

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 2021
Together with
Independent Auditor's Review Report

Contents

Independent Auditor's Review Report	2
Condensed consolidated interim statement of financial position.....	4
Condensed consolidated interim statement of profit or loss	5
Condensed consolidated interim statement of comprehensive income.....	6
Condensed consolidated interim statement of changes in shareholders' equity	7
Condensed consolidated interim statement of cash flows	8
Notes to the condensed consolidated interim financial statements	9-18



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كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
المركز الرئيسي

سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

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 30 September 2021 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 2021;
- the condensed consolidated interim statement of profit or loss for the three-month and nine-month periods ended 30 September 2021;
- the condensed consolidated interim statement of comprehensive income for the three-month and nine-month periods ended 30 September 2021;
- the condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2021;
- the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2021; 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 30 September 2021 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: 14 Rabi UI Awal 1443H
Corresponding to: 20 October 2021



Ethihad Etisalat Company (A Saudi Joint Stock Company)
Condensed consolidated interim statement of financial position
As at 30 September 2021
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	Unaudited 30 September 2021	Audited 31 December 2020
Assets			
Non-current assets			
Property and equipment	5	19,973,299	21,320,636
Right of use assets	6	2,336,342	2,321,026
Intangible assets	7	7,956,236	8,239,770
Capital advances		33,491	43,035
Financial assets		7,097	7,097
Total non-current assets		30,306,465	31,931,564
Current assets			
Inventories		37,375	73,333
Contract assets		795,788	485,180
Accounts receivable	8	4,480,229	3,895,306
Due from related parties	9	133,728	112,199
Prepaid expenses and other assets		749,629	667,998
Other financial assets		600,000	300,000
Derivatives financial instruments		7,977	12,979
Cash and cash equivalents		905,157	929,498
Total current assets		7,709,883	6,476,493
Total assets		38,016,348	38,408,057
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		4,569,244	4,205,714
Other reserves		(93,635)	(109,458)
Total shareholders' equity		14,824,580	14,445,227
Non-current liabilities			
Loans and notes payable	10	9,694,982	10,134,358
Lease liabilities		1,847,639	1,835,665
Provision for employees' end of service benefits		502,258	484,760
Deferred government grants income		88,717	103,142
Other financial liabilities		223,653	250,227
Provision for decommissioning liability		178,353	170,116
Total non-current liabilities		12,535,602	12,978,268
Current liabilities			
Loans and notes payable	10	1,208,876	1,349,457
Lease liabilities		896,729	769,101
Accounts payable		4,229,904	4,668,596
Contract liabilities		955,077	1,066,989
Due to related parties	9	363,286	152,836
Accrued expenses and other liabilities		2,502,272	2,403,804
Derivatives financial instruments		59,973	79,473
Provisions		333,989	401,457
Zakat provision		86,829	73,618
Deferred government grants income		19,231	19,231
Total current liabilities		10,656,166	10,984,562
Total liabilities		23,191,768	23,962,830
Total shareholders' equity and liabilities		38,016,348	38,408,057

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 and nine-month periods ended 30 September 2021
(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	
		<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Revenue	12	3,606,116	3,355,013	10,936,637	10,513,411
Cost of revenue		(1,420,003)	(1,299,086)	(4,531,917)	(4,330,091)
Gross profit		2,186,113	2,055,927	6,404,720	6,183,320
Selling and marketing expenses		(344,062)	(328,466)	(1,033,952)	(1,022,250)
General and administrative expenses		(368,679)	(373,483)	(1,033,249)	(1,119,376)
Impairment loss on accounts receivable and contract assets		(80,087)	(14,504)	(247,764)	(80,100)
Depreciation and amortization	5,6,7	(966,051)	(992,920)	(2,922,260)	(2,968,622)
Impairment loss on property and equipment		-	-	-	(14,238)
Other (expense) / income, net		(4,060)	9,540	8,262	7,839
Operating profit		423,174	356,094	1,175,757	986,573
Finance expenses		(125,363)	(133,871)	(373,055)	(434,342)
Finance income		1,174	2,519	3,791	18,907
Profit before zakat		298,985	224,742	806,493	571,138
Zakat expense		(17,933)	(2,877)	(55,775)	(33,826)
Profit for the period		281,052	221,865	750,718	537,312

Earnings per share:

