

ETIHAD ETISALAT COMPANY
(A Saudi Joint Stock Company)
**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (Unaudited)**
For the three-month period ended 31 March 2020
Together with
Independent Auditors' Review Report

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

To the Shareholders of Etihad Etisalat Company

Introduction

We have reviewed the accompanying 31 March 2020 condensed consolidated interim financial statements of Etihad Etisalat Company ("the Company") and its subsidiaries ("the Group") which comprise:

- the condensed consolidated interim statement of financial position as at 31 March 2020;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2020;
- the condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2020;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2020;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2020; and
- the notes to the condensed consolidated interim financial statements.

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

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2020 condensed consolidated interim financial statements of Etihad Etisalat Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

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



Khalil Ibrahim Al Sedais
License No. 371

Riyadh on: 20 April 2020
Corresponding to: 27 Shaban 1441H

Etihad Etisalat Company (A Saudi Joint Stock Company)
Condensed consolidated interim statement of financial position
As at 31 March 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	Unaudited 31 March 2020	Audited 31 December 2019
Assets			
Non-current assets			
Property and equipment	5	21,332,963	21,651,369
Right of use assets	6	2,296,922	2,378,958
Intangible assets	7	8,476,746	8,566,577
Capital advances		95,106	99,469
Financial assets		7,636	7,636
Total non-current assets		32,209,373	32,704,009
Current assets			
Inventories	8	59,169	104,747
Contract assets		433,159	387,879
Accounts receivable	9	3,406,140	3,034,222
Due from related parties	10	88,341	90,266
Prepaid expenses and other assets		798,327	850,658
Other financial assets		925,237	839,000
Derivatives financial instruments		27,359	-
Cash and cash equivalents		871,193	1,251,680
Total current assets		6,608,925	6,558,452
Total assets		38,818,298	39,262,461
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	1	7,700,000	7,700,000
Statutory reserve		2,648,971	2,648,971
Retained earnings		3,607,967	3,469,231
Foreign currency translation reserve		(13,091)	(10,979)
Hedging reserve		(86,065)	(56,238)
Fair value reserve		365	365
Total shareholders' equity		13,858,147	13,751,350
Non-current liabilities			
Loans and notes payable	11	10,991,239	11,227,540
Lease liabilities		1,791,792	1,857,052
Provision for employees' end of service benefits		412,051	438,030
Contract liabilities		16,719	22,292
Deferred government grants income		117,565	122,373
Other financial liabilities		251,180	275,536
Provision for decommissioning liability		157,205	154,787
Total non-current liabilities		13,737,751	14,097,610
Current liabilities			
Loans and notes payable	11	1,371,284	1,157,017
Lease liabilities		651,386	651,972
Accounts payable		4,975,277	5,092,583
Contract liabilities		1,205,876	1,137,091
Due to related parties	10	263,782	264,765
Accrued expenses and other liabilities		2,136,036	2,512,947
Derivatives financial instruments		82,083	56,238
Provisions		426,908	445,295
Zakat provision		90,537	76,362
Deferred government grants income		19,231	19,231
Total current liabilities		11,222,400	11,413,501
Total liabilities		24,960,151	25,511,111
Total shareholders' equity and liabilities		38,818,298	39,262,461

The attached notes from 1 to 17 are an integral part of these condensed consolidated interim financial statements.

Chief Financial Officer

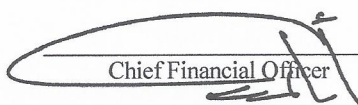
Chief Executive Officer

Chairman

Etiihad Etisalat Company (A Saudi Joint Stock Company)
 Condensed consolidated interim statement of profit or loss (unaudited)
 For the three-month period ended 31 March 2020
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	For the three-month period ended 31 March 2020	For the three-month period ended 31 March 2019
Revenue	13	3,599,623	3,200,960
Cost of sales		(1,534,223)	(1,362,251)
Gross profit		2,065,400	1,838,709
Selling and marketing expenses		(347,448)	(275,365)
General and administrative expenses		(389,990)	(324,431)
Impairment loss on accounts receivable and contract assets	9	(47,408)	22,561
Depreciation and amortization	5,6,7	(988,914)	(968,598)
Impairment loss on property and equipment		-	(27,000)
Other income		4,630	10,792
Operating profit		296,270	276,668
Share in results of joint venture		-	(489)
Finance expenses		(161,666)	(211,767)
Finance income		9,854	11,434
Profit before zakat		144,458	75,846
Zakat expense		(14,179)	(8,596)
Profit for the period		130,279	67,250
Profit per share:			
Basic and diluted profit per share (in SR)	14	0.17	0.09

The attached notes from 1 to 17 are an integral part of these condensed consolidated interim financial statements.


