

ETIHAD ETISALAT COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (Unaudited)
For the three-month and nine-month periods ended 30 September 2020
Together with
Independent Auditor's 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 30 September 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 30 September 2020;
- the condensed consolidated interim statement of profit or loss for the three-month and nine-month periods ended 30 September 2020;
- the condensed consolidated interim statement of comprehensive income for the three-month and nine-month periods ended 30 September 2020;
- the condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2020;
- the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 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 30 September 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: 4 Rabi Ul Awal 1442H
Corresponding to: 21 October 2020

Etihad Etisalat Company (A Saudi Joint Stock Company)
 Condensed consolidated interim statement of financial position
 As at 30 September 2020
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	Unaudited 30 September 2020	Audited 31 December 2019
Assets			
Non-current assets			
Property and equipment	5	21,065,346	21,651,369
Right of use assets	6	2,284,026	2,378,958
Intangible assets	7	8,325,046	8,566,577
Capital advances		72,589	99,469
Financial assets		7,097	7,636
Total non-current assets		31,754,104	32,704,009
Current assets			
Inventories		29,182	104,747
Contract assets		634,177	387,879
Accounts receivable	8	3,894,407	3,034,222
Due from related parties	9	103,775	90,266
Prepaid expenses and other assets		732,466	850,658
Other financial assets		275,000	839,000
Derivatives financial instruments		16,614	-
Cash and cash equivalents		866,238	1,251,680
Total current assets		6,551,859	6,558,452
Total assets		38,305,963	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		4,016,465	3,469,231
Foreign currency translation reserve		(12,332)	(10,979)
Hedging reserve		(96,611)	(56,238)
Fair value reserve		365	365
Total shareholders' equity		14,256,858	13,751,350
Non-current liabilities			
Loans and notes payable	10	10,187,265	11,227,540
Lease liabilities		1,815,539	1,857,052
Provision for employees' end of service benefits		420,943	438,030
Contract liabilities		5,573	22,292
Deferred government grants income		107,948	122,373
Other financial liabilities		251,180	275,536
Provision for decommissioning liability		161,858	154,787
Total non-current liabilities		12,950,306	14,097,610
Current liabilities			
Loans and notes payable	10	1,521,200	1,157,017
Lease liabilities		733,941	651,972
Accounts payable		4,361,769	5,092,583
Contract liabilities		1,211,381	1,137,091
Due to related parties	9	247,643	264,765
Accrued expenses and other liabilities		2,460,638	2,512,947
Derivatives financial instruments		81,885	56,238
Provisions		396,463	445,295
Zakat provision		64,648	76,362
Deferred government grants income		19,231	19,231
Total current liabilities		11,098,799	11,413,501
Total liabilities		24,049,105	25,511,111
Total shareholders' equity and liabilities		38,305,963	39,262,461

The attached notes from 1 to 16 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 and nine-month periods ended 30 September 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	For the three-month period ended 30 September		For the nine-month period ended 30 September	
		2020	2019	2020	2019
Revenue	12	3,355,013	3,403,714	10,513,411	9,935,589
Cost of revenue		(1,299,086)	(1,388,352)	(4,330,091)	(4,125,217)
Gross profit		2,055,927	2,015,362	6,183,320	5,810,372
Selling and marketing expenses		(328,466)	(341,212)	(1,022,250)	(956,820)
General and administrative expenses		(373,483)	(363,037)	(1,119,376)	(1,027,614)
Impairment loss on accounts receivable and contract assets	8	(14,504)	(39,426)	(80,100)	(87,404)
Depreciation and amortization	5,6,7	(992,920)	(993,448)	(2,968,622)	(2,906,956)
Impairment loss on property and equipment	5	-	(21,000)	(14,238)	(63,000)
Other income / (expense) , net		9,540	5,161	7,839	31,960
Operating profit		356,094	262,400	986,573	800,538
Share in results of joint venture		-	(174)	-	(1,483)
Finance expenses		(133,871)	(206,273)	(434,342)	(635,475)
Finance income		2,519	11,199	18,907	32,796
Profit before zakat		224,742	67,152	571,138	196,376
Zakat expense		(2,877)	(16,096)	(33,826)	(40,299)
Profit for the period		221,865	51,056	537,312	156,077
Earnings per share:					
Basic and diluted earnings per share (in SR)	13	0.29	0.07	0.70	0.20