Basic and diluted earnings per share (in SR)	13	0.37	0.29	0.97	0.70
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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 and nine-month periods ended 30 September 2021
(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	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Profit for the period	<u>281,052</u>	<u>221,865</u>	<u>750,718</u>	<u>537,312</u>
<i>Items that will be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations	(26)	913	(706)	(1,353)
Cash flow hedge - change in fair value	(6,719)	6,775	(9,021)	(52,792)
Cash flow hedge - reclassified to profit or loss	<u>9,801</u>	<u>6,939</u>	<u>25,550</u>	<u>12,419</u>
Net total items that will be reclassified subsequently to profit or loss	<u>3,056</u>	<u>14,627</u>	<u>15,823</u>	<u>(41,726)</u>
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Actuarial (losses) / gains on re-measurement of employees' end of service benefits	(1,598)	1,008	(2,188)	10,460
Change in fair value of equity investments at FVOCI	-	(538)	-	(538)
Net total items that will not be reclassified subsequently to profit or loss	<u>(1,598)</u>	<u>470</u>	<u>(2,188)</u>	<u>9,922</u>
Total other comprehensive income / (loss) for the period	<u>1,458</u>	<u>15,097</u>	<u>13,635</u>	<u>(31,804)</u>
Total comprehensive income for the period	<u>282,510</u>	<u>236,962</u>	<u>764,353</u>	<u>505,508</u>

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


Chief Financial Officer


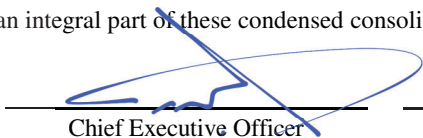


Chief Executive Officer


Chairman

Etihad Etisalat Company (A Saudi Joint Stock Company)
 Condensed consolidated interim statement of changes in shareholders' equity (unaudited)
 For the nine-month period ended 30 September 2021
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Other reserves	Total shareholders' equity
As at 1 January 2021	7,700,000	2,648,971	4,205,714	(109,458)	14,445,227
Profit for the period	-	-	750,718	-	750,718
Other comprehensive (loss) / income for the period	-	-	(2,188)	15,823	13,635
Total comprehensive income for the period	-	-	748,530	15,823	764,353
Dividends	-	-	(385,000)	-	(385,000)
As at 30 September 2021	7,700,000	2,648,971	4,569,244	(93,635)	14,824,580
As at 1 January 2020	7,700,000	2,648,971	3,469,231	(66,852)	13,751,350
Profit for the period	-	-	537,312	-	537,312
Other comprehensive income / (loss) for the period	-	-	10,460	(42,264)	(31,804)
Total comprehensive income / (loss) for the period	-	-	547,772	(42,264)	505,508
Transfers	-	-	(538)	538	-
As at 30 September 2020	7,700,000	2,648,971	4,016,465	(108,578)	14,256,858

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 nine-month period ended 30 September 2021
(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the nine-month period ended 30 September 2021	For the nine-month period ended 30 September 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	750,718	537,312
Adjustments for:		
Change in provision for inventory obsolescence	(64,399)	13,356
Depreciation	2,649,977	2,694,789
Amortization of intangible assets	272,283	273,833
Impairment loss on property and equipment	-	14,238
Provision for employees' end of service benefits	45,112	49,982
Impairment loss on accounts receivable and contract assets	247,764	80,100
Provisions	62,196	86,588
Government grants	(14,425)	(14,425)
Zakat provision	55,775	33,826
Loss on sale of property and equipment	14,838	20,040
Other expenses	1,826	3,469
Finance expenses	373,055	434,342
Finance income	(3,791)	(18,907)
Changes in:		
Accounts receivable	(822,431)	(946,590)
Inventories	100,357	62,209
Contract assets	(320,864)	(260,803)
Prepaid expenses and other assets	(80,653)	68,195
Derivatives financial instruments	-	(31,340)
Accounts payable	183,227	(280,568)
Contract liabilities	(111,912)	57,571
Accrued expenses and other liabilities	212,657	464,242
Utilization of the decommissioning provision	(739)	(1,304)
Provision used	(156,047)	(103,135)
Due from related parties	(21,529)	(13,509)
Due to related parties	210,450	(17,122)
Cash generated from operating activities	3,583,445	3,206,389
End of service benefits paid	(29,802)	(56,609)
Finance expenses paid	(232,182)	(304,707)
Zakat paid	(42,564)	(4,562)
Net cash generated from operating activities	3,278,897	2,840,511
CASH FLOWS FROM INVESTING ACTIVITIES		
Other financial assets	(300,000)	564,000
Finance income received	2,814	27,927
Purchase of property and equipment	(1,479,414)	(2,553,870)
Proceeds from sales of property and equipment	11	99
Proceeds from sale of investment	-	1
Acquisition of intangible assets	(39,741)	(72,550)
Net cash used in investing activities	(1,816,330)	(2,034,393)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans and notes payable	700,000	291,148
Payment of loans and notes payable and related fees	(1,321,029)	(1,009,016)
Payment of lease liabilities	(488,372)	(473,692)
Dividends paid	(377,507)	-
Net cash used in financing activities	(1,486,908)	(1,191,560)
Net changes in cash and cash equivalents	(24,341)	(385,442)
Cash and cash equivalents at 1 January	929,498	1,251,680
Cash and cash equivalents at 30 September	905,157	866,238

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.