 Chief Financial Officer

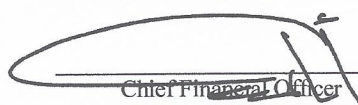

 Chief Executive Officer

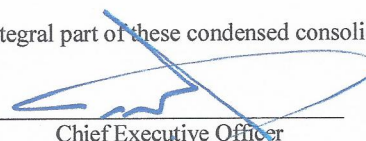

 Chairman

Etihad Etisalat Company (A Saudi Joint Stock Company)
 Condensed consolidated interim statement of comprehensive income (unaudited)
 For the three-month period ended 31 March 2020
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	For the three-month period ended 31 March 2020	For the three-month period ended 31 March 2019
Profit for the period	130,279	67,250
<i>Items that will be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(2,112)	77
Cash flow hedge - change in fair value	(31,679)	(25,113)
Cash flow hedge - reclassified to profit or loss	1,852	1,710
Net total items that will be reclassified subsequently to profit or loss	(31,939)	(23,326)
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Actuarial gains on re-measurement of employees' end of service benefits	8,457	3,088
Change in fair value of equity investments at FVOCI	-	365
Net total items that will not be reclassified subsequently to profit or loss	8,457	3,453
Total other comprehensive loss for the period	(23,482)	(19,873)
Total comprehensive income for the period	106,797	47,377

The attached notes from 1 to 17 are an integral part of these condensed consolidated interim financial statements.


 Chief Financial Officer

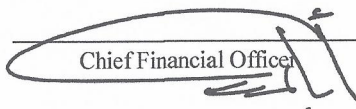

 Chief Executive Officer


 Chairman

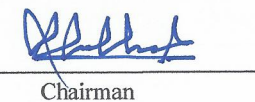
Etihad Etisalat Company (A Saudi Joint Stock Company)
Condensed consolidated interim statement of changes in shareholders' equity (unaudited)
For the three-month period ended 31 March 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Hedging reserve	Fair value reserve	Total shareholders' equity
As at 1 January 2019	7,700,000	2,648,971	3,543,131	(10,032)	(12,754)	-	13,869,316
Adjustment on application of IFRS 16	-	-	(99,771)	-	-	-	(99,771)
As at 1 January 2019 (adjusted)	7,700,000	2,648,971	3,443,360	(10,032)	(12,754)	-	13,769,545
Profit for the period	-	-	67,250	-	-	-	67,250
Other comprehensive income / (loss) for the period	-	-	3,088	77	(23,403)	365	(19,873)
Total comprehensive income / (loss) for the period	-	-	70,338	77	(23,403)	365	47,377
As at 31 March 2019	7,700,000	2,648,971	3,513,698	(9,955)	(36,157)	365	13,816,922
As at 1 January 2020	7,700,000	2,648,971	3,469,231	(10,979)	(56,238)	365	13,751,350
Profit for the period	-	-	130,279	-	-	-	130,279
Other comprehensive income / (loss) for the period	-	-	8,457	(2,112)	(29,827)	-	(23,482)
Total comprehensive income / (loss) for the period	-	-	138,736	(2,112)	(29,827)	-	106,797
As at 31 March 2020	7,700,000	2,648,971	3,607,967	(13,091)	(86,065)	365	13,858,147

The attached notes from 1 to 17 are an integral part of these condensed consolidated interim financial statements.


