

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS
PERIOD ENDED 30 SEPTEMBER 2023**

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

Contents	Pages
Independent auditor's review report	1
Interim condensed consolidated statement of financial position	2
Interim condensed consolidated statement of profit or loss and other comprehensive income	3
Interim condensed consolidated statement of changes in equity	4
Interim condensed consolidated statement of cash flows	5-6
Notes to the interim condensed consolidated financial statements	7 – 23

**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 September 2023, and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2023, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-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: 30 Rabi Al-Thani 1445H
(14 November 2023)

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

		30 September 2023 Notes (Unaudited)	31 December 2022 (Restated-Note 21)	01 January 2022 (Restated-Note 21)
ASSETS				
Current assets				
Inventories		139,577	146,679	213,723
Contract assets		118,541	150,971	67,224
Financial assets measured at FVTPL	7	605,250	-	-
Trade and other receivables		5,352,893	3,990,264	2,988,348
Cash and cash equivalents	4	314,468	375,430	511,977
		6,530,729	4,663,344	3,781,272
Assets held for sale	5	1,188,596	2,817,779	-
Total current assets		7,719,325	7,481,123	3,781,272
Non-current assets				
Property and equipment	6	4,292,683	4,925,591	6,639,995
Intangible assets	6	14,401,186	14,966,922	15,561,044
Right of use assets		710,698	439,629	1,537,037
Capital advances		382,331	191,835	274,841
Investment in an associate and joint ventures	8	10,349	-	-
Contract assets		316,902	344,897	288,822
Derivative financial instruments	20	112,120	110,872	-
Total non-current assets		20,226,269	20,979,746	24,301,739
TOTAL ASSETS		27,945,594	28,460,869	28,083,011
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables		4,929,827	5,427,216	4,839,209
Dividend Payable	16	1,250	-	-
Deferred income and contract liabilities		365,069	351,251	601,049
Borrowings	9	1,186,697	836,800	3,213,549
Lease liabilities		211,793	109,820	263,771
Amounts due to related parties	10	2,012,759	1,319,857	1,530,090
		8,707,395	8,044,944	10,447,668
Liabilities directly associated with assets held for sale	5	412,717	1,205,203	-
Total current liabilities		9,120,112	9,250,147	10,447,668
Non-current liabilities				
Borrowings	9	6,518,038	5,171,069	2,638,024
Lease liabilities		701,827	309,512	1,264,453
Other non-current liabilities	11	1,102,085	3,766,614	4,445,416
Derivative financial instruments		-	-	110,123
Provision for employees' EOSB		159,358	161,286	135,434
Total non-current liabilities		8,481,308	9,408,481	8,593,450
Total liabilities		17,601,420	18,658,628	19,041,118
EQUITY				
Share capital	12	8,987,292	8,987,292	8,987,292
Hedging reserve	20	112,120	110,872	(110,123)
Other reserve		10,390	(8,247)	2,066
Statutory reserve		76,397	76,397	21,430
Retained earnings		1,157,975	635,927	141,228
Total equity		10,344,174	9,802,241	9,041,893
TOTAL LIABILITIES AND EQUITY		27,945,594	28,460,869	28,083,011

