

**ETIHAD ETISALAT COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS (Unaudited)**  
**For the three-months period ended 31 March 2019**  
Together with  
**Independent Auditors' Review Report**

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

To the Shareholders of Etihad Etisalat Company

## Introduction

We have reviewed the accompanying 31 March 2019 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 2019;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2019;
- the condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2019;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2019 ;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2019; and
- the notes to the condensed consolidated interim financial statements.

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

## Scope of review

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

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

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2019 condensed consolidated interim financial statements of Etihad Etisalat Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

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

**Khalil Ibrahim Al Sedais**  
License No. 371



Riyadh on: 20 April 2019  
Corresponding to: 15 Shaban 1440H

**Etihad Etisalat Company (A Saudi Joint Stock Company)**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	Unaudited 31 March 2019	Audited 31 December 2018
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	5	22,047,112	22,183,775
Right of use assets	6	2,359,528	-
Intangible assets	7	8,774,971	8,818,165
Capital advances		342,808	450,250
Investment in joint venture		994	1,483
Financial assets		7,636	7,271
<b>Total non-current assets</b>		<b>33,533,049</b>	<b>31,460,944</b>
<b>Current assets</b>			
Inventories	8	28,545	69,360
Contract assets		184,720	89,180
Accounts receivable	9	2,857,596	3,566,718
Due from related parties	10	70,441	68,452
Prepaid expenses and other assets		1,005,613	1,269,270
Other financial assets		1,000,000	1,000,000
Derivatives financial instruments		3,619	8,095
Cash and cash equivalents		837,037	1,032,850
<b>Total current assets</b>		<b>5,987,571</b>	<b>7,103,925</b>
<b>Total assets</b>		<b>39,520,620</b>	<b>38,564,869</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital	1	7,700,000	7,700,000
Statutory reserve		2,648,971	2,648,971
Retained earnings		3,513,698	3,543,131
Foreign currency translation reserve		(9,955)	(10,032)
Hedging reserve		(36,157)	(12,754)
Fair value reserve		365	-
<b>Total shareholders' equity</b>		<b>13,816,922</b>	<b>13,869,316</b>
<b>Non-current liabilities</b>			
Loans and notes payable	11	11,475,104	11,987,788
Lease liabilities		1,800,508	-
Provision for employees' end of service benefits		414,949	426,074
Deferred revenue		39,010	44,582
Deferred government grants income		136,796	141,604
Other financial liabilities		276,444	299,640
Provision for decommissioning liability		142,290	239,654
<b>Total non-current liabilities</b>		<b>14,285,101</b>	<b>13,139,342</b>
<b>Current liabilities</b>			
Loans and notes payable	11	1,401,737	1,033,891
Lease liabilities		642,237	-
Accounts payable		4,909,430	5,154,712
Contract liabilities		199,059	151,259
Due to related parties	10	153,358	147,063
Deferred revenue		1,150,302	1,270,979
Accrued expenses and other liabilities		2,423,988	3,269,597
Derivatives financial instruments		30,176	11,249
Provisions		415,776	433,455
Zakat provision		73,303	64,775
Deferred government grants income		19,231	19,231
<b>Total current liabilities</b>		<b>11,418,597</b>	<b>11,556,211</b>
<b>Total liabilities</b>		<b>25,703,698</b>	<b>24,695,553</b>
<b>Total shareholders' equity and liabilities</b>		<b>39,520,620</b>	<b>38,564,869</b>

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

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

Etihad Etisalat Company (A Saudi Joint Stock Company)  
 CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS (Unaudited)  
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	For the three-months period ended 31 March 2019	For the three-months period ended 31 March 2018
Revenue	13	3,200,960	2,832,511
Cost of sales		<u>(1,362,251)</u>	<u>(1,169,746)</u>
<b>Gross profit</b>		<b>1,838,709</b>	<b>1,662,765</b>
Selling and marketing		(275,365)	(454,575)
General and administrative		(324,431)	(179,359)
Impairment loss on accounts receivable	9	22,561	(6,756)
Depreciation and amortization	5,6,7	(968,598)	(935,596)
Impairment loss on property and equipment	5	(27,000)	-
Other income		10,792	14,262
<b>Operating profit</b>		<b>276,668</b>	<b>100,741</b>
Share in results of joint venture		(489)	-
Finance expenses		(211,767)	(187,592)
Finance income		11,434	5,038
<b>Profit / (Loss) before zakat</b>		<b>75,846</b>	<b>(81,813)</b>
Zakat expense		(8,596)	(11,594)
<b>Profit / (Loss) for the period</b>		<b>67,250</b>	<b>(93,407)</b>
<b>Profit / (Loss) per share:</b>			
Basic and diluted Profit / (Loss) per share (in SR)	14	<b>0.09</b>	<b>(0.12)</b>