Chief Financial Officer

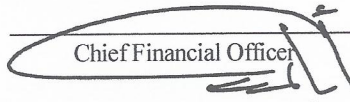

Chief Executive Officer


Chairman

Etihad Etisalat Company (A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the three-month period ended 31 March 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the three-month period ended 31 March 2020	For the three-month period ended 31 March 2019
OPERATING ACTIVITIES		
Cash flows from operating activities		
Profit for the period	130,279	67,250
Adjustments for:		
Change in provision for inventory obsolescence	7,027	4,066
Depreciation	897,716	878,368
Amortization of intangible assets	91,198	90,230
Impairment loss on property and equipment	-	27,000
Provision for employees' end of service benefits	16,892	18,239
Impairment loss on accounts receivable and contract assets	47,408	(22,561)
Provisions	6,857	(27,543)
Government grants	(4,808)	(4,808)
Zakat provision	14,179	8,596
Gain on sale of property and equipment	910	887
Other expenses	1,799	-
Share in results of joint venture	-	489
Finance expenses	161,666	211,767
Finance income	(9,854)	(11,434)
Changes in:		
Accounts receivable	(438,158)	731,683
Inventories	38,551	36,749
Contract assets	(47,258)	(95,540)
Prepaid expenses and other assets	58,368	44,685
Derivatives financial instruments	(31,340)	-
Accounts payable	209,840	(419,450)
Contract liabilities	63,212	(78,449)
Accrued expenses and other liabilities	(34,089)	(643,078)
Utilization of the decommissioning provision	(795)	(209)
Provision used	(4,434)	(9,379)
Due from related parties	1,925	(1,989)
Due to related parties	(983)	6,295
Cash generated from operating activities	1,176,108	811,864
End of service benefits paid	(34,414)	(26,276)
Finance expenses paid	(141,166)	(158,958)
Zakat paid	(4)	(68)
Net cash generated from operating activities	1,000,524	626,562
INVESTING ACTIVITIES		
Other financial assets	(86,237)	-
Finance income received	3,821	2,490
Purchase of property and equipment	(1,035,258)	(479,783)
Proceeds from sales of property and equipment	2	3
Acquisition of intangible assets	(40,206)	(39,675)
Net cash used in investing activities	(1,157,878)	(516,965)
FINANCING ACTIVITIES		
Proceeds from loans and notes payable	256,214	156,329
Payment of loans and notes payable and related fees	(292,142)	(302,797)
Payment of lease liabilities	(187,205)	(158,942)
Net cash used in financing activities	(223,133)	(305,410)
Net changes in cash and cash equivalents	(380,487)	(195,813)
Cash and cash equivalents at 1 January	1,251,680	1,032,850
Cash and cash equivalents at 31 March	871,193	837,037
Supplementary non-cash information		
Property and equipment purchased credited to capital expenditure payable	(610,544)	174,168

The attached notes from 1 to 17 are an integral part of these condensed consolidated interim financial statements.


Chief Financial Officer


Chief Executive Officer


Chairman

1 CORPORATE INFORMATION

1.1 Etihad Etisalat Company

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

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

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

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

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

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

1.2 Subsidiary Companies

Below is the summary of Company’s subsidiaries’ and ownership percentage as at 31 March 2020 and 31 December 2019:

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

2 BASIS OF ACCOUNTING

2.1 Statement of Compliance

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

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

The condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with Group's annual consolidated financial statements for the year ended 31 December 2019.

The condensed consolidated interim financial statements have been approved for issuance on 20 April 2020 (corresponding to 27 Shaban 1441H).

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are in accordance with International Financial Reporting Standards "IFRS" that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA which are consistent with those that were applied in the Group's annual consolidated financial statements for the year ended 31 December 2019.

The principal accounting policies applied in the preparation of these condensed consolidated financial statements have been consistently applied to all periods presented.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA for the year ended 31 December 2019.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.1 Fair value measurement

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

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

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

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

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

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

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

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

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

4.2 IMPACT OF COVID-19

The Group's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain. The telecommunications industry has been designated as an essential service by the Government of the Kingdom of Saudi Arabia and as such the Group continues to operate while taking into account the health and safety of our workforce. Possible effects of the outbreak may include, but are not limited to; disruption to the Group's customers and revenue, unavailability of products and supplies used in operations and delayed payments by customers. As the Covid-19 outbreak continues to evolve, it is difficult to forecast its full extent and duration of the economic impact as of now. The management of the Group is currently monitoring the situation and its impact on the Group's operation, cash flows and financial position. Management believes, based on their assessment, that the Group has sufficient liquidity available to continue to meet its financial commitments for the foreseeable future as and when they become due.