On 6 June 2021, a dividend of SR 385 million (SR 0.5 per share on 770 million shares) that was approved by the Annual General Assembly on 23 May 2021, was paid by the Company.

1.2 Subsidiary Companies

Below is the summary of Company’s subsidiaries and ownership percentage as at 30 September 2021:

<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	95.00%	5.00%
National Company for Business Solutions FZE	United Arab Emirates	-	100.00%
Mobily Ventures Holding W.L.L	Bahrain	100.00%	-
Etihad Fintech Company (Single Person 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.

** On 17 February 2021, the commercial registration of Bayanat Al-Oula for Network Services Company was cancelled and accordingly the assets and liabilities have been transferred to Etihad Etisalat Company at book value.

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).

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 the annual consolidated financial statements for the year ended 31 December 2020.

The condensed consolidated interim financial statements have been approved for issuance on 18 October 2021 (corresponding to 12 Rabi' al-Awwal 1443H).

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 2020.

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 2020.

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 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.

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.

Etihad Etisalat Company (A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the nine-month period ended 30 September 2021
(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 2021	267,423	1,207,380	889,844	44,850,521	5,856,781	418,064	2,774	638	53,493,425
Additions	-	56	21,682	658,574	162,924	1,098	-	51,857	896,191
Transfers	-	-	416	-	157	-	-	(573)	-
Disposals	-	-	(30,365)	(91,687)	(222,216)	(9,004)	-	-	(353,272)
At 30 September 2021	<u>267,423</u>	<u>1,207,436</u>	<u>881,577</u>	<u>45,417,408</u>	<u>5,797,646</u>	<u>410,158</u>	<u>2,774</u>	<u>51,922</u>	<u>54,036,344</u>
Depreciation:									
At 1 January 2021	-	416,151	727,139	25,910,981	4,716,933	399,085	2,500	-	32,172,789
Charge for the period	-	44,347	27,358	1,873,791	280,562	2,621	-	-	2,228,679
Disposals	-	-	(29,002)	(83,645)	(217,017)	(8,759)	-	-	(338,423)
At 30 September 2021	<u>-</u>	<u>460,498</u>	<u>725,495</u>	<u>27,701,127</u>	<u>4,780,478</u>	<u>392,947</u>	<u>2,500</u>	<u>-</u>	<u>34,063,045</u>
Net book value:									
At 30 September 2021	<u>267,423</u>	<u>746,938</u>	<u>156,082</u>	<u>17,716,281</u>	<u>1,017,168</u>	<u>17,211</u>	<u>274</u>	<u>51,922</u>	<u>19,973,299</u>
At 31 December 2020	<u>267,423</u>	<u>791,229</u>	<u>162,705</u>	<u>18,939,540</u>	<u>1,139,848</u>	<u>18,979</u>	<u>274</u>	<u>638</u>	<u>21,320,636</u>

During the nine-month period ended 30 September 2021, the Group has capitalized internal technical salaries amounting to SR 120 million (31 December 2020: SR 181 million).

Etiihad Etisalat Company (A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial statements
For the nine-month period ended 30 September 2021
(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 2021	4,143,268	789,980	52,195	4,985,443
Additions	435,000	147,189	-	582,189
Lease cancelation	(2,577)	(169,901)	(23,343)	(195,821)
At 30 September 2021	<u>4,575,691</u>	<u>767,268</u>	<u>28,852</u>	<u>5,371,811</u>
Depreciation:				
At 1 January 2021	2,219,706	429,005	15,706	2,664,417
Charge for the period	338,683	81,208	1,407	421,298
Lease cancelation	(825)	(43,209)	(6,212)	(50,246)
At 30 September 2021	<u>2,557,564</u>	<u>467,004</u>	<u>10,901</u>	<u>3,035,469</u>
Net book value:				
At 30 September 2021	<u>2,018,127</u>	<u>300,264</u>	<u>17,951</u>	<u>2,336,342</u>
At 31 December 2020	<u>1,923,562</u>	<u>360,975</u>	<u>36,489</u>	<u>2,321,026</u>