Mehdi Khalfoui
CFO

Sultan Al-Deghaither
CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

The accompanying notes (1) to (23) 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	For the three-months period ended		For the nine-months period ended	
		30 September 2023	30 September 2022	30 September 2023	30 September 2022
Revenue		2,525,340	2,286,624	7,339,875	6,671,306
Cost of revenue		(1,043,854)	(910,279)	(2,959,913)	(2,808,244)
Gross Profit		1,481,486	1,376,345	4,379,962	3,863,062
Distribution and marketing expenses		(530,694)	(479,783)	(1,548,208)	(1,227,378)
General and administrative expenses		(125,638)	(86,657)	(385,380)	(236,422)
Depreciation and amortization	6	(515,175)	(502,983)	(1,559,471)	(1,553,011)
Expected credit loss (ECL)		21,486	(60,438)	(94,015)	(159,988)
Operating profit		331,465	246,484	792,888	686,263
Finance income		7,374	5,136	45,278	6,979
Gain on sale of asset held for sale		202,084	-	767,489	-
Other (loss) / income	18	(50,554)	2,017	(51,834)	21,110
Share of loss of associate for the period		(253)	-	(831)	-
Impairment in investment in associate		-	-	(527)	-
Finance cost		(189,156)	(165,908)	(516,193)	(402,653)
Profit before Zakat		300,960	87,729	1,036,270	311,699
Zakat	17	(16,391)	(2,584)	(64,857)	(12,207)
Profit for the period		284,569	85,145	971,413	299,492
Other comprehensive income					
<i>Item that will not be reclassified subsequently to profit or loss:</i>					
Remeasurement of employees' end of service benefits obligation		12,971	-	18,637	-
<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	(4,177)	55,050	1,248	216,400
Total comprehensive income for the period		293,363	140,195	991,298	515,892
Earnings per share (in Saudi Riyals)					
Basic and Diluted	13	0.317	0.095	1.081	0.333


Mehdi Khalfaoui
CFO


Sultan Al-Deghaither
CEO


Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

The accompanying notes (1) to (23) 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 CHANGES IN EQUITY (UNAUDITED)
FOR NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 21)	8,987,292	110,872	(8,247)	76,397	635,927	9,802,241
Profit for the period	-	-	-	-	971,413	971,413
Other comprehensive income for the period	-	1,248	18,637	-	-	19,885
Total comprehensive income for the period	-	1,248	18,637	-	971,413	991,298
Dividends – Note 16	-	-	-	-	(449,365)	(449,365)
Balance at 30 September 2023 (Unaudited)	8,987,292	112,120	10,390	76,397	1,157,975	10,344,174
Balance at 1 January 2022 (Restated – Note 21)	8,987,292	(110,123)	2,066	21,430	141,228	9,041,893
Profit for the period	-	-	-	-	299,492	299,492
Other comprehensive income for the period	-	216,400	-	-	-	216,400
Total comprehensive income for the period	-	216,400	-	-	299,492	515,892
Balance at 30 September 2022 (Restated – Note 21)	8,987,292	106,277	2,066	21,430	440,720	9,557,785



Mehdi Khalfaoui
CFO



Sultan Al Deghaither
CEO



Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

The accompanying notes (1) to (23) 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	30 September 2023	30 September 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before zakat		1,036,270	311,699
<i>Adjustments to reconcile net profit for the period before zakat to net cash from operating activities:</i>			
Depreciation and amortization	6	1,559,471	1,553,011
Expected credit loss		94,015	159,988
Other provisions		(33,782)	(19,404)
(Gain)/Loss in relation to leases termination, net		60,809	(6,026)
Reversal / (charge) for inventory provision		4,254	(1,205)
Gain on disposal of property and equipment	6	(767,489)	(752)
Foreign currency loss, net		1,233	807
Finance costs		516,193	402,653
Gain on modification of borrowing		-	(1,388)
Share of loss of associate for the period	8	831	-
Impairment in investment in associate	8	527	-
Employees' end-of-service benefits charge		23,520	17,955
		2,495,852	2,417,338
<i>Changes in working capital:</i>			
Trade and other receivables		(1,166,029)	(1,063,981)
Contract assets		60,425	(118,157)
Inventories		2,848	56,358
Movement of cash under lien		-	3,720
Trade and other payables		(141,726)	910,877
Deferred income and contract liabilities		13,818	(112,490)
Other non-curre		(177,362)	(701,930)
Cash flows generated from operations		1,087,826	1,391,735
Employees' end of service benefits paid		(6,811)	(7,455)
Zakat paid		(10,197)	-
Net cash generated from operating activities		1,070,818	1,384,280
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(663,175)	(700,859)
Proceeds from disposal of property and equipment		2,420,700	2,252
Proceed from sale of subsidiary		-	10
Purchase of intangible assets		(297,130)	(295,706)
Investment in associate		(4,887)	-
Net cash from (used in) investing activities		1,455,508	(994,303)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowing		(1,409,323)	(3,216,800)
Proceeds from borrowings		-	3,280,000
Payment of lease liabilities		(264,870)	(307,306)
Dividend paid		(448,115)	-
Finance costs paid		(463,747)	(241,596)
Net cash used in financing activities		(2,586,055)	(485,702)
Net change in cash and cash equivalents		(59,729)	(95,725)
Effect of movements in exchange rates on cash and cash equivalents		(1,233)	(807)
Cash and cash equivalents at beginning of the period		374,362	507,189
Cash and cash equivalents at end of the period	4	313,400	410,657