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

  
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 Chief Financial Officer

  
 \_\_\_\_\_  
 Chief Executive Officer

  
 \_\_\_\_\_  
 Authorized Board Member

Etihad Etisalat Company (A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

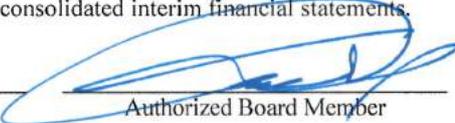
(All amounts in Saudi Riyals thousands unless otherwise stated)

	<b>For the three- months period ended 31 March 2019</b>	For the three- months period ended 31 March 2018
<b>Profit / (Loss) for the period</b>	<b>67,250</b>	<b>(93,407)</b>
<i>Items that will be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	77	(715)
Cash flow hedge - change in fair value	<b>(25,113)</b>	-
Cash flow hedge - reclassified to profit or loss	<b>1,710</b>	-
<b>Net total items that will be reclassified subsequently to profit or loss</b>	<b>(23,326)</b>	<b>(715)</b>
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Actuarial gains on re-measurement of employees' end of service benefits	<b>3,088</b>	<b>1,657</b>
Change in fair value of equity investments at FVOCI	<b>365</b>	-
<b>Net total items that will not be reclassified subsequently to profit or loss</b>	<b>3,453</b>	<b>1,657</b>
<b>Total other comprehensive (loss) / income for the period</b>	<b>(19,873)</b>	<b>942</b>
<b>Total comprehensive income / (loss) for the period</b>	<b>47,377</b>	<b>(92,465)</b>

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

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board Member

Etihad Etisalat Company (A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHARHOLDERS' EQUITY (Unaudited)

For the three-months period ended 31 March 2019

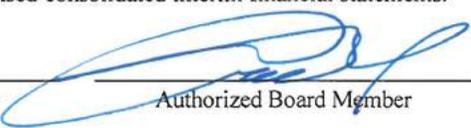
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Hedging reserve	Fair value reserve	Total sharholders' equity
As at 1 January 2018	7,700,000	2,648,971	3,911,783	(6,917)	-	-	14,253,837
Adjustment on application of IFRS 15	-	-	62,345	-	-	-	62,345
Adjustment on application of IFRS 9	-	-	(275,923)	-	-	-	(275,923)
As at 1 January 2018 (adjusted)	7,700,000	2,648,971	3,698,205	(6,917)	-	-	14,040,259
Loss for the period	-	-	(93,407)	-	-	-	(93,407)
Other comprehensive income / (loss) for the period	-	-	1,657	(715)	-	-	942
Total comprehensive loss for the period	-	-	(91,750)	(715)	-	-	(92,465)
As at 31 March 2018	7,700,000	2,648,971	3,606,455	(7,632)	-	-	13,947,794
As at 1 January 2019	7,700,000	2,648,971	3,543,131	(10,032)	(12,754)	-	13,869,316
Adjustment on application of IFRS 16	-	-	(99,771)	-	-	-	(99,771)
As at 1 January 2019 (adjusted)	7,700,000	2,648,971	3,443,360	(10,032)	(12,754)	-	13,769,545
Profit for the period	-	-	67,250	-	-	-	67,250
Other comprehensive income / (loss) for the period	-	-	3,088	77	(23,403)	365	(19,873)
Total comprehensive income / (loss) for the period	-	-	70,338	77	(23,403)	365	47,377
As at 31 March 2019	7,700,000	2,648,971	3,513,698	(9,955)	(36,157)	365	13,816,922

