

ETIHAD ETISALAT COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (Unaudited)
For the three-month and six-month periods ended 30 June 2020
Together with
Independent Auditor's Review Report

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KPMG Al Fozan & Partners
Certified Public Accountants
Riyadh Front, Airport Road,
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Telephone +966 11 874 8500
Fax +966 11 874 8600
Internet www.kpmg.com/sa

License No. 46/11/323 issued 11/3/1992

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 June 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 June 2020;
- the condensed consolidated interim statement of profit or loss for the three-month and six-month periods ended 30 June 2020;
- the condensed consolidated interim statement of comprehensive income for the three-month and six-month periods ended 30 June 2020;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2020;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 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

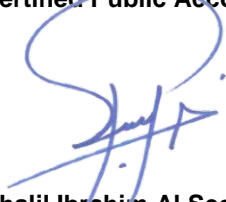
We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making 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 June 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: 29 Dhul Qa'adah 1441H
Corresponding to: 20 July 2020

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

	Notes	Unaudited 30 June 2020	Audited 31 December 2019
Assets			
Non-current assets			
Property and equipment	5	21,109,376	21,651,369
Right of use assets	6	2,275,604	2,378,958
Intangible assets	7	8,390,507	8,566,577
Capital advances		85,059	99,469
Financial assets		7,636	7,636
Total non-current assets		31,868,182	32,704,009
Current assets			
Inventories		30,732	104,747
Contract assets		551,093	387,879
Accounts receivable	8	3,744,210	3,034,222
Due from related parties	9	85,615	90,266
Prepaid expenses and other assets		763,654	850,658
Other financial assets		815,000	839,000
Derivatives financial instruments		15,839	-
Cash and cash equivalents		1,089,586	1,251,680
Total current assets		7,095,729	6,558,452
Total assets		38,963,911	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		3,794,130	3,469,231
Foreign currency translation reserve		(13,245)	(10,979)
Hedging reserve		(110,325)	(56,238)
Fair value reserve		365	365
Total shareholders' equity		14,019,896	13,751,350
Non-current liabilities			
Loans and notes payable	10	10,623,320	11,227,540
Lease liabilities		1,808,475	1,857,052
Provision for employees' end of service benefits		414,604	438,030
Contract liabilities		11,146	22,292
Deferred government grants income		112,758	122,373
Other financial liabilities		251,180	275,536
Provision for decommissioning liability		159,469	154,787
Total non-current liabilities		13,380,952	14,097,610
Current liabilities			
Loans and notes payable	10	1,519,267	1,157,017
Lease liabilities		683,798	651,972
Accounts payable		4,920,039	5,092,583
Contract liabilities		1,279,045	1,137,091
Due to related parties	9	217,056	264,765
Accrued expenses and other liabilities		2,274,935	2,512,947
Derivatives financial instruments		94,824	56,238
Provisions		447,560	445,295
Zakat provision		107,308	76,362
Deferred government grants income		19,231	19,231
Total current liabilities		11,563,063	11,413,501
Total liabilities		24,944,015	25,511,111
Total shareholders' equity and liabilities		38,963,911	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 and six-month periods 30 June 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	For the three-month period ended 30 June		For the six-month period ended 30 June	
		2020	2019	2020	2019
Revenue	12	3,558,775	3,330,915	7,158,398	6,531,875
Cost of revenue		(1,496,782)	(1,374,614)	(3,031,005)	(2,736,865)
Gross profit		2,061,993	1,956,301	4,127,393	3,795,010
Selling and marketing expenses		(346,336)	(340,243)	(693,784)	(615,608)
General and administrative expenses		(355,903)	(340,146)	(745,893)	(664,577)
Impairment loss on accounts receivable and contract assets	8	(18,188)	(70,539)	(65,596)	(47,978)
Depreciation and amortization	5,6,7	(986,788)	(944,910)	(1,975,702)	(1,913,508)
Impairment loss on property and equipment	5	(14,238)	(15,000)	(14,238)	(42,000)
Other (expense) / income, net		(6,331)	16,007	(1,701)	26,799
Operating profit		334,209	261,470	630,479	538,138
Share in results of joint venture		-	(820)	-	(1,309)
Finance expenses		(138,805)	(217,435)	(300,471)	(429,202)
Finance income		6,534	10,163	16,388	21,597
Profit before zakat		201,938	53,378	346,396	129,224
Zakat expense		(16,770)	(15,607)	(30,949)	(24,203)
Profit for the period		185,168	37,771	315,447	105,021