The accompanying notes (1) to (23) 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 NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023 (CONTINUED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

Non-Cash Transactions:

	30 September 2023	30 September 2022
Adjustment to property and equipment with corresponding to trade payables and capital advances	934,807	218,049
Adjustment to property and equipment with corresponding to investment	605,000	-
Adjustment to intangible assets with corresponding to trade payables	(270,422)	140,868
Changes in fair value derivative of financial statement	1,248	216,400
Transfer of asset held for sale	-	1,010,305
Termination adjustment in ROU held for sale	(389,042)	-
Termination adjustment in LL held for sale	389,233	-
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	(538,339)	(493,568)



Mehdi Khalfaoui
CFO

Sultan Al-Deghaither
CEO

Naif bin Sultan bin Mohammed bin Saud Al Kabeer
Chairman

The accompanying notes (1) to (23) form an integral part of these interim condensed consolidated financial statements

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 September 2023, the current liabilities of the Group exceed the current assets of the Group by SR 1.4 billion (31 December 2022: SR 1.77 billion and 1 January 2022: SR 6.67 billion) which includes SR 2 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 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 first quarter ended 31 March 2023 Financial Completion conditions were completed and Financial Completion date was triggered and consequently 3,600 sites were derecognized from the books of the Group and transferred to GLI. Further, during the third quarter ended September 30 2023 Subsequent Completion conditions were completed, for 1,400 sites, and Subsequent Completion date was triggered respectively.

2 BASIS OF PREPERATION

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023 – (CONTINUED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

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 Group 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.

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
IFRS 17: Insurance Contracts.	IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.	Annual periods beginning on or after 1 January 2023

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023 – (CONTINUED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

4 CASH AND CASH EQUIVALENTS

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Cash in hand	1,715	1,678
Cash at banks	312,753	373,752
	314,468	375,430
Cash at bank under lien	(1,068)	(1,068)
	313,400	374,362

5 ASSETS HELD FOR SALE

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 been completed during the quarter ended 31 March 2023, second phase of the batch transfer was completed during three months ended September 2023 and the remaining phases are expected to close by the quarter ending 30 September 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).

During the nine months period ended 30 September 2023, pursuant to triggering of financial completion and subsequent completion under the APA, the Group has derecognized total of 5,000 towers (3,600 towers during quarter ended 31 March 2023 and 1,400 being derecognized during quarter ended 30 September 2023) with net book value of SR 788 million against an adjustment to advances form GLI amounting to SR 1.27 billion 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 797 million less associated transaction costs of SR 29 million.

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

	30 September 2023 (Unaudited)	31 December 2022 (Restated)
<u>Assets classified under held for sale</u>		
Fixed assets:		
Cost	1,158,286	2,656,232
Accumulated depreciation*	(581,015)	(1,294,090)
	577,271	1,362,142
ROU – net	611,325	1,455,637
Total assets held for sale	1,188,596	2,817,779
<u>Liabilities classified under held for sale</u>		
Leased liabilities – net	412,717	1,205,203

* Accumulated depreciation as at classification of asset to held for sale.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023 – (CONTINUED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

6 PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

During the nine-months period ended 30 September 2023, the Group acquired property and equipment amounted to SR 179 million (30 September 2022: SR 375 million) and intangible assets amounted to SR 13 million (30 September 2022: SR 45 million). During the period, the Group disposed property and equipment with a net book value of Nil and (30 September 2022: net book value of SR 1.5 thousand) resulting in a gain on sale of Property and equipment disposed amounting to SR Nil (30 September 2022: gain SR 1.5 thousand).