7 INTANGIBLE ASSETS

	<u>Telecommuni- cation services licenses</u>	<u>Goodwill</u>	<u>Indefeasible Right of Use (IRU)</u>	<u>Others</u>	<u>Total</u>
Cost:					
At 1 January 2021	13,586,350	1,466,865	1,245,954	97,689	16,396,858
Additions / Adjustments	-	-	(11,251)	-	(11,251)
At 30 September 2021	<u>13,586,350</u>	<u>1,466,865</u>	<u>1,234,703</u>	<u>97,689</u>	<u>16,385,607</u>
Amortization:					
At 1 January 2021	7,365,947	-	693,452	97,689	8,157,088
Charge for the period	212,727	-	59,556	-	272,283
At 30 September 2021	<u>7,578,674</u>	<u>-</u>	<u>753,008</u>	<u>97,689</u>	<u>8,429,371</u>
Net book value:					
At 30 September 2021	<u>6,007,676</u>	<u>1,466,865</u>	<u>481,695</u>	<u>-</u>	<u>7,956,236</u>
At 31 December 2020	<u>6,220,403</u>	<u>1,466,865</u>	<u>552,502</u>	<u>-</u>	<u>8,239,770</u>

8 ACCOUNTS RECEIVABLE

	<u>30 September 2021</u>	<u>31 December 2020</u>
Accounts receivable	6,298,195	5,475,764
Less: allowance for impairment loss on accounts receivable	(1,817,966)	(1,580,458)
	<u>4,480,229</u>	<u>3,895,306</u>

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

	<u>30 September 2021</u>	<u>31 December 2020</u>
Opening balance	(1,580,458)	(1,628,189)
(Charge) / Reversal for the period / year	(237,508)	5,158
Written off during the period / year	-	42,573
Closing balance	<u>(1,817,966)</u>	<u>(1,580,458)</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 September 2021	30 September 2020
Interconnection services and roaming services rendered		
Founding shareholder	284,924	31,029
Associates	1,650	3,455
Interconnection services and roaming services received		
Founding shareholder	163,392	164,338
Associates	90,750	83,620
Management fees		
Founding shareholder	89,291	87,822
Other management expenses		
Founding shareholder	5,022	7,934
Other telecommunication services		
Associates	3,037	5,595

Compensation and benefits to key management personnel

	30 September 2021	30 September 2020
Short term employee benefits	74,400	57,921
Post-employment benefits	2,861	2,264
Total compensation and benefits to key management personnel	77,261	60,185

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.

9 RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

9.2 Related party balances

	30 September 2021	31 December 2020
Due from related parties		
Founding shareholder	98,533	85,464
Associates	4,529	3,569
Joint venture	30,666	23,166
	133,728	112,199
Due to related parties		
Founding shareholder	313,222	129,016
Associates	50,064	23,820
	363,286	152,836

10 LOANS AND NOTES PAYABLE

	30 September 2021	31 December 2020
Long-term loans	10,903,858	11,483,815
Less: current portion	(1,208,876)	(1,349,457)
Non-current	9,694,982	10,134,358

a) Maturity profile of loans and notes payable:

	30 September 2021	31 December 2020
Less than one year	1,208,876	1,349,457
Between one to five years	8,103,951	5,894,525
Over five years	1,591,031	4,239,833

11 FINANCIAL ASSETS AND LIABILITIES

11.1 Financial assets

	30 September 2021	31 December 2020
Financial assets at fair value:		
Financial assets - fair value through other comprehensive income *	7,097	7,097
Derivatives financial instruments**	7,977	12,979
Total financial assets at fair value	15,074	20,076
Financial assets at amortized cost:		
Accounts receivable	4,480,229	3,895,306
Due from related parties	133,728	112,199
Other financial assets	600,000	300,000
Cash and cash equivalents	905,157	929,498
Total financial assets at amortized cost	6,119,114	5,237,003
Total financial assets	6,134,188	5,257,079
Current financial assets	6,127,091	5,249,982
Non-current financial assets	7,097	7,097
Total financial assets	6,134,188	5,257,079