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

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board Member

**Etihad Etisalat Company (A Saudi Joint Stock Company)**  
**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (Unaudited)**  
(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the three- months period ended 31 March 2019	For the three- months period ended 31 March 2018
<b>OPERATING ACTIVITIES</b>		
<b>Cash flows from operating activities</b>		
Profit / (Loss) for the period	67,250	(93,407)
<b>Adjustments for:</b>		
Change in provision for inventory obsolescence	4,066	5,691
Depreciation	878,368	848,829
Amortization of intangible assets	90,230	86,767
Impairment loss on property and equipment	27,000	-
Provision for employees' end of service benefits	18,239	15,629
Impairment loss on accounts receivable	(22,561)	6,756
Provisions	(27,543)	(62,909)
Government grants	(4,808)	(4,808)
Zakat provision	8,596	11,594
Loss / (Gain) on sale of property and equipment	887	(3,121)
Share in results of joint venture	489	-
Finance expenses	211,767	187,592
Finance income	(11,434)	(5,038)
<b>Changes in:</b>		
Accounts receivable	731,683	(85,282)
Inventories	36,749	31,439
Contract assets	(95,540)	-
Prepaid expenses and other assets	44,685	(25,586)
Accounts payable	(419,450)	428,203
Contract liabilities	47,800	-
Deferred revenue	(126,249)	(340,280)
Accrued expenses and other liabilities	(643,078)	173,880
Utilization of the decommissioning provision	(209)	(55)
Provision used	(9,379)	-
Due from related parties	(1,989)	(13,931)
Due to related parties	6,295	(29,166)
<b>Cash generated from operating activities</b>	<b>811,864</b>	<b>1,132,797</b>
End of service benefits paid	(26,276)	(5,528)
Finance expenses paid	(158,958)	(161,887)
Zakat paid	(68)	(30)
<b>Net cash generated from operating activities</b>	<b>626,562</b>	<b>965,352</b>
<b>INVESTING ACTIVITIES</b>		
Finance income received	2,490	4
Purchase of property and equipment	(479,783)	(447,638)
Proceeds from sales of property and equipment	3	4,787
Acquisition of intangible assets	(39,675)	-
<b>Net cash used in investing activities</b>	<b>(516,965)</b>	<b>(442,847)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from loans and notes payable	156,329	-
Payment of loans and notes payable	(302,797)	(539,556)
Payment of lease liabilities	(158,942)	-
<b>Net cash used in financing activities</b>	<b>(305,410)</b>	<b>(539,556)</b>
Net changes in cash and cash equivalents	(195,813)	(17,051)
Cash and cash equivalents at 1 January	1,032,850	1,192,181
<b>Cash and cash equivalents at 31 March</b>	<b>837,037</b>	<b>1,175,130</b>
<b>Supplementary non-cash information</b>		
Property and equipment purchased credited to capital expenditure payable	174,168	148,848

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

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

# Etihad Etisalat Company (A Saudi Joint Stock Company)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-months period ended 31 March 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

### 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 2019 and 31 December 2018:

<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	Saudi Arabia	99.00%	1.00%	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

# Etihad Etisalat Company (A Saudi Joint Stock Company)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-months period ended 31 March 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

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### **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 unaudited 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 2018.

The unaudited condensed consolidated interim financial statements have been approved for issuance on 20 April 2019 (corresponding to 15 Shaban 1440H).

#### **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 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 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has adopted IFRS 16 retrospectively under which the cumulative effect of initially applying the standard is recognized in retained earnings at the date of initial application (i.e. 1 January 2019). Accordingly, the information presented for 2018 has not been restated.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies are set out below.

# Etihad Etisalat Company (A Saudi Joint Stock Company)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-months period ended 31 March 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

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### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### A. Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group has used the following practical expedients when applying IFRS 16:

- Not to recognize right-of-use assets and lease liabilities for leases with less than 12 months of remaining lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

#### B. As a lessee

The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognize right-of-use assets and lease liabilities for some leases of short term and low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

##### i. Significant accounting policies

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

#### C. As a lessor

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. However, when the Group is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor. However, the Group has applied IFRS 15 Revenue from Contracts with Customers to allocate consideration in the contract to each lease and non-lease component.

# Etihad Etisalat Company (A Saudi Joint Stock Company)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-months period ended 31 March 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The following table summarizes the impact of adopting IFRS 16 on the Group's condensed consolidated financial statements for the period ended 31 March 2019.