Earnings per share:

Basic and diluted earnings per share (in SR)	13	0.24	0.05	0.41	0.14
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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 comprehensive income (unaudited)
For the three-month period and six-month periods 30 June 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the three-month period ended 30 June		For the six-month period ended 30 June	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Profit for the period	<u>185,168</u>	<u>37,771</u>	<u>315,447</u>	<u>105,021</u>
<i>Items that will be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations	(154)	297	(2,266)	374
Cash flow hedge - change in fair value	(27,888)	(18,933)	(59,567)	(44,046)
Cash flow hedge - reclassified to profit or loss	<u>3,628</u>	<u>1,704</u>	<u>5,480</u>	<u>3,414</u>
Net total items that will be reclassified subsequently to profit or loss	<u>(24,414)</u>	<u>(16,932)</u>	<u>(56,353)</u>	<u>(40,258)</u>
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Actuarial gains / (losses) on re-measurement of employees' end of service benefits	995	(4,627)	9,452	(1,539)
Change in fair value of equity investments at FVOCI	-	-	-	365
Net total items that will not be reclassified subsequently to profit or loss	<u>995</u>	<u>(4,627)</u>	<u>9,452</u>	<u>(1,174)</u>
Total other comprehensive loss for the period	<u>(23,419)</u>	<u>(21,559)</u>	<u>(46,901)</u>	<u>(41,432)</u>
Total comprehensive income for the period	<u>161,749</u>	<u>16,212</u>	<u>268,546</u>	<u>63,589</u>

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


Chief Financial Officer

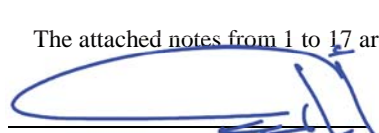

Chief Executive Officer

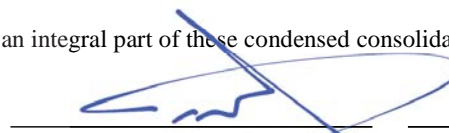

Chairman

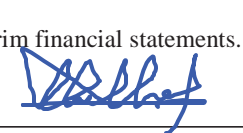
Etihad Etisalat Company (A Saudi Joint Stock Company)
Condensed consolidated interim statement of changes in shareholders' equity (unaudited)
For the six-month period ended 30 June 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

	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	-	-	105,021	-	-	-	105,021
Other comprehensive income / (loss) for the period	-	-	(1,539)	374	(40,632)	365	(41,432)
Total comprehensive income / (loss) for the period	-	-	103,482	374	(40,632)	365	63,589
As at 30 June 2019	7,700,000	2,648,971	3,546,842	(9,658)	(53,386)	365	13,833,134
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	-	-	315,447	-	-	-	315,447
Other comprehensive income / (loss) for the period	-	-	9,452	(2,266)	(54,087)	-	(46,901)
Total comprehensive income / (loss) for the period	-	-	324,899	(2,266)	(54,087)	-	268,546
As at 30 June 2020	7,700,000	2,648,971	3,794,130	(13,245)	(110,325)	365	14,019,896