During the nine-months period ended 30 September 2023, the total depreciation and amortization expense amounted to SR 1,559 million, out of which SR 1,391 million relates to property and equipment and intangible assets and the remaining amount of SR 168 million relates to the depreciation charge for right of use assets (30 September 2022: the total depreciation and amortization expense amounted to SR 1,530 out of which SR 1,388 relates to property and equipment and intangible assets and the remaining amount of SR 142 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 (also refer note 22).

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 September 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. During period ended 30 June 2023 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. As at 30 September 2023 the management reassessed the assumptions used in valuation previously done by third-party valuer, and based on this, management is of the view that all major assumptions are valid and there is no material change in fair value as at 30 September 2023 in respect of this equity investment.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023 – (CONTINUED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

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 September 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	(831)	-
Impairment	(527)	-
Closing Balance	<u>3,529</u>	<u>-</u>

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

	30 September 2023 (Unaudited)
Statement of financial position:	
Current assets	<u>2,256</u>
Non-current assets	<u>314</u>
Current liabilities	<u>6021</u>
Net equity	<u>(3,223)</u>
Statement of profit or loss and other comprehensive income:	
Revenue	<u>2,378</u>
Total comprehensive loss during the period	<u>(5,540)</u>

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

8 INVESTMENT IN AN ASSOCIATE AND JOINT VENTURES (continued)

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 September 2023 (Unaudited)	31 December 2022 (Audited)
Syndicate Murabaha facility (refer to note 9.1)	5,217,567	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	7,704,735	6,007,869

The current and non-current amounts are as follows:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Current borrowings	1,186,697	836,800
Non-current borrowings	6,518,038	5,171,069
Total borrowings	7,704,735	6,007,869

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

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Saudi Riyal	6,731,100	4,888,748
US Dollar	973,635	1,119,121
Total	7,704,735	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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023 – (CONTINUED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

9 BORROWINGS (continued)

9-1 Syndicated Murabaha facility (continued)

As at 30 September 2023, the Group has utilized SR 6 billion from existing facility of SR 7 billion which includes SR 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 September 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 SR 0.52 billion of working capital facility. As at 30 September 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.

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023 – (CONTINUED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

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 nine months period ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
Revenue from entities owned by shareholder	19,059	13,859	83,057	18,022
Purchases from entities owned by shareholder	32,603	27,207	123,051	68,198
Fees charged by a Founding Shareholder (refer to note 10.1)	42,500	95,402	127,500	161,839
Operational expense charged by related party	125,440	-	336,959	-

	For the three months period ended		For the nine months period ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
Compensation and benefits - short term	9,572	4,604	29,287	24,848
Compensation and benefits - post-employment	808	766	2,416	2,280
	10,380	5,370	31,703	27,128

The following balances were outstanding at the reporting date:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Mobile Telecommunications Company K.S.C.P (refer to note 10.1)	751,023	1,230,247
Mobile Telecommunications Company K.S.C.P (refer to note 10.2)	8,794	5,050
Founding Shareholders (refer to note 10.3)	68,464	84,573
Other related parties (refer to note 10.4)	1,184,478	(13)
	2,012,759	1,319,857
Current	2,012,759	1,319,857

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023 – (CONTINUED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

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 1.15 Billion, received from GLI as proceed for the 3,069 telecom tower assets. Net payable to GLI SR 1.178 billion and amount payable to IDC SR 6.820 million.