Impact on the condensed consolidated interim statement of financial position

	As reported	Adjustment IFRS 16	Amounts without adoption of IFRS 16
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	22,047,112	83,757	22,130,869
Right of use assets	2,359,528	(2,359,528)	-
Intangible assets	8,774,971	-	8,774,971
Capital advances	342,808	-	342,808
Investment in joint venture	994	-	994
Financial assets	7,636	-	7,636
<b>Total non-current assets</b>	<b>33,533,049</b>	<b>(2,275,771)</b>	<b>31,257,278</b>
<b>Current assets</b>			
Inventories	28,545	-	28,545
Contract assets	184,720	-	184,720
Accounts receivable	2,857,596	-	2,857,596
Due from related parties	70,441	-	70,441
Prepaid expenses and other assets	1,005,613	223,634	1,229,247
Other financial assets	1,000,000	-	1,000,000
Derivatives financial instruments	3,619	-	3,619
Cash and cash equivalents	837,037	-	837,037
<b>Total current assets</b>	<b>5,987,571</b>	<b>223,634</b>	<b>6,211,205</b>
<b>Total assets</b>	<b>39,520,620</b>	<b>(2,052,137)</b>	<b>37,468,483</b>
<b>Shareholders' equity and liabilities</b>			
<b>Shareholders' equity</b>			
Share capital	7,700,000	-	7,700,000
Statutory reserve	2,648,971	-	2,648,971
Retained earnings	3,513,698	101,546	3,615,244
Foreign currency translation reserve	(9,955)	-	(9,955)
Hedging reserve	(36,157)	-	(36,157)
Fair value reserve	365	-	365
<b>Total shareholders' equity</b>	<b>13,816,922</b>	<b>101,546</b>	<b>13,918,468</b>
<b>Non-current liabilities</b>			
Loans and notes payable	11,475,104	-	11,475,104
Lease liabilities	1,800,508	(1,800,508)	-
Provision for employees' end of service benefits	414,949	-	414,949
Deferred revenue	39,010	-	39,010
Deferred government grants income	136,796	-	136,796
Other financial liabilities	276,444	-	276,444
Provision for decommissioning liability	142,290	100,897	243,187
<b>Total non-current liabilities</b>	<b>14,285,101</b>	<b>(1,699,611)</b>	<b>12,585,490</b>
<b>Current liabilities</b>			
Loans and notes payable	1,401,737	-	1,401,737
Lease liabilities	642,237	(642,237)	-
Accounts payable	4,909,430	-	4,909,430
Contract liabilities	199,059	-	199,059
Due to related parties	153,358	-	153,358
Deferred revenue	1,150,302	-	1,150,302
Accrued expenses and other liabilities	2,423,988	188,165	2,612,153
Derivatives financial instruments	30,176	-	30,176
Provisions	415,776	-	415,776
Zakat provision	73,303	-	73,303
Deferred government grants income	19,231	-	19,231
<b>Total current liabilities</b>	<b>11,418,597</b>	<b>(454,072)</b>	<b>10,964,525</b>
<b>Total liabilities</b>	<b>25,703,698</b>	<b>(2,153,683)</b>	<b>23,550,015</b>
<b>Total shareholders' equity and liabilities</b>	<b>39,520,620</b>	<b>(2,052,137)</b>	<b>37,468,483</b>

# Etihad Etisalat Company (A Saudi Joint Stock Company)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-months period ended 31 March 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact on the condensed consolidated interim statements of profit or loss and other comprehensive income

	<u>As reported</u>	<u>Adjustment IFRS 16</u>	<u>Amounts without adoption of IFRS 16</u>
Revenue	3,200,960	-	3,200,960
Cost of sales	(1,362,251)	(119,994)	(1,482,245)
<b>Gross profit</b>	<b>1,838,709</b>	(119,994)	<b>1,718,715</b>
Selling and marketing	(275,365)	(13,618)	(288,983)
General and administrative	(324,431)	(16,208)	(340,639)
Impairment loss on accounts receivable	22,561	-	22,561
Depreciation and amortization	(968,598)	118,067	(850,531)
Impairment loss on property and equipment	(27,000)	-	(27,000)
Other income	10,792	-	10,792
<b>Operating profit</b>	<b>276,668</b>	(31,753)	<b>244,915</b>
Share in results of joint venture	(489)	-	(489)
Finance expenses	(211,767)	33,528	(178,239)
Finance income	11,434	-	11,434
<b>Profit before zakat</b>	<b>75,846</b>	1,775	<b>77,621</b>
Zakat	(8,596)	-	(8,596)
<b>Profit for the period</b>	<b>67,250</b>	1,775	<b>69,025</b>
<b>Total comprehensive income for the period</b>	<b>47,377</b>	1,775	<b>49,152</b>