The attached notes from 1 to 16 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 and nine-month periods ended 30 September 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2020	2019	2020	2019
Profit for the period	221,865	51,056	537,312	156,077
<i>Items that will be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations	913	(871)	(1,353)	(497)
Cash flow hedge - change in fair value	6,775	(13,200)	(52,792)	(57,246)
Cash flow hedge - reclassified to profit or loss	6,939	2,181	12,419	5,595
Net total items that will be reclassified subsequently to profit or loss	14,627	(11,890)	(41,726)	(52,148)
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Actuarial gains on re-measurement of employees' end of service benefits	1,008	1,622	10,460	83
Change in fair value of equity investments at FVOCI	(538)	-	(538)	365
Net total items that will not be reclassified subsequently to profit or loss	470	1,622	9,922	448
Total other comprehensive income / (loss) for the period	15,097	(10,268)	(31,804)	(51,700)
Total comprehensive income for the period	236,962	40,788	505,508	104,377

The attached notes from 1 to 16 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 nine-month period ended 30 September 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	-	-	156,077	-	-	-	156,077
Other comprehensive income / (loss) for the period	-	-	83	(497)	(51,651)	365	(51,700)
Total comprehensive income / (loss) for the period	-	-	156,160	(497)	(51,651)	365	104,377
As at 30 September 2019	7,700,000	2,648,971	3,599,520	(10,529)	(64,405)	365	13,873,922
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	-	-	537,312	-	-	-	537,312
Other comprehensive income / (loss) for the period	-	-	10,460	(1,353)	(40,373)	(538)	(31,804)
Total comprehensive income / (loss) for the period	-	-	547,772	(1,353)	(40,373)	(538)	505,508
Transfers	-	-	(538)	-	-	538	-
As at 30 September 2020	7,700,000	2,648,971	4,016,465	(12,332)	(96,611)	365	14,256,858

The attached notes from 1 to 16 are an integral part of these condensed consolidated interim financial statements.


 Chief Financial Officer


 Chief Executive Officer


 Chairman

Etihaq Etisalat Company (A Saudi Joint Stock Company)
Condensed consolidated interim statement of cash flows (unaudited)
For the nine-month period ended 30 September 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the nine-month period ended 30 September 2020	For the nine-month period ended 30 September 2019
OPERATING ACTIVITIES		
Cash flows from operating activities		
Profit for the period	537,312	156,077
Adjustments for:		
Change in provision for inventory obsolescence	13,356	(26,779)
Depreciation	2,694,789	2,635,532
Amortization of intangible assets	273,833	271,424
Impairment loss on property and equipment	14,238	63,000
Provision for employees' end of service benefits	49,982	52,449
Impairment loss on accounts receivable and contract assets	80,100	87,404
Provisions	86,588	(8,920)
Government grants	(14,425)	(14,425)
Zakat provision	33,826	40,299
Loss on sale of property and equipment	20,040	1,167
Foreign exchange losses	-	1,428
Other expenses	3,469	2,720
Share in results of joint venture	-	1,483
Finance expenses	434,342	635,475
Finance income	(18,907)	(32,796)
Changes in:		
Accounts receivable	(946,590)	392,725
Inventories	62,209	58,177
Contract assets	(260,803)	(101,609)
Prepaid expenses and other assets	68,195	38,599
Derivatives financial instruments	(31,340)	-
Accounts payable	(280,568)	(433,955)
Contract liabilities	57,571	(180,565)
Accrued expenses and other liabilities	464,242	(468,292)
Utilization of the decommissioning provision	(1,304)	(2,609)
Provision used	(103,135)	(29,379)
Due from related parties	(13,509)	(20,785)
Due to related parties	(17,122)	(12,333)
Cash generated from operating activities	3,206,389	3,105,512
End of service benefits paid	(56,609)	(47,652)
Finance expenses paid	(304,707)	(490,650)
Zakat paid	(4,562)	(37,828)
Net cash generated from operating activities	2,840,511	2,529,382
INVESTING ACTIVITIES		
Other financial assets	564,000	360,000
Finance income received	27,927	44,224
Purchase of property and equipment	(2,553,870)	(1,547,334)
Proceeds from sales of property and equipment	99	27
Proceeds from sale of investment	1	-
Acquisition of intangible assets	(72,550)	(100,374)
Net cash used in investing activities	(2,034,393)	(1,243,457)
FINANCING ACTIVITIES		
Proceeds from loans and notes payable	291,148	444,241
Payment of loans and notes payable and related fees	(1,009,016)	(1,103,698)
Payment of lease liabilities	(473,692)	(490,077)
Net cash used in financing activities	(1,191,560)	(1,149,534)
Net changes in cash and cash equivalents	(385,442)	136,391
Cash and cash equivalents at 1 January	1,251,680	1,032,850
Cash and cash equivalents at 30 September	866,238	1,169,241
Supplementary non-cash information		
Property and equipment purchased credited to capital expenditure payable	(853,601)	(487,649)