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

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

	For the six-month period ended 30 June 2020	For the six-month period ended 30 June 2019
OPERATING ACTIVITIES		
Cash flows from operating activities		
Profit for the period	315,447	105,021
Adjustments for:		
Change in provision for inventory obsolescence	10,068	(1,011)
Depreciation	1,793,291	1,732,475
Amortization of intangible assets	182,411	181,033
Impairment loss on property and equipment	14,238	42,000
Provision for employees' end of service benefits	32,708	35,419
Impairment loss on accounts receivable and contract assets	65,596	47,978
Provisions	27,509	(23,909)
Government grants	(9,615)	(9,615)
Zakat provision	30,949	24,203
Loss on sale of property and equipment	19,708	886
Foreign exchange losses	-	1,428
Other expenses / (income)	1,859	(3,936)
Share in results of joint venture	-	1,309
Finance expenses	300,471	429,202
Finance income	(16,388)	(21,597)
Changes in:		
Accounts receivable	(784,107)	436,051
Inventories	63,947	25,704
Contract assets	(175,501)	(151,413)
Prepaid expenses and other assets	92,358	57,667
Derivatives financial instruments	(31,340)	-
Accounts payable	120,428	(549,240)
Contract liabilities	130,808	(7,076)
Accrued expenses and other liabilities	179,979	(402,255)
Utilization of the decommissioning provision	(1,066)	(622)
Provision used	(4,434)	(19,379)
Due from related parties	4,651	249
Due to related parties	(47,709)	(52,638)
Cash generated from operating activities	2,316,266	1,877,934
End of service benefits paid	(46,682)	(38,092)
Finance expenses paid	(182,843)	(301,564)
Zakat paid	(3)	(37,828)
Net cash generated from operating activities	2,086,738	1,500,450
INVESTING ACTIVITIES		
Other financial assets	24,000	325,000
Finance income received	11,039	36,215
Purchase of property and equipment	(1,653,816)	(1,117,350)
Proceeds from sales of property and equipment	19	13
Acquisition of intangible assets	(45,180)	(108,930)
Net cash used in investing activities	(1,663,938)	(865,052)
FINANCING ACTIVITIES		
Proceeds from loans and notes payable	280,040	282,173
Payment of loans and notes payable and related fees	(549,863)	(600,467)
Payment of lease liabilities	(315,071)	(291,417)
Net cash used in financing activities	(584,894)	(609,711)
Net changes in cash and cash equivalents	(162,094)	25,687
Cash and cash equivalents at 1 January	1,251,680	1,032,850
Cash and cash equivalents at 30 June	1,089,586	1,058,537
Supplementary non-cash information		
Property and equipment purchased credited to capital expenditure payable	(665,770)	(272,273)

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 30 June 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 July 2020 (corresponding to Dhul Qa'adah 29, 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 CORONA 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 six-month period ended 30 June 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

5 PROPERTY AND EQUIPMENT

	Land	Buildings	Leasehold improvements	Telecommunication 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	5,714	891,416	109,778	2,933	-	9	1,010,209
Disposals	-	(8,138)	(6,749)	(96,597)	(12,747)	(8,282)	-	-	(132,513)
At 30 June 2020	<u>273,192</u>	<u>1,207,709</u>	<u>851,693</u>	<u>43,468,889</u>	<u>5,554,494</u>	<u>418,012</u>	<u>2,774</u>	<u>647</u>	<u>51,777,410</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	-	29,807	17,581	1,273,049	195,998	1,762	40	-	1,518,237
Impairment	-	-	-	14,238	-	-	-	-	14,238
Disposals	-	(3,297)	(6,171)	(82,664)	(12,372)	(8,282)	-	-	(112,786)
At 30 June 2020	<u>-</u>	<u>386,498</u>	<u>710,152</u>	<u>24,647,978</u>	<u>4,522,204</u>	<u>398,702</u>	<u>2,500</u>	<u>-</u>	<u>30,668,034</u>
Net book value:									
At 30 June 2020	<u>273,192</u>	<u>821,211</u>	<u>141,541</u>	<u>18,820,911</u>	<u>1,032,290</u>	<u>19,310</u>	<u>274</u>	<u>647</u>	<u>21,109,376</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 six-months period ended 30 June 2020, the Group has capitalized internal technical salaries amounting to SR 91 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 six-month period ended 30 June 2020
(All amounts in Saudi Riyals thousands unless otherwise stated)

6 RIGHT OF USE ASSETS

	<u>Telecommunication network equipment</u>	<u>Buildings</u>	<u>Land</u>	<u>Total</u>
Cost:				
At 1 January 2020	3,694,529	784,378	52,195	4,531,102
Additions	151,197	31,520	-	182,717
Lease cancelation	(1,055)	(16,284)	-	(17,339)
At 30 June 2020	<u>3,844,671</u>	<u>799,614</u>	<u>52,195</u>	<u>4,696,480</u>
Depreciation:				
At 1 January 2020	1,797,616	341,029	13,499	2,152,144
Charge for the period	208,439	65,476	1,139	275,054
Lease cancelation	(442)	(5,880)	-	(6,322)
At 30 June 2020	<u>2,005,613</u>	<u>400,625</u>	<u>14,638</u>	<u>2,420,876</u>
Net book value:				
At 30 June 2020	<u>1,839,058</u>	<u>398,989</u>	<u>37,557</u>	<u>2,275,604</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