Etihad Etisalat Company (A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the three-month period ended 31 March 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

5 PROPERTY AND EQUIPMENT

	Land	Buildings	Leasehold improvements	Telecommunications on network equipment	Computer equipment and software	Office equipment and furniture	Vehicles	Capital work in progress	Total
Cost:									
At 1 January 2020	273,192	1,215,488	852,728	42,674,070	5,457,463	423,361	2,774	638	50,899,714
Additions	-	359	4,200	398,367	35,215	2,047	-	6	440,194
Disposals	-	-	(38)	(2,223)	(12,578)	(8,242)	-	-	(23,081)
At 31 March 2020	<u>273,192</u>	<u>1,215,847</u>	<u>856,890</u>	<u>43,070,214</u>	<u>5,480,100</u>	<u>417,166</u>	<u>2,774</u>	<u>644</u>	<u>51,316,827</u>
Depreciation:									
At 1 January 2020	-	359,988	698,742	23,443,355	4,338,578	405,222	2,460	-	29,248,345
Charge for the period	-	14,904	8,844	634,489	98,547	884	20	-	757,688
Disposals	-	-	(25)	(1,701)	(12,201)	(8,242)	-	-	(22,169)
At 31 March 2020	<u>-</u>	<u>374,892</u>	<u>707,561</u>	<u>24,076,143</u>	<u>4,424,924</u>	<u>397,864</u>	<u>2,480</u>	<u>-</u>	<u>29,983,864</u>
Net book value:									
At 31 March 2020	<u>273,192</u>	<u>840,955</u>	<u>149,329</u>	<u>18,994,071</u>	<u>1,055,176</u>	<u>19,302</u>	<u>294</u>	<u>644</u>	<u>21,332,963</u>
At 31 December 2019	<u>273,192</u>	<u>855,500</u>	<u>153,986</u>	<u>19,230,715</u>	<u>1,118,885</u>	<u>18,139</u>	<u>314</u>	<u>638</u>	<u>21,651,369</u>

During the three-months period ended 31 March 2020, the Group has capitalized internal technical salaries amounting to SR 48 million (31 December 2019: SR 164 million) and no borrowing costs have been capitalized (31 December 2019: SR 22 million).

6 RIGHT OF USE ASSETS

	Telecommunication network equipment	Buildings	Land	Total
Cost:				
At 1 January 2020	3,694,529	784,378	52,195	4,531,102
Additions	59,195	8,665	-	67,860
Lease cancelation	(590)	(15,426)	-	(16,016)
At 31 March 2020	<u>3,753,134</u>	<u>777,617</u>	<u>52,195</u>	<u>4,582,946</u>
Depreciation:				
At 1 January 2020	1,797,616	341,029	13,499	2,152,144
Charge for the period	106,486	33,008	534	140,028
Lease cancelation	(282)	(5,866)	-	(6,148)
At 31 March 2020	<u>1,903,820</u>	<u>368,171</u>	<u>14,033</u>	<u>2,286,024</u>
Net book value:				
At 31 March 2020	<u>1,849,314</u>	<u>409,446</u>	<u>38,162</u>	<u>2,296,922</u>
At 31 December 2019	<u>1,896,913</u>	<u>443,349</u>	<u>38,696</u>	<u>2,378,958</u>

7 INTANGIBLE ASSETS

	Telecommunication services licenses	Goodwill	Indefeasible Right of Use (IRU)	Others	Total
Cost:					
At 1 January 2020	13,585,350	1,466,865	1,210,300	97,689	16,360,204
Additions	1,000	-	367	-	1,367
At 31 March 2020	<u>13,586,350</u>	<u>1,466,865</u>	<u>1,210,667</u>	<u>97,689</u>	<u>16,361,571</u>
Amortization:					
At 1 January 2020	7,089,090	-	606,848	97,689	7,793,627
Charge for the period	69,214	-	21,984	-	91,198
At 31 March 2020	<u>7,158,304</u>	<u>-</u>	<u>628,832</u>	<u>97,689</u>	<u>7,884,825</u>
Net book value:					
At 31 March 2020	<u>6,428,046</u>	<u>1,466,865</u>	<u>581,835</u>	<u>-</u>	<u>8,476,746</u>
At 31 December 2019	<u>6,496,260</u>	<u>1,466,865</u>	<u>603,452</u>	<u>-</u>	<u>8,566,577</u>

8 INVENTORIES

During the three-month period ended 31 March 2020, the Group has a net written down of SR 7 million (three-month period ended 31 March 2019: a net written down of SR 4.1 million) of inventories. This expense is included in cost of sales in the condensed consolidated interim statement of profit or loss.