The attached notes from 1 to 16 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 the Company’s subsidiaries’ and ownership percentage as at 30 September 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 (SOCPA).

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 21 October 2020 (corresponding to Rabi Al- Awwal 4, 1442H).

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 PANDEMIC

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 nine-month period ended 30 September 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

5 PROPERTY AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Leasehold improvements</u>	<u>Telecommunication network equipment</u>	<u>Computer equipment and software</u>	<u>Office equipment and furniture</u>	<u>Vehicles</u>	<u>Capital work in progress</u>	<u>Total</u>
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	31,989	1,508,496	188,489	3,579	-	-	1,732,912
Disposals	-	(8,107)	(7,957)	(97,906)	(13,186)	(8,564)	-	-	(135,720)
At 30 September 2020	<u>273,192</u>	<u>1,207,740</u>	<u>876,760</u>	<u>44,084,660</u>	<u>5,632,766</u>	<u>418,376</u>	<u>2,774</u>	<u>638</u>	<u>52,496,906</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	-	44,643	26,337	1,916,499	294,834	2,205	40	-	2,284,558
Impairment	-	-	-	14,238	-	-	-	-	14,238
Disposals	-	(3,267)	(7,182)	(83,765)	(12,809)	(8,558)	-	-	(115,581)
At 30 September 2020	<u>-</u>	<u>401,364</u>	<u>717,897</u>	<u>25,290,327</u>	<u>4,620,603</u>	<u>398,869</u>	<u>2,500</u>	<u>-</u>	<u>31,431,560</u>
Net book value:									
At 30 September 2020	<u>273,192</u>	<u>806,376</u>	<u>158,863</u>	<u>18,794,333</u>	<u>1,012,163</u>	<u>19,507</u>	<u>274</u>	<u>638</u>	<u>21,065,346</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 nine-month period ended 30 September 2020, the Group has capitalized internal technical salaries amounting to SR 140 million (31 December 2019: SR 164 million) and no borrowing costs have been capitalized (31 December 2019: SR 22 million).

Etihad Etisalat Company (A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the nine-month period ended 30 September 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

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	262,145	76,876	-	339,021
Lease cancelation	(6,572)	(39,283)	-	(45,855)
At 30 September 2020	<u>3,950,102</u>	<u>821,971</u>	<u>52,195</u>	<u>4,824,268</u>
Depreciation:				
At 1 January 2020	1,797,616	341,029	13,499	2,152,144
Charge for the period	310,548	98,010	1,673	410,231
Lease cancelation	(2,385)	(19,748)	-	(22,133)
At 30 September 2020	<u>2,105,779</u>	<u>419,291</u>	<u>15,172</u>	<u>2,540,242</u>
Net book value:				
At 30 September 2020	<u>1,844,323</u>	<u>402,680</u>	<u>37,023</u>	<u>2,284,026</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	-	31,302	-	32,302
At 30 September 2020	<u>13,586,350</u>	<u>1,466,865</u>	<u>1,241,602</u>	<u>97,689</u>	<u>16,392,506</u>
Amortization:					
At 1 January 2020	7,089,090	-	606,848	97,689	7,793,627
Charge for the period	207,642	-	66,191	-	273,833
At 30 September 2020	<u>7,296,732</u>	<u>-</u>	<u>673,039</u>	<u>97,689</u>	<u>8,067,460</u>
Net book value:					
At 30 September 2020	<u>6,289,618</u>	<u>1,466,865</u>	<u>568,563</u>	<u>-</u>	<u>8,325,046</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 ACCOUNTS RECEIVABLE

