



ETIHAD ETISALAT COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS (Unaudited)
For the three-month period ended 31 March 2022
Together with
Independent Auditor's Review Report

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Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

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

To the Shareholders of Etihad Etisalat Company (Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying 31 March 2022 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 2022;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2022;
- the condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2022;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2022;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2022; 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

To the Shareholders of Etihad Etisalat Company (Saudi Joint Stock Company) (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2022 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.

KPMG Professional Services



Dr. Abdullah Hamad Al Fozan

License No. 348

Riyadh on: 23 Ramadan 1443H

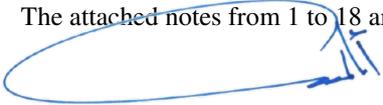
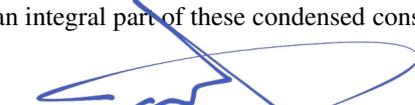
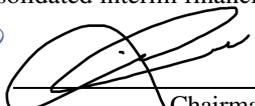
Corresponding to: 24 April 2022



Etihad Etisalat Company (A Saudi Joint Stock Company)
Condensed consolidated interim statement of financial position
As at 31 March 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	31 March 2022 (Unaudited)	31 December 2021 (Audited)
Assets			
Non-current assets			
Property and equipment	5	19,864,816	20,380,112
Right of use assets	6	2,696,746	2,730,091
Intangible assets	7	7,817,393	7,910,524
Financial and other assets		82,952	70,742
Total non-current assets		30,461,907	31,091,469
Current assets			
Inventories		145,622	107,728
Contract costs		444,690	497,845
Contract assets		667,042	566,137
Accounts receivable	8	5,023,602	4,581,715
Due from related parties	9	158,963	143,329
Financial and other assets		362,846	325,022
Short term Murabaha		1,280,000	1,000,000
Cash and cash equivalents		726,636	1,050,663
Total current assets		8,809,401	8,272,439
Total assets		39,271,308	39,363,908
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	1	7,700,000	7,700,000
Statutory reserve		2,648,971	2,648,971
Other reserves		49,954	(36,988)
Retained earnings		5,202,150	4,884,263
Total shareholders' equity		15,601,075	15,196,246
Non-current liabilities			
Borrowings		9,027,427	9,623,840
Lease liabilities		2,178,414	2,192,886
Provision for end of service benefits		518,340	513,053
Provision for decommissioning		182,433	181,119
Financial and other liabilities		337,348	357,564
Total non-current liabilities		12,243,962	12,868,462
Current liabilities			
Borrowings		1,360,738	1,210,518
Lease liabilities		937,544	927,505
Accounts payable		4,451,305	4,606,445
Contract liabilities		944,106	954,174
Due to related parties	9	218,195	281,563
Accrued expenses		2,700,964	2,579,830
Provisions		594,120	466,883
Zakat provision		139,348	108,839
Financial and other liabilities		79,951	163,443
Total current liabilities		11,426,271	11,299,200
Total liabilities		23,670,233	24,167,662
Total shareholders' equity and liabilities		39,271,308	39,363,908

The attached notes from 1 to 18 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 profit or loss (unaudited)
For the three-month period ended 31 March 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	For the three-month period ended 31 March 2022	For the three-month period ended 31 March 2021
Revenue	11	3,811,008	3,602,681
Cost of revenue		(1,573,424)	(1,531,125)
Gross profit		2,237,584	2,071,556
Selling and marketing expenses		(359,800)	(342,079)
General and administrative expenses		(375,389)	(317,964)
Impairment loss on accounts receivable and contract assets		(64,318)	(54,415)
Depreciation and amortization	5,6,7	(977,616)	(995,552)
Other income, net		7,256	7,489
Operating profit		467,717	369,035
Share in profits of joint venture		1,928	-
Finance expenses		(124,726)	(126,239)
Finance income		4,617	1,368
Profit before zakat		349,536	244,164
Zakat		(30,509)	(18,295)
Profit for the period		319,027	225,869
Earnings per share:			
Basic and diluted earnings per share (in SR)	12	0.41	0.29

The attached notes from 1 to 18 are an integral part of these condensed consolidated interim financial statements.