9 ACCOUNTS RECEIVABLE

	31 March 2020	31 December 2019
Accounts receivable	5,079,759	4,662,411
Less: allowance for impairment loss on accounts receivable	(1,673,619)	(1,628,189)
	<u>3,406,140</u>	<u>3,034,222</u>

The movement of the allowance for impairment loss on accounts receivable is as follows:

	31 March 2020	31 December 2019
Opening balance	(1,628,189)	(2,024,556)
Charge for the period / year	(45,430)	(80,536)
Written off during the period / year	-	476,903
Closing balance	<u>(1,673,619)</u>	<u>(1,628,189)</u>

10 RELATED PARTIES TRANSACTIONS AND BALANCES

10.1 Related party transactions

The Group has the following related parties:

Party	Relationship
Emirates Telecommunication Group Company PJSC	Founding shareholder
Emirates Data Clearing House	Affiliate to Founding shareholder
Etisalat Misr S.A.E.	Affiliate - Subsidiary to Founding shareholder
Etisalat Afghanistan	Affiliate - Subsidiary to Founding shareholder
Etisalat Al Maghrib S.A (Maroc Telecom)	Affiliate - Subsidiary to Founding shareholder
Pakistan Telecommunication Company Limited	Affiliate - Subsidiary to Founding shareholder
Emirates Cable TV and Multimedia LLC	Affiliate - Subsidiary to Founding shareholder
Sehati for Information Service Company	Joint venture

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

	31 March 2020	31 March 2019
Interconnection services and roaming services rendered		
Founding shareholder	14,997	18,159
Affiliates	2,351	4,761
Interconnection services and roaming services received		
Founding shareholder	62,987	89,270
Affiliates	30,292	9,385
Management fees		
Founding shareholder	24,617	-
Other management expenses		
Founding shareholder	1,515	(4,840)
Other telecommunication services		
Affiliates	2,317	1,204

Compensation and benefits to key management personnel

	31 March 2020	31 March 2019
Short term employee benefits	25,155	37,129
Post-employment benefits	768	541
Total compensation and benefits to key management personnel	25,923	37,670

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

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

10 RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

10.2 Related party balances

	31 March 2020	31 December 2019
Due from related parties		
Founding shareholder	75,978	77,676
Affiliates	4,197	4,424
Joint venture	8,166	8,166
	88,341	90,266
Due to related parties		
Founding shareholder	237,125	233,214
Affiliates	26,657	31,551
	263,782	264,765

11 LOANS AND NOTES PAYABLE

	31 March 2020	31 December 2019
Long-term loans	12,362,523	12,384,557
Less: current portion	(1,371,284)	(1,157,017)
Non-current	10,991,239	11,227,540

a) Maturity profile of loans and notes payable:

	31 March 2020	31 December 2019
Less than one year	1,371,284	1,157,017
Between one to five years	5,796,900	5,329,673
Over five years	5,194,339	5,897,867

12 FINANCIAL ASSETS AND LIABILITIES

12.1 Financial assets

	31 March 2020	31 December 2019
Financial assets at fair value:		
Financial assets - fair value through other comprehensive income *	7,636	7,636
Derivatives financial instruments**	27,359	-
Total financial assets at fair value	34,995	7,636
Financial assets at amortized cost:		
Accounts receivables	3,406,140	3,034,222
Due from related parties	88,341	90,266
Other financial assets	925,237	839,000
Cash and cash equivalents	871,193	1,251,680
Total financial assets at amortized cost	5,290,911	5,215,168
Total financial assets	5,325,906	5,222,804
Current financial assets	5,318,270	5,215,168
Non-current financial assets	7,636	7,636
Total financial assets	5,325,906	5,222,804

12 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

12.2 Financial liabilities

	<u>31 March 2020</u>	<u>31 December 2019</u>
Financial liabilities at fair value:		
Derivatives financial instruments**	82,083	56,238
Total financial liabilities at fair value	<u>82,083</u>	<u>56,238</u>
Financial liabilities at amortized cost:		
Loans and notes payable	12,362,523	12,384,557
Lease liabilities	2,443,178	2,509,024
Accounts payable	4,975,277	5,092,583
Due to related parties	263,782	264,765
Other financial liabilities	<u>251,180</u>	<u>275,536</u>
Total financial liabilities at amortized cost	<u>20,295,940</u>	<u>20,526,465</u>
Total financial liabilities	<u>20,378,023</u>	<u>20,582,703</u>
Current financial liabilities	7,343,812	7,222,575
Non-current financial liabilities	<u>13,034,211</u>	<u>13,360,128</u>
Total financial liabilities	<u>20,378,023</u>	<u>20,582,703</u>