	30 September 2020	31 December 2019
Accounts receivable	<u>5,548,931</u>	<u>4,662,411</u>
Less: allowance for impairment loss on accounts receivable	<u>(1,654,524)</u>	<u>(1,628,189)</u>
	<u>3,894,407</u>	<u>3,034,222</u>

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

	30 September 2020	31 December 2019
Opening balance	<u>(1,628,189)</u>	<u>(2,024,556)</u>
Charge for the period / year	<u>(65,595)</u>	<u>(80,536)</u>
Written off during the period / year	<u>39,260</u>	<u>476,903</u>
Closing balance	<u>(1,654,524)</u>	<u>(1,628,189)</u>

9 RELATED PARTIES TRANSACTIONS AND BALANCES

9.1 Related party transactions

The Group has the following related parties:

<u>Party</u>	<u>Relationship</u>
Emirates Telecommunication Group Company PJSC	Founding shareholder
Emirates Data Clearing House	Associate to Founding shareholder
Etisalat Misr S.A.E.	Associate- Subsidiary to Founding shareholder
Etisalat Afghanistan	Associate- Subsidiary to Founding shareholder
Etisalat Al Maghrib S.A (Maroc Telecom)	Associate- Subsidiary to Founding shareholder
Pakistan Telecommunication Company Limited	Associate- Subsidiary to Founding shareholder
Emirates Cable TV and Multimedia LLC	Associate- 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:

	<u>30 September 2020</u>	<u>30 September 2019</u>
Interconnection services and roaming services rendered		
Founding shareholder	31,029	74,753
Associate to founding shareholder	3,455	6,260
Interconnection services and roaming services received		
Founding shareholder	164,338	216,953
Associate to founding shareholder	83,620	81,812
Management fees		
Founding shareholder	87,822	21,094
Other management expenses		
Founding shareholder	7,934	1,270
Other telecommunication services		
Associate to founding shareholder	5,595	4,584

Compensation and benefits to key management personnel

	<u>30 September 2020</u>	<u>30 September 2019</u>
Short term employee benefits	57,921	61,504
Post-employment benefits	2,264	1,703
Total compensation and benefits to key management personnel	60,185	63,207

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 Group Company PJSC. 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.

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9 RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

9.2 Related party balances

	30 September 2020	31 December 2019
Due from related parties		
Founding shareholder	78,587	77,676
Associate to founding shareholder	2,000	4,424
Joint venture	23,188	8,166
	<u>103,775</u>	<u>90,266</u>
Due to related parties		
Founding shareholder	203,916	233,214
Associate to founding shareholder	43,727	31,551
	<u>247,643</u>	<u>264,765</u>

10 LOANS AND NOTES PAYABLE

	30 September 2020	31 December 2019
Long-term loans	11,708,465	12,384,557
Less: current portion	<u>(1,521,200)</u>	<u>(1,157,017)</u>
Non-current	<u>10,187,265</u>	<u>11,227,540</u>

a) Maturity profile of loans and notes payable:

	30 September 2020	31 December 2019
Less than one year	1,521,200	1,157,017
Between one to five years	5,861,182	5,329,673
More than five years	4,326,083	5,897,867

11 FINANCIAL ASSETS AND LIABILITIES

11.1 Financial assets

	30 September 2020	31 December 2019
Financial assets at fair value:		
Financial assets - fair value through other comprehensive income *	7,097	7,636
Derivatives financial instruments**	16,614	-
Total financial assets at fair value	<u>23,711</u>	<u>7,636</u>
Financial assets at amortized cost:		
Accounts receivable	3,894,407	3,034,222
Due from related parties	103,775	90,266
Other financial assets	275,000	839,000
Cash and cash equivalents	866,238	1,251,680
Total financial assets at amortized cost	<u>5,139,420</u>	<u>5,215,168</u>
Total financial assets	<u>5,163,131</u>	<u>5,222,804</u>
Current financial assets	5,156,034	5,215,168
Non-current financial assets	7,097	7,636
Total financial assets	<u>5,163,131</u>	<u>5,222,804</u>

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11 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