	<u>Telecommunication services licenses</u>	<u>Goodwill</u>	<u>Indefeasible Right of Use (IRU)</u>	<u>Others</u>	<u>Total</u>
Cost:					
At 1 January 2020	13,585,350	1,466,865	1,210,300	97,689	16,360,204
Additions	1,000	-	5,341	-	6,341
At 30 June 2020	<u>13,586,350</u>	<u>1,466,865</u>	<u>1,215,641</u>	<u>97,689</u>	<u>16,366,545</u>
Amortization:					
At 1 January 2020	7,089,090	-	606,848	97,689	7,793,627
Charge for the period	138,428	-	43,983	-	182,411
At 30 June 2020	<u>7,227,518</u>	<u>-</u>	<u>650,831</u>	<u>97,689</u>	<u>7,976,038</u>
Net book value:					
At 30 June 2020	<u>6,358,832</u>	<u>1,466,865</u>	<u>564,810</u>	<u>-</u>	<u>8,390,507</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

	<u>30 June 2020</u>	<u>31 December 2019</u>
Accounts receivable	5,425,707	4,662,411
Less: allowance for impairment loss on accounts receivable	(1,681,497)	(1,628,189)
	<u>3,744,210</u>	<u>3,034,222</u>

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

	<u>30 June 2020</u>	<u>31 December 2019</u>
Opening balance	(1,628,189)	(2,024,556)
Charge for the period / year	(53,308)	(80,536)
Written off during the period / year	-	476,903
Closing balance	<u>(1,681,497)</u>	<u>(1,628,189)</u>

9 RELATED PARTIES TRANSACTIONS AND BALANCES

9.1 Related party transactions

The Group has the following related parties:

Party	Relationship
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:

	30 June 2020	30 June 2019
Interconnection services and roaming services rendered		
Founding shareholder	22,531	45,447
Associate to founding shareholder	2,912	9,853
Interconnection services and roaming services received		
Founding shareholder	113,498	185,710
Associate to founding shareholder	55,799	17,367
Management fees		
Founding shareholder	58,808	14,062
Other management expenses		
Founding shareholder	6,365	(2,324)
Other telecommunication services		
Associate to founding shareholder	3,309	3,255

Compensation and benefits to key management personnel

	30 June 2020	30 June 2019
Short term employee benefits	46,493	47,907
Post-employment benefits	1,516	1,102
Total compensation and benefits to key management personnel	48,009	49,009

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.

9 RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

9.2 Related party balances

	30 June 2020	31 December 2019
Due from related parties		
Founding shareholder	75,219	77,676
Associate to founding shareholder	2,230	4,424
Joint venture	8,166	8,166
	<u>85,615</u>	<u>90,266</u>
Due to related parties		
Founding shareholder	175,781	233,214
Associate to founding shareholder	41,275	31,551
	<u>217,056</u>	<u>264,765</u>

10 LOANS AND NOTES PAYABLE

	30 June 2020	31 December 2019
Long-term loans	12,142,587	12,384,557
Less: current portion	(1,519,267)	(1,157,017)
Non-current	<u>10,623,320</u>	<u>11,227,540</u>

a) Maturity profile of loans and notes payable:

	30 June 2020	31 December 2019
Less than one year	1,519,267	1,157,017
Between one to five years	5,468,330	5,329,673
More than five years	5,154,990	5,897,867

11 FINANCIAL ASSETS AND LIABILITIES

11.1 Financial assets

	30 June 2020	31 December 2019
Financial assets at fair value:		
Financial assets - fair value through other comprehensive income *	7,636	7,636
Derivatives financial instruments**	15,839	-
Total financial assets at fair value	<u>23,475</u>	<u>7,636</u>
Financial assets at amortized cost:		
Accounts receivables	3,744,210	3,034,222
Due from related parties	85,615	90,266
Other financial assets	815,000	839,000
Cash and cash equivalents	1,089,586	1,251,680
Total financial assets at amortized cost	<u>5,734,411</u>	<u>5,215,168</u>
Total financial assets	<u>5,757,886</u>	<u>5,222,804</u>
Current financial assets	5,750,250	5,215,168
Non-current financial assets	7,636	7,636
Total financial assets	<u>5,757,886</u>	<u>5,222,804</u>

11 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

11.2 Financial liabilities

	<u>30 June 2020</u>	<u>31 December 2019</u>
Financial liabilities at fair value:		
Derivatives financial instruments**	94,824	56,238
Total financial liabilities at fair value	<u>94,824</u>	<u>56,238</u>
Financial liabilities at amortized cost:		
Loans and notes payable	12,142,587	12,384,557
Lease liabilities	2,492,273	2,509,024
Accounts payable	4,920,039	5,092,583
Due to related parties	217,056	264,765
Other financial liabilities	251,180	275,536
Total financial liabilities at amortized cost	<u>20,023,135</u>	<u>20,526,465</u>
Total financial liabilities	<u>20,117,959</u>	<u>20,582,703</u>
Current financial liabilities	7,434,984	7,222,575
Non-current financial liabilities	12,682,975	13,360,128
Total financial liabilities	<u>20,117,959</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.