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

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

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

13 REVENUE

	<u>Consumer</u>	<u>Business</u>	<u>Wholesale</u>	<u>Outsourcing</u>	<u>Total</u>
<u>31 March 2020</u>					
Usage	2,107,255	165,446	283,882	-	2,556,583
Activation and subscription fees	475,461	115,269	-	-	590,730
Others	173,969	192,238	34,469	51,634	452,310
	<u>2,756,685</u>	<u>472,953</u>	<u>318,351</u>	<u>51,634</u>	<u>3,599,623</u>
<u>31 March 2019</u>					
Usage	1,880,570	108,793	202,040	-	2,191,403
Activation and subscription fees	490,842	97,021	-	-	587,863
Others	154,605	161,924	64,680	40,485	421,694
	<u>2,526,017</u>	<u>367,738</u>	<u>266,720</u>	<u>40,485</u>	<u>3,200,960</u>

14 BASIC AND DILUTED PROFIT PER SHARE

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

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

	<u>31 March 2020</u>	<u>31 March 2019</u>
Profit for the period	130,279	67,250
Weighted average number of shares	770,000	770,000
Basic and diluted profit per share (in SR)	<u>0.17</u>	<u>0.09</u>

15 COMMITMENTS AND CONTINGENCIES

15.1 Capital commitments

The Group has capital commitments resulting from contracts for supply of property and equipment, which were entered into and not yet executed at the condensed consolidated statement of financial position date in the amount of SR 2.03 billion as at 31 March 2020 (31 December 2019: SR 2.26 billion).

15.2 Contingent liabilities

The Group had contingent liabilities in the form of letters of guarantee and letters of credit amounting to SR 1,091 million as at 31 March 2020 (31 December 2019: SR 1,209 million).

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

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

- There are (833) lawsuits filed by the Group against CITC amounting to SR 711 million as of 31 March 2020.
- The Board of Grievance has issued (190) verdicts in favor of the Group voiding (190) resolutions of the CITC's violation committee with a total penalties amounting to SR 506 million as of 31 March 2020.
- Some of these preliminary verdicts have become conclusive (after they were affirmed by the appeal court) cancelling penalties with a total amounting to SR 505 million as of 31 March 2020.

Management and the Board of Directors believe that, based on the status of these lawsuits as of 31 March 2020, adequate and sufficient provisions have been recorded.

There are 17 lawsuits filed by some of the shareholders against the Group before the Committee for the Resolutions of Security Disputes and still being adjudicated by the said committee. During Q1 2020, the Company has received (1) preliminary favorable verdict.

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

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

The Group has finalized its zakat status for the years up to 2008. The Group has received zakat and withholding tax assessments for the years 2009, 2010 and 2011 that showed additional zakat and withholding tax liabilities of SR 226 million and SR 159 million respectively, which have been appealed against by the Group at the Preliminary and Higher Appeal Committees. Recently, the Higher Appeal Committee has issued certain rulings in favor of the company related to zakat and withholding tax disputes. Management believes that it has sufficient grounds to contest the matters included in the assessments and the eventual outcome of the appeal process will not result in any significant liability.

16 SEGMENT INFORMATION

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

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

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

	31 March 2020	31 March 2019
Consumer revenues	2,756,685	2,526,017
Business revenues	472,953	367,738
Wholesale revenues	318,351	266,720
Outsourcing revenues	51,634	40,485
Total revenue	3,599,623	3,200,960
Total cost of sales	(1,534,223)	(1,362,251)
Total operating expense	(780,216)	(566,443)
Depreciation and amortization	(988,914)	(968,598)
Impairment loss on property and equipment	-	(27,000)
Total non-operating expense	(151,812)	(200,822)
Capital expenditures	441,561	781,527

17 SUBSEQUENT EVENTS

No material events occurred subsequent to the reporting date, which could materially affect the condensed consolidated financial statements, and the related disclosures for the three-month period ended 31 March 2020.