Chief Financial Officer

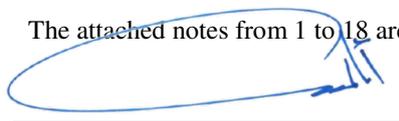
Chief Executive Officer

Chairman

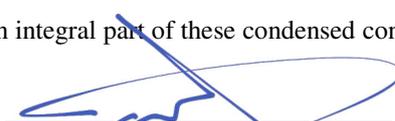
Ethiad Etisalat Company (A Saudi Joint Stock Company)
Condensed consolidated interim statement of other comprehensive income (unaudited)
For the three-month period ended 31 March 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the three-month period ended 31 March 2022	For the three-month period ended 31 March 2021
Profit for the period	319,027	225,869
<i>Items that will be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(806)	(81)
Cash flow hedge - change in fair value	66,540	(3,028)
Cash flow hedge - reclassified to profit or loss	8,708	7,917
Total items that will be reclassified subsequently to profit or loss	74,442	4,808
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Actuarial losses on re-measurement of provision for end of service	(1,140)	(2,037)
Change in fair value of equity investments	12,500	-
Total items that will not be reclassified subsequently to profit or loss	11,360	(2,037)
Total other comprehensive income for the period	85,802	2,771
Total comprehensive income for the period	404,829	228,640

The attached notes from 1 to 18 are an integral part of these condensed consolidated interim financial statements.



Chief Financial Officer



Chief Executive Officer

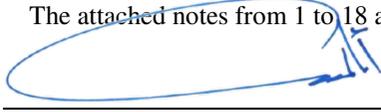


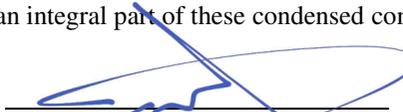
Chairman

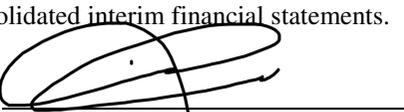
Etihad Etisalat Company (A Saudi Joint Stock Company)
 Condensed consolidated interim statement of changes in shareholders' equity (unaudited)
 For the three-month period ended 31 March 2022
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Other reserves	Retained earnings	Total shareholders' equity
As at 1 January 2022	7,700,000	2,648,971	(36,988)	4,884,263	15,196,246
Profit for the period	-	-	-	319,027	319,027
Other comprehensive income / (loss) for the period	-	-	86,942	(1,140)	85,802
Total comprehensive income for the period	-	-	86,942	317,887	404,829
As at 31 March 2022	7,700,000	2,648,971	49,954	5,202,150	15,601,075
As at 1 January 2021	7,700,000	2,648,971	(109,458)	4,205,714	14,445,227
Profit for the period	-	-	-	225,869	225,869
Other comprehensive income / (loss) for the period	-	-	4,808	(2,037)	2,771
Total comprehensive income for the period	-	-	4,808	223,832	228,640
As at 31 March 2021	7,700,000	2,648,971	(104,650)	4,429,546	14,673,867

The attached notes from 1 to 18 are an integral part of these condensed consolidated interim financial statements.


 Chief Financial Officer

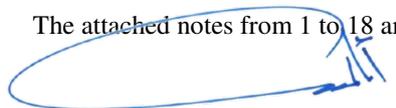

 Chief Executive Officer


 Chairman

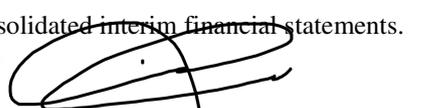
Etihad Etisalat Company (A Saudi Joint Stock Company)
Condensed consolidated interim statement of cash flows (unaudited)
For the three-month period ended 31 March 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the three-month period ended 31 March 2022	For the three-month period ended 31 March 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	319,027	225,869
Adjustments for:		
Change in provision for inventory obsolescence	460	(20,857)
Depreciation and amortization	977,616	995,552
Provision for end of service benefits	15,606	14,578
Impairment loss on accounts receivable and contract assets	64,318	54,415
Provisions	140,680	10,941
Government grants	(4,808)	(4,808)
Zakat	30,509	18,295
Loss on sale of property and equipment	1,236	2,250
Other income	-	(54)
Share in profit of joint venture	(1,928)	-
Finance expenses	124,726	126,239
Finance income	(4,617)	(1,368)
Changes in:		
Accounts receivable	(507,349)	(393,008)
Inventories	(38,354)	48,478
Contract costs	53,155	(21,167)
Contract assets	(99,761)	(67,461)
Financial assets and others	37,630	(32,807)
Accounts payable	379,212	450,123
Contract liabilities	(10,068)	(21,979)
Accrued expenses	136,621	115,721
Financial liabilities and others	(70,992)	38,496
Utilization of the decommissioning	(1,199)	-
Provision used	(11,541)	(40,229)
Due from related parties	(15,634)	(3,647)
Due to related parties	(63,368)	111,820
Cash generated from operating activities	1,451,177	1,605,392
End of service benefits paid	(11,459)	(8,745)
Finance expenses paid	(76,844)	(83,761)
Net cash generated from operating activities	1,362,874	1,512,886
CASH FLOWS FROM INVESTING ACTIVITIES		
Short term Murabaha	(280,000)	(200,000)
Finance income received	3,261	245
Purchase of property and equipment	(745,333)	(584,074)
Proceeds from sales of property and equipment	15	7
Acquisition of intangible assets	(38,839)	(38,882)
Net cash used in investing activities	(1,060,896)	(822,704)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	300,000
Payment of borrowings	(459,154)	(459,154)
Payment of lease liabilities	(166,851)	(173,864)
Net cash used in financing activities	(626,005)	(333,018)
Net changes in cash and cash equivalents	(324,027)	357,164
Cash and cash equivalents at beginning of the period	1,050,663	929,498
Cash and cash equivalents at end of the period	726,636	1,286,662