11 FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

11.2 Financial liabilities

	<u>30 September 2021</u>	<u>31 December 2020</u>
Financial liabilities at fair value:		
Derivatives financial instruments**	59,973	79,473
Total financial liabilities at fair value	<u>59,973</u>	<u>79,473</u>
Financial liabilities at amortized cost:		
Loans and notes payable	10,903,858	11,483,815
Lease liabilities	2,744,368	2,604,766
Accounts payable	4,229,904	4,668,596
Due to related parties	363,286	152,836
Other financial liabilities	223,653	250,227
Total financial liabilities at amortized cost	<u>18,465,069</u>	<u>19,160,240</u>
Total financial liabilities	<u>18,525,042</u>	<u>19,239,713</u>
Current financial liabilities	6,758,768	7,019,463
Non-current financial liabilities	11,766,274	12,220,250
Total financial liabilities	<u>18,525,042</u>	<u>19,239,713</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 September 2021</u>					
Usage	1,901,933	255,203	285,792	-	2,442,928
Activation and subscription fees	562,426	130,069	-	-	692,495
Others	126,576	244,038	37,893	62,186	470,693
	<u>2,590,935</u>	<u>629,310</u>	<u>323,685</u>	<u>62,186</u>	<u>3,606,116</u>
<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
	<u>2,515,822</u>	<u>473,224</u>	<u>314,994</u>	<u>50,973</u>	<u>3,355,013</u>
	<u>Consumer</u>	<u>Business</u>	<u>Wholesale</u>	<u>Outsourcing</u>	<u>Total</u>
<u>For the nine-month period ended 30 September 2021</u>					
Usage	5,733,821	884,068	777,015	-	7,394,904
Activation and subscription fees	1,644,613	398,396	-	-	2,043,009
Others	628,357	585,446	114,861	170,060	1,498,724
	<u>8,006,791</u>	<u>1,867,910</u>	<u>891,876</u>	<u>170,060</u>	<u>10,936,637</u>
<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
	<u>7,903,861</u>	<u>1,515,784</u>	<u>940,916</u>	<u>152,850</u>	<u>10,513,411</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 September		For the nine-month period ended 30 September	
	2021	2020	2021	2020
Profit for the period	281,052	221,865	750,718	537,312
Weighted average number of shares	770,000	770,000	770,000	770,000
Basic and diluted earnings per share (in SR)	0.37	0.29	0.97	0.70

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 interim statement of financial position date in the amount of SR 1.19 billion as at 30 September 2021 (31 December 2020: SR 0.97 billion).

14.2 Contingent liabilities

The Group had contingent liabilities in the form of letters of guarantee and letters of credit amounting to SR 597 million as at 30 September 2021 (31 December 2020: SR 988 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 (347) lawsuits filed by the Group against CITC amounting to SR 459 million as of 30 September 2021.
- The Board of Grievance has issued (194) verdicts in favor of the Group voiding (194) resolutions of CITC violation committee with a total penalties amounting to SR 394 million as of 30 September 2021.
- Some of these verdicts have become conclusive (after they were affirmed by the appeal court) cancelling penalties with a total amounting to SR 394 million as of 30 September 2021.

Based on the status of these lawsuits as of 30 September 2021, 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 30 September 2021, the Company has received (186) final favorable verdicts. Whereas, (6) cases remain 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 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 ZATCA for the years through 2020 and settled its zakat thereon. During the financial 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 2009. The Group has received zakat and withholding tax assessments that showed additional zakat liabilities for the year 2010, 2011 and 2014 to 2018 of SR 157 million and additional withholding tax liabilities for the year 2010 and 2011 of SR 147 million, which have been appealed against by the Group at the Preliminary and Higher Appeal Committees. In 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 favorable previous ruling for 2008 and 2009. Based on that the group has submitted a reconsideration request to GSTC which is currently under consideration. Therefore, the Group believes that this ruling will not result into any additional provisions.

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 the operating segments performance.

	For the three-month period ended 30 September		For the nine-month period ended 30 September	
	2021	2020	2021	2020
Consumer revenues	2,590,935	2,515,822	8,006,791	7,903,861
Business revenues	629,310	473,224	1,867,910	1,515,784
Wholesale revenues	323,685	314,994	891,876	940,916
Outsourcing revenues	62,186	50,973	170,060	152,850
Total revenue	3,606,116	3,355,013	10,936,637	10,513,411
Total cost of revenue	(1,420,003)	(1,299,086)	(4,531,917)	(4,330,091)
Total operating expense	(796,888)	(706,913)	(2,306,703)	(2,213,887)
Depreciation and amortization	(966,051)	(992,920)	(2,922,260)	(2,968,622)
Impairment loss on property and equipment	-	-	-	(14,238)
Total non-operating expense	(124,189)	(131,352)	(369,264)	(415,435)
Capital expenditures	460,255	748,664	884,940	1,765,214

16 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 nine-month period ended 30 September 2021.

17 COMPARATIVE FIGURES

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