11.2 Financial liabilities

	30 September 2020	31 December 2019
Financial liabilities at fair value:		
Derivatives financial instruments**	81,885	56,238
Total financial liabilities at fair value	81,885	56,238
Financial liabilities at amortized cost:		
Loans and notes payable	11,708,465	12,384,557
Lease liabilities	2,549,480	2,509,024
Accounts payable	4,361,769	5,092,583
Due to related parties	247,643	264,765
Other financial liabilities	251,180	275,536
Total financial liabilities at amortized cost	19,118,537	20,526,465
Total financial liabilities	19,200,422	20,582,703
Current financial liabilities	6,946,438	7,222,575
Non-current financial liabilities	12,253,984	13,360,128
Total financial liabilities	19,200,422	20,582,703

* 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.

12 REVENUE

	Consumer	Business	Wholesale	Outsourcing	Total
<u>For the three-month period ended 30 September 2020</u>					
Usage	1,927,640	221,031	279,218	-	2,427,889
Activation and subscription fees	478,237	121,897	-	-	600,134
Others	109,945	130,296	35,776	50,973	326,990
	2,515,822	473,224	314,994	50,973	3,355,013
<u>For the three-month period ended 30 September 2019</u>					
Usage	2,030,175	153,438	258,923	-	2,442,536
Activation and subscription fees	469,003	110,962	-	-	579,965
Others	114,899	190,313	30,244	45,757	381,213
	2,614,077	454,713	289,167	45,757	3,403,714
<u>For the nine-month period ended 30 September 2020</u>					
Usage	6,033,144	553,158	839,690	-	7,425,992
Activation and subscription fees	1,408,839	358,369	-	-	1,767,208
Others	461,878	604,257	101,226	152,850	1,320,211
	7,903,861	1,515,784	940,916	152,850	10,513,411
<u>For the nine-month period ended 30 September 2019</u>					
Usage	5,906,747	380,122	690,074	-	6,976,943
Activation and subscription fees	1,398,049	309,134	-	-	1,707,183
Others	460,576	535,527	124,797	130,563	1,251,463
	7,765,372	1,224,783	814,871	130,563	9,935,589

13 BASIC AND DILUTED EARNINGS PER SHARE

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

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

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2020	2019	2020	2019
Profit for the period	221,865	51,056	537,312	156,077
Weighted average number of shares	770,000	770,000	770,000	770,000
Basic and diluted earnings per share (in SR)	0.29	0.07	0.70	0.20

14 COMMITMENTS AND CONTINGENCIES

14.1 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 1.83 billion as at 30 September 2020 (31 December 2019: SR 2.26 billion).

14.2 Contingent liabilities

The Group had contingent liabilities in the form of letters of guarantee and letters of credit amounting to SR 964 million as at 30 September 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 (410) lawsuits filed by the Group against CITC amounting to SR 493 million as of 30 September 2020.
- The Board of Grievance has issued (147) verdicts in favor of the Group voiding (147) resolutions of the CITC's violation committee with a total penalties amounting to SR 376 million as of 30 September 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 376 million as of 30 September 2020.

Management and the Board of Directors believe that, based on the status of these lawsuits as of 30 September 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 the third quarter of the year 2020, the Company has received (3) preliminary favorable verdicts and there are no new cases filed against it.

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 2019 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.

14 COMMITMENTS AND CONTINGENCIES (CONTINUED)

14.2 Contingent liabilities (continued)

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.

15 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.

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2020	2019	2020	2019
Consumer revenues	2,515,822	2,614,077	7,903,861	7,765,372
Business revenues	473,224	454,713	1,515,784	1,224,783
Wholesale revenues	314,994	289,167	940,916	814,871
Outsourcing revenues	50,973	45,757	152,850	130,563
Total revenue	3,355,013	3,403,714	10,513,411	9,935,589
Total cost of revenue	(1,299,086)	(1,388,352)	(4,330,091)	(4,125,217)
Total operating expense	(706,913)	(738,514)	(2,213,887)	(2,039,878)
Depreciation and amortization	(992,920)	(993,448)	(2,968,622)	(2,906,956)
Impairment loss on property and equipment	-	(21,000)	(14,238)	(63,000)
Total non-operating expense	(131,352)	(195,248)	(415,435)	(604,162)
Capital expenditures	748,664	337,403	1,765,214	1,463,528

16 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.