The attached notes from 1 to 18 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 2022:

<u>Name</u>	<u>Country of incorporation</u>	<u>Ownership percentage</u>	
		<u>Direct</u>	<u>Indirect</u>
Mobily Infotech India Private Limited	India	99.99%	0.01%
Zajil International Network for Telecommunication Company*	Saudi Arabia	96.00%	4.00%
National Company for Business Solutions	Saudi Arabia	100.00%	-
National Company for Business Solutions FZE	United Arab Emirates	-	100.00%
Mobily Ventures Holding W.L.L	Bahrain	100.00%	-
Etihad Fintech Company	Saudi Arabia	100.00%	-

* On 15 March 2021, the Board of Directors of Etihad Etisalat Company approved to liquidate Zajil International Network for Telecommunication Company.

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 Chartered and Professional Accountants (SOCPA).

These 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 the annual consolidated financial statements for the year ended 31 December 2021.

2 BASIS OF ACCOUNTING (CONTINUED)

2.1 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 Group. 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 2021.

The principal accounting policies applied in the preparation of these condensed consolidated interim 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 2021.

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 best economic 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.

4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

4.1 Fair value measurement (continued)

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 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 the 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.

5 PROPERTY AND EQUIPMENT

- During the three-month period ended 31 March 2022, the Group acquired property and equipment with a cost of SR 220 million (for three-month period ended 31 March 2021: SR 155 million).
- During the three-month period ended 31 March 2022, the Group disposed of property and equipment with a net book value of SR 5 million (for three-month period ended 31 March 2021: SR 2 million).
- During the three month period ended 31 March 2022, the depreciation expense amounted to SR 734 million (for three-month period ended 31 March 2021: SR 757 million).

6 RIGHT OF USE ASSETS

- During the three-month period ended 31 March 2022, the net additions to right of use assets amounted to SR 118 million (for three-month period ended 31 March 2021: SR 230 million).
- During the three month period ended 31 March 2022, the depreciation expense amounted to SR 151 million (for three-month period ended 31 March 2021: SR 148 million).

7 INTANGIBLE ASSETS

- During the three-month period ended 31 March 2022, there are no additions to intangible assets (for the three-month period ended 31 March 2022:SR 44 thousand)
- During the three-months period ended 31 March 2022, the amortization expense amounted to SR 93 million for three-month period ended 31 March 2021: SR 91 million).

8 ACCOUNTS RECEIVABLE

	<u>31 March 2022</u>	<u>31 December 2021</u>
Accounts receivable	6,806,581	6,299,232
Less: allowance for impairment loss on accounts receivable	<u>(1,782,979)</u>	<u>(1,717,517)</u>
	<u>5,023,602</u>	<u>4,581,715</u>

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

	<u>31 March 2022</u>	<u>31 December 2021</u>
Opening balance	(1,717,517)	(1,580,458)
Charge for the period / year	<u>(65,462)</u>	<u>(137,059)</u>
Closing balance	<u>(1,782,979)</u>	<u>(1,717,517)</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>31 March 2022</u>	<u>31 March 2021</u>
Interconnection services and roaming services rendered		
Founding shareholder	20,621	9,820
Associates	683	559
Interconnection services and roaming services received		
Founding shareholder	58,775	53,917
Associates	30,954	26,825
Management fees		
Founding shareholder	(70,461)	29,514
Other telecommunication services		
Associates	1,619	944

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 is calculated based on the relevant agreement with Emirates Telecommunication Group Company PJSC which was ended on 31 December 2021 and the Company reached an agreement with the with Emirates Telecommunication Group Company PJSC not to conclude a new agreement for services and technical support. The balances due to and from related parties are unsecured and will be settled in cash.

