,118

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

15 CAPITAL COMMITMENTS AND CONTINGENCIES

The Company had capital commitments of SR 922 million as at the reporting date (31 December 2022: SR 342 million). The Company had contingent liabilities as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Letters of guarantee	27,179	30,206
Letters of credit	211,250	211,250
	238,429	241,456

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15 CAPITAL COMMITMENTS AND CONTINGENCIES (continued)

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 30 June, 2023, the amount of lawsuits and violations amounts to SR 34.7 million which has been recorded fully (30 June 2022: SR 12.3 million). The Group is involved in legal litigation claims in the ordinary course of business, which are being defended; there are also some claims under the process of final settlement. The ultimate results of these claims cannot be determined with certainty as at the date of preparing the consolidated financial statements; the Group's management does not expect that these claims will have a material adverse effect on the Group's condensed consolidated financial statements.

WITH HOLDING TAX (WHT)

On 7 July 2015 (18 Ramadan 1436H), The Group received withholding tax 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 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 by SR 219 million to SR 48 million, subject to delays penalty.

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 has appealed against this decision to the Appeal Committee for Tax Violations and Disputes and the case is pending as at 30 June 2023.

The Group received additional assessment with an amount of SR 252 million for certain withholding tax items for the years from 2012 to 2021. The Group has appealed those assessments against the relevant committees.

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.

16 DIVIDEND

On 22 June 2023 (04 Dhul Hijjah 1444H), the Board of Directors' approved the distribution of cash dividends of SR 0.5 per share amounting to SR 449,364,588 to shareholders for the fiscal year ended 31 December 2022, the distribution date of declared dividend is 12 July 2023. However, on 6 July 2023 Group distributed the declared dividend (refer to note 23).

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17 ZAKAT

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Zakat provision		
Balance at beginning of the period / year	65,541	41,232
Charge for the period / year	48,544	24,309
Balance at end of the period / year	114,085	65,541

Status of assessments

The Group had finalized its zakat status up to 2013 and obtained the related certificates. The Group had submitted its consolidated financial statements along with Group zakat returns for the years from 2009 to 2022 and paid zakat according to the filed returns. From 2021 Zain Payment Company – Tamam had submitted, paid and obtained zakat certificate form ZATCA separately, consequently the Group had submitted zakat return for 2021 and 2022 excluding Zain Payment Company – Tamam.k

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. The Group has not received Zakat assessment for 2019 till 2022 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		For the six-months period ended	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
(Loss) / gain on leases	28,197	16,393	(912)	16,988
Foreign exchange loss	(1,170)	(215)	(1,170)	(344)
Gain on disposal of assets	-	585	-	968
Other	270	1,467	880	1,481
	27,297	18,230	(1,202)	19,093

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19 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

	Fair value measurement hierarchy	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
		Carrying value	Fair value	Carrying value	Fair Value
Derivative financial instruments	Level 2	116,297	116,297	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 Group 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.

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(All amounts in Saudi Riyals thousands unless otherwise stated)

20 DERIVATIVE FINANCIAL INSTRUMENTS

On 22 September 2020 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 to note 9-1). The outstanding notional amount of the contract as at 30 June 2023 was SR 2.9 billion (31 December 2022: SR 2.9 billion) and the fair value was a positive amount of SR 116 million as at 30 June 2023 (31 December 2022: SR 111 million).

The average contracted fixed interest rate ranges from 2% to 3%. A gain of SR 5 million was recognized in other comprehensive income for the three and six months period ended 30 June 2023 (30 June 2022: gain of SR 161 million) as a result of fair value movements relating to this hedge. The fair value of profit 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. As at reporting date all the critical terms of both hedge item and hedge instrument are the same, so the hedge is considered to be effective.

21 ASSET HELD FOR SALE

The carrying amount of assets and liabilities held for sale are as follows:

	30 June 2023	31 December 2022
<u>Assets classified under held for sale</u>	(Unaudited)	(Restated)
Fixed assets:		
Cost	1,634,596	2,656,232
Accumulated depreciation*	(806,088)	(1,294,090)
	828,508	1,362,142
ROU – net	900,674	1,455,637
Total assets held for sale	1,729,182	2,817,779
* Accumulated depreciation as at classification of asset to held for sale.		
<u>Liabilities classified under held for sale</u>		
Leased liabilities – net	553,737	1,205,203

22 EFFECT OF PRIOR PERIOD RESTATEMENT

During the six months period, management conducted a comprehensive assessment of IFRS 16 compliance and identified that Right of use assets, right of use assets - classified under held for sale, lease liabilities and lease liabilities directly associated with assets under held for sale have been understated or classified under accruals due to various reasons. Hence the management, restated the comparatives figures in interim condensed consolidated financial statements, by adjusting and reclassifying respective balances on interim condensed consolidated statement of financial position with insignificant impact on retained earnings during the period ended 30 June 2023. Accordingly, the previously reported amounts on interim condensed consolidated statement of financial position as at 1 January 2022 and 31 December 2022 have been restated to reflect the effect of this adjustment. Management has assessed that the net impact on interim condensed consolidated statement of profit or loss and other comprehensive income, earning per share or the Group's operating, investing and financing cash flows as reported in the previous period is not material for adjustment.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTHS PERIOD ENDED 30 JUNE 2023 – (CONTINUED)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

22 EFFECT OF PRIOR PERIOD RESTATEMENT (Continued)

A summary of the effect on the individual components of balances as at respective years / period for the above changes is summarized as follows:

<u>01 January 2022</u>	As previously reported	Restatement	Reclassification	As currently reported
Right-of-use assets	1,330,975	206,062	-	1,537,037
Lease liabilities (non-current)	1,208,774	203,689	(148,010)	1,264,453
Trade and other payables	4,691,199	-	148,010	4,839,209
Retained earnings	138,855	2,373	-	141,228

<u>31 December 2022</u>	As previously reported	Restatement	Reclassification	As currently reported
Right-of-use assets	789,866	105,033	(455,270)	439,629
Right-of-use assets under held for Sale (refer to Note 21)	1,000,367	-	455,270	1,455,637
Lease liabilities (non-current)	569,991	102,660	(363,139)	309,512
Liabilities directly associated with assets held for sale (refer to Note 21)	801,950	-	403,253	1,205,203
Trade and other payables	5,467,330	-	(40,114)	5,427,216
Retained earnings	633,554	2,373	-	635,927

<u>For the six months period ended June 30, 2022</u>	As Previously reported	Restatement	As currently reported
Amortization on right-of-use assets	(1,026,614)	(23,414)	(1,050,028)
Other (loss) / income	3,958	15,135	19,093
Finance Cost	(245,024)	8,279	(236,745)
Profit before Zakat	223,969	-	223,969

23 SUBSEQUENT EVENTS

On 6 July 2023, the Group has distributed the dividend declared on 22 June 2023 to the Dividend paying agent. There are no other 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 30 June 2023.

24 APPROVED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the Board of Directors on 16th of Muharram 1445H (Corresponding to 3 August 2023).