11 OTHER NON-CURRENT LIABILITIES

	30 September 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)	1,036,662	1,171,478
Others	65,423	107,969
	1,102,085	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 September 2023, the total outstanding amount payable against spectrum amounts to SR 1.23 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 September 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023 – (CONTINUED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

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 September 2023 or 30 September 2022. Profit attributable to the shareholders use in calculating EPS is SR 284.6 million and SR 971.4 million for the three and nine-months period ended 30 September 2023 (30 September 2022: SR 85 million and SR 299.5 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 nine-months period ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
Outstanding shares	898,729	898,729	898,729	898,729
Basic earnings per share	0.317	0.095	1.081	0.333

Basic earnings per share is calculated by dividing the profit after zakat attributable to ordinary shareholders of the Company Group 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 nine-months period ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
Revenues				
Mobile Telecommunications Company Saudi Arabia	2,423,204	2,211,374	7,031,042	6,485,946
Zain Sales Company	285,658	351,651	959,290	1,240,243
Zain Payments Company-Tamam	74,946	39,931	214,689	73,692
Zain Drones Company	107	-	(148)	-
Eliminations / Adjustments	(258,575)	(316,332)	(864,998)	(1,128,575)
Total Revenues	2,525,340	2,286,624	7,339,875	6,671,306
Cost of operations	(1,700,186)	(1,476,719)	(4,893,501)	(4,272,044)
Depreciation and amortization	(515,175)	(502,983)	(1,559,471)	(1,553,011)
Allowances against expected credit loss on financial assets	21,486	(60,438)	(94,015)	(159,988)
Finance income	7,374	5,136	45,278	6,979
Gain on sale of assets held for sale	202,084	-	767,489	-
Other income	(50,554)	2,017	(51,756)	21,110
Share of loss for the period and Impairment in investment in associate	(253)	-	(1,358)	-
Finance costs	(189,156)	(165,908)	(516,193)	(402,653)
Zakat	(16,391)	(2,584)	(64,935)	(12,207)
Profit for the period	284,569	85,145	971,413	299,492

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023 – (CONTINUED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

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 nine-months period ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
Mobile Telecommunications Company Saudi Arabia	1,429,321	1,344,835	4,214,371	3,790,046
Zain Sales Company	(5,952)	2,358	(13,183)	25,634
Zain Payments Company-Tamam	59,543	33,086	177,581	61,303
Zain Drones Company	107	-	(148)	-
Eliminations / Adjustments	(1,533)	(3,934)	1,341	(13,921)
Gross Profit	1,481,486	1,376,345	4,379,962	3,863,062

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

	30 September 2023 (Unaudited)	31 December 2022 (Restated)	01 January 2022 (Restated)
Assets			
Mobile Telecommunications Company	40,707,589	38,545,535	36,486,959
Zain Sales Company	11,989,126	10,797,703	8,880,038
Zain Payments Company-Tamam	597,758	370,138	75,980
Zain Drones Company	4,033	4,079	1,800
Zain Data Reach	5	-	-
Eliminations / adjustments	(25,352,917)	(21,256,586)	(17,361,766)
Total Assets	27,945,594	28,460,869	28,083,011
Liabilities			
Mobile Telecommunications Company	30,554,238	28,909,079	27,577,534
Zain Sales Company	11,861,942	10,650,927	8,761,309
Zain Payments Company-Tamam	401,535	219,062	41,258
Zain Drones Company	8,451	6,639	3,443
Zain Business	-	-	20
Eliminations / adjustments	(25,224,746)	(21,127,079)	(17,342,446)
Total Liabilities	17,601,420	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 1.25 billion as at the reporting date (31 December 2022: SR 342 million). The Company had contingent liabilities as follows:

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Letters of guarantee	30,090	30,206
Letters of credit	211,250	211,250
	241,340	241,456

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023 – (CONTINUED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

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 September 2023, the amount of lawsuits and violations amounts to SR 29.1 million which has been recorded fully (30 September 2022: SR 10.8 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.

In accordance with the Net Telecommunications Revenue Base Regulations for Licensed Service Providers (the regulation) as issued by Communications, Space and Technology Commission (CST), the Group is required to submit quarterly Net Telecom Revenue forms (NTR forms) including NTR base along with supporting documentation. NTR base is calculated as the total revenue less exempted revenue and allowable expenses as defined in the regulations.