9 RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

9.1 Related party transactions (continued)

Compensation and benefits to key management personnel

	<u>31 March 2022</u>	<u>31 March 2021</u>
Short term employee benefits	43,252	44,193
Post-employment benefits	1,041	889
Total compensation and benefits to key management personnel	<u>44,293</u>	<u>45,082</u>

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.

9.2 Related party balances

	<u>31 March 2022</u>	<u>31 December 2021</u>
Due from related parties		
Founding shareholder	124,275	108,895
Associates	4,022	3,768
Joint venture	30,666	30,666
	<u>158,963</u>	<u>143,329</u>
Due to related parties		
Founding shareholder	163,436	243,675
Associates	54,759	37,888
	<u>218,195</u>	<u>281,563</u>

10 FINANCIAL ASSETS AND LIABILITIES

10.1 Financial assets

	<u>31 March 2022</u>	<u>31 December 2021</u>
Financial assets at fair value:		
Financial assets - fair value through other comprehensive income *	50,908	38,413
Derivatives financial instruments**	62,781	17,845
Total financial assets at fair value	<u>113,689</u>	<u>56,258</u>
Financial assets at amortized cost:		
Accounts receivable	5,023,602	4,581,715
Due from related parties	158,963	143,329
Short term Murabaha	1,280,000	1,000,000
Cash and cash equivalents	726,636	1,050,663
Total financial assets at amortized cost	<u>7,189,201</u>	<u>6,775,707</u>
Total financial assets	<u>7,302,890</u>	<u>6,831,965</u>
Current financial assets	7,251,982	6,793,552
Non-current financial assets	50,908	38,413
Total financial assets	<u>7,302,890</u>	<u>6,831,965</u>

10 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

10.2 Financial liabilities

	<u>31 March 2022</u>	<u>31 December 2021</u>
Financial liabilities at fair value:		
Derivatives financial instruments**	16,678	45,841
Total financial liabilities at fair value	<u>16,678</u>	<u>45,841</u>
Financial liabilities at amortized cost:		
Borrowings	10,388,165	10,834,358
Lease liabilities	3,115,958	3,120,391
Accounts payable	4,451,305	4,606,445
Due to related parties	218,195	281,563
Financial and other liabilities	195,746	223,653
Total financial liabilities at amortized cost	<u>18,369,369</u>	<u>19,066,410</u>
Total financial liabilities	<u>18,386,047</u>	<u>19,112,251</u>
Current financial liabilities	6,984,460	7,071,872
Non-current financial liabilities	11,401,587	12,040,379
Total financial liabilities	<u>18,386,047</u>	<u>19,112,251</u>

* The fair value of these financial assets was categorized as level 1.

** 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.

11 REVENUE

	<u>Consumer</u>	<u>Business</u>	<u>Wholesale</u>	<u>Outsourcing</u>	<u>Total</u>
<u>For the three-month period ended 31 March 2022</u>					
Usage	1,912,809	340,459	316,909	-	2,570,177
Activation and subscription fees	578,420	143,559	4,421	-	726,400
Others	250,693	143,874	45,777	74,087	514,431
	<u>2,741,922</u>	<u>627,892</u>	<u>367,107</u>	<u>74,087</u>	<u>3,811,008</u>
<u>For the three-month period ended 31 March 2021</u>					
Usage	1,936,318	251,903	237,208	-	2,425,429
Activation and subscription fees	529,320	141,696	-	-	671,016
Others	229,162	183,864	39,348	53,862	506,236
	<u>2,694,800</u>	<u>577,463</u>	<u>276,556</u>	<u>53,862</u>	<u>3,602,681</u>

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

	<u>31 March 2022</u>	<u>31 March 2021</u>
Profit for the period	319,027	225,869
Weighted average number of shares	770,000	770,000
Basic and diluted earnings per share (in SR)	<u>0.41</u>	<u>0.29</u>

13 COMMITMENTS AND CONTINGENCIES

13.1 Capital commitments

The Group has capital commitments resulting from contracts for supply of property and equipment that have not been executed amounting to SR 1.19 billion as at 31 March 2022 (31 December 2021: SR 0.85 billion).