12 REVENUE

	<u>Consumer</u>	<u>Business</u>	<u>Wholesale</u>	<u>Outsourcing</u>	<u>Total</u>
<u>For the three-month period ended 30 June 2020</u>					
Usage	1,998,249	166,681	276,590	-	2,441,520
Activation and subscription fees	455,141	121,203	-	-	576,344
Others	177,964	281,723	30,981	50,243	540,911
	<u>2,631,354</u>	<u>569,607</u>	<u>307,571</u>	<u>50,243</u>	<u>3,558,775</u>
<u>For the three-month period ended 30 June 2019</u>					
Usage	1,996,002	117,891	229,111	-	2,343,004
Activation and subscription fees	438,204	101,151	-	-	539,355
Others	191,072	183,290	29,873	44,321	448,556
	<u>2,625,278</u>	<u>402,332</u>	<u>258,984</u>	<u>44,321</u>	<u>3,330,915</u>
	<u>Consumer</u>	<u>Business</u>	<u>Wholesale</u>	<u>Outsourcing</u>	<u>Total</u>
<u>For the six-month period ended 30 June 2020</u>					
Usage	4,105,504	332,127	560,472	-	4,998,103
Activation and subscription fees	930,602	236,472	-	-	1,167,074
Others	351,933	473,961	65,450	101,877	993,221
	<u>5,388,039</u>	<u>1,042,560</u>	<u>625,922</u>	<u>101,877</u>	<u>7,158,398</u>
<u>For the six-month period ended 30 June 2019</u>					
Usage	3,876,572	226,684	431,151	-	4,534,407
Activation and subscription fees	929,046	198,172	-	-	1,127,218
Others	345,677	345,214	94,553	84,806	870,250
	<u>5,151,295</u>	<u>770,070</u>	<u>525,704</u>	<u>84,806</u>	<u>6,531,875</u>

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 June		For the six-month period ended 30 June	
	2020	2019	2020	2019
Profit for the period	185,168	37,771	315,447	105,021
Weighted average number of shares	770,000	770,000	770,000	770,000
Basic and diluted earnings per share (in SR)	0.24	0.05	0.41	0.14

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 1.65 billion as at 30 June 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 1,005 million as at 30 June 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 30 June 2020.
- The Board of Grievance has issued (191) verdicts in favor of the Group voiding (191) resolutions of the CITC's violation committee with a total penalties amounting to SR 507 million as of 30 June 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 30 June 2020.

Management and the Board of Directors believe that, based on the status of these lawsuits as of 30 June 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 six-months period ended 30 June 2020, the Company has received (2) preliminary favorable verdicts.

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 June		For the six-month period ended 30 June	
	2020	2019	2020	2019
Consumer revenues	2,631,354	2,625,278	5,388,039	5,151,295
Business revenues	569,607	402,332	1,042,560	770,070
Wholesale revenues	307,571	258,984	625,922	525,704
Outsourcing revenues	50,243	44,321	101,877	84,806
Total revenue	3,558,775	3,330,915	7,158,398	6,531,875
Total cost of revenue	(1,496,782)	(1,374,614)	(3,031,005)	(2,736,865)
Total operating expense	(726,758)	(734,921)	(1,506,974)	(1,301,364)
Depreciation and amortization	(986,788)	(944,910)	(1,975,702)	(1,913,508)
Impairment loss on property and equipment	(14,238)	(15,000)	(14,238)	(42,000)
Total non-operating expense	(132,271)	(208,092)	(284,083)	(408,914)
Capital expenditures	574,989	344,598	1,016,550	1,126,125

16 COMPARATIVE FIGURES

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

17 SUBSEQUENT EVENTS

The Company announced the signing of MoU with Mobile Telecommunication Company Saudi Arabia (ZAIN KSA) to increase the participation in the communication towers, with the objective of achieving maximum efficiency and upgrading the communications and information technology system, with the support and supervision of the Communications and Information Technology Commission (CITC). There is no financial impact and the signed MoU is not obligatory, and any agreement will be subject to the regulatory approvals and conditions, and the internal approvals of both companies.