Due to absence of reasonable assurance report on the submitted NTR forms for the period ended 31 March 2023, during the current quarter, the Group has received an invoice from CST amounting to SR 266 million which was calculated based on the revenue as reported in the interim condensed consolidated financial statements for the period ended 31 March 2023 instead of NTR base for the respective period which resulted in SR 97 million being additional amount.

Subsequent to the quarter ended 30 September 2023, the reasonable assurance report was submitted and management believes that the additional amount requested by CST over the NTR base is recoverable through adjustment against future payments to CST, hence no additional provision is required to be provided in the interim condensed financial statements for the period ended 30 September, 2023.

15-1 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 September 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023 – (CONTINUED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

16 DIVIDEND

On 22 June 2023 (04 Dhul Hijjah 1444H), the Board of Directors' recommended 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, which was approved by in Ordinary General Assembly Meeting held on 4 Dhul Hijjah 1444 corresponding to 22 June 2023. The distribution date of declared dividend is 12 July 2023. On 6 July 2023 the Group disbursed the declared dividend in full to the Securities Depository Center Company (EDAA), for distribution to beneficiaries, out of which SAR 1.25 million was returned to the Group due to dormant accounts or missing information of beneficiaries, which is represented as dividend payable as at reporting date.

17 ZAKAT

	30 September 2023 (Unaudited)	31 December 2022 (Audited)
Zakat provision		
Balance at beginning of the period / year	65,541	41,232
Charge for the period / year	64,857	24,309
Paid for the period / year	(10,197)	-
Balance at end of the period / year	120,201	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.

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 nine-months period ended	
	30 September 2023	30 September 2022	30 September 2023	30 September 2022
(Loss) / gain on leases	(59,897)	(364)	(60,809)	16,624
Foreign exchange loss	(66)	(464)	(1,236)	(808)
Gain/ (Loss) on disposal of assets	-	(216)	-	752
Other	9,409	3,061	10,211	4,542
	(50,554)	2,017	(51,834)	21,110

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023 – (CONTINUED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

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 September 2023 (Unaudited)		31 December 2022 (Audited)	
		Carrying value	Fair value	Carrying value	Fair Value
Derivative financial instruments	Level 2	112,120	112,120	110,872	110,872
Investment FVTPL	Level 3	-	-	-	-

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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023 – (CONTINUED)
(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 September 2023 was SR 2.9 billion (31 December 2022: SR 2.9 billion) and the fair value was a positive amount of SR 112 million as at 30 September 2023 (31 December 2022: SR 111 million).

The average contracted fixed interest rate ranges from 2% to 3%. A gain of SR 1.25 million was recognized in other comprehensive income for nine months period ended 30 September 2023 (30 September 2022: gain of SR 216.4 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 EFFECT OF PRIOR PERIOD RESTATEMENT

During the nine 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 September 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.

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>1 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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2023 – (CONTINUED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

21 EFFECT OF PRIOR PERIOD RESTATEMENT (Continued)

31 December 2022	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 5)	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 5)	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

For the nine months period ended September 30, 2022

	As Previously reported	Restatement	As currently reported
Amortization on right-of-use assets	(1,529,597)	(23,414)	(1,553,011)
Other (loss) / income	5,975	15,135	21,110
Finance Cost	(410,932)	8,279	(402,653)
Profit before Zakat	311,699	-	311,699

22 SUBSEQUENT EVENTS

On 19 October 2023 the Group received a request from the majority shareholder to exercise unconditional call option as per SHA (also refer note 7). The Board of Directors will discuss the request in the upcoming meeting, within the period specified in the request, which is 30 days, and any fundamental developments regarding this matter will be announced in a timely manner.

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 September 2023.

23 APPROVED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the Board of Directors on 23 of Rabi' al-Thani 1445H (Corresponding to 7 November 2023).