13.2 Contingent liabilities

- The Group had contingent liabilities in the form of letters of guarantee and letters of credit amounting to SR 572 million as at 31 March 2022 (31 December 2021: SR 863 million).
- The CITC violation committee has issued several penalty resolutions against the Group which the Group has opposed in accordance with the Telecom Status and its 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 violation committee in accordance with the Telecom Status and its regulations, as follows:

- There are (359) lawsuits filed by the Group against CITC amounting to SR 469 million as of 31 March 2022.
- The Board of Grievance has issued (216) verdicts in favor of the Group voiding (216) resolutions of CITC violation committee, some of these verdicts have become conclusive (after they were affirmed by the appeal court) cancelling penalties with a total amounting to SR 409 million as of 31 March 2022.

Based on the status of these lawsuits as of 31 March 2022, the Group's management believes that sufficient provisions have been recorded.

- There are 192 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. As of 31 March 2022, the Company has received (191) final favorable verdicts. Whereas, (1) cases remains ongoing.

The Group is subject to zakat according to the regulations of the Zakat, Tax and Customs Authority (ZATCA) in the Kingdom of Saudi Arabia. The Group files its zakat returns on a consolidated basis, starting from the financial year ended December 31, 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 ZATCA for the years through 2020 and settled its zakat thereon. During the year ended 31 December 2016, the Group has filed adjusted zakat returns for the years 2013 and 2014, as a result of restatement of the financial statements for the said years, the Group has finalized its zakat status for the years up to 2009.

The Group received zakat assessments for the years 2010, 2011 and the years 2014 to 2018 which showed additional zakat liabilities of SR 157 million, and additional withholding tax of SR 159 for the years 2010, 2011 which have been objected by the Group at the Preliminary and Appeal Committees.

During April 2021, the group received an unfavorable ruling from General Secretariat of tax committees "GSTC" with respect to withholding tax assessments for the years 2010 and 2011 which is not consistent with the previous favorable ruling for 2008 and 2009. Based on that the Group has submitted a reconsideration request to GSTC.

On 23 January 2022 GSTC upheld the ruling against the Group. On 19 February 2022, the Group received notification from General Secretariat of Zakat, Tax and Customs Committees (GSZTCC) that ZATCA has filed appeals with Higher Appeal Committee (HAC) against the final WHT Rulings issued for the years 2008 and 2009 by the Board of Grievances (BOG) in favor of the Group with total amount of SR 84 million, The Group has responded to GSZTCC and the appeals are still under review with HAC. The Group believes that this ruling will not result into any additional provisions.

14 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 mainly engaged in providing telecommunications services and related products, 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 operating information in aggregate, which is the same information that is submitted to the Group's Board of Directors for the purposes of resource allocation and assessment of the performance of those segments.

	31 March 2022	31 March 2021
Consumer revenue	2,741,922	2,694,800
Business revenue	627,892	577,463
Wholesale revenue	367,107	276,556
Outsourcing revenue	74,087	53,862
Total revenue	3,811,008	3,602,681
Total cost of revenue	(1,573,424)	(1,531,125)
Total operating expense	(792,251)	(706,969)
Depreciation and amortization	(977,616)	(995,552)
Total non-operating expense	(118,181)	(124,871)
Zakat	(30,509)	(18,295)
Profit for the period	319,027	225,869
Capital expenditures	219,529	154,703

15 SUBSEQUENT EVENTS

No material events occurred subsequent to the reporting date, which could materially affect the condensed consolidated interim financial statements, and the related disclosures for the three-month period ended 31 March 2022.

16 DIVIDENDS

On 24 November 2021, the Board of Directors proposed a dividend of SR 654.5 million (SR 0.85 per share on 770 million shares) to the Annual General Assembly. No liability has been recognized in these condensed consolidated interim financial statements as the proposed dividend is yet to be approved by the general assembly as at the date of approval of these condensed consolidated interim financial statements.

17 COMPARATIVE FIGURES

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

18 APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The Company's Board of Directors approved the condensed consolidated interim financial statements for the three months period ended 31 March 2022 on 20 April 2022 (corresponding to 19 Ramadan 1443H).