# Etihad Etisalat Company (A Saudi Joint Stock Company)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-months period ended 31 March 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

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### 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 2018, except for new significant judgments related to the application of IFRS 16, which are described in Note 3.

#### 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.

# Etihad Etisalat Company (A Saudi Joint Stock Company)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(All amounts in Saudi Riyals thousands unless otherwise stated)

### 5 PROPERTY AND EQUIPMENT

	Land	Buildings	Leasehold improvements	Telecommunicati on network equipment	Computer equipment and software	Office equipment and furniture	Vehicles	Capital work in progress	Total
<b>Cost:</b>									
At 1 January 2019	273,192	1,235,556	836,398	40,234,102	5,513,613	437,220	3,046	3,549	48,536,676
Adjustment on application of IFRS 16	-	-	-	(152,878)	-	-	-	-	(152,878)
Additions	-	(18,620)	(234)	711,600	32,268	2,189	-	7,288	734,491
Reclassification	-	-	-	301,954	(301,954)	-	-	-	-
Transfers	-	-	-	7,111	-	-	-	(7,111)	-
Disposals	-	(1,182)	-	(811)	(15)	-	-	-	(2,008)
At 31 March 2019	<u>273,192</u>	<u>1,215,754</u>	<u>836,164</u>	<u>41,101,078</u>	<u>5,243,912</u>	<u>439,409</u>	<u>3,046</u>	<u>3,726</u>	<u>49,116,281</u>
<b>Depreciation:</b>									
At 1 January 2019	-	303,688	673,240	20,746,870	4,203,076	423,389	2,638	-	26,352,901
Adjustment on application of IFRS 16	-	-	-	(67,887)	-	-	-	-	(67,887)
Charge for the period	-	12,085	8,840	628,671	108,166	477	34	-	758,273
Impairment	-	-	-	27,000	-	-	-	-	27,000
Reclassification	-	-	-	196,327	(194,068)	(2,259)	-	-	-
Disposals	-	(374)	-	(729)	(15)	-	-	-	(1,118)
At 31 March 2019	<u>-</u>	<u>315,399</u>	<u>682,080</u>	<u>21,530,252</u>	<u>4,117,159</u>	<u>421,607</u>	<u>2,672</u>	<u>-</u>	<u>27,069,169</u>
<b>Net book value:</b>									
<b>At 31 March 2019</b>	<u><b>273,192</b></u>	<u><b>900,355</b></u>	<u><b>154,084</b></u>	<u><b>19,570,826</b></u>	<u><b>1,126,753</b></u>	<u><b>17,802</b></u>	<u><b>374</b></u>	<u><b>3,726</b></u>	<u><b>22,047,112</b></u>
At 31 December 2018	<u>273,192</u>	<u>931,868</u>	<u>163,158</u>	<u>19,487,232</u>	<u>1,310,537</u>	<u>13,831</u>	<u>408</u>	<u>3,549</u>	<u>22,183,775</u>

The Group has capitalized borrowing costs during the three-months ended 31 March 2019 amounting to SR 7 million (31 December 2018: SR 10 million) and internal technical salaries amounting to SR 44 million (31 December 2018: SR 176 million).

# Etihad Etisalat Company (A Saudi Joint Stock Company)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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(All amounts in Saudi Riyals thousands unless otherwise stated)

### 6 RIGHT OF USE ASSETS

	Telecommunication network equipment	Buildings	Land	Others	Total
<b>Cost:</b>					
As at 1 January 2019	-	-	-	-	-
Adjustment on application of IFRS 16	3,452,069	389,896	53,263	255,691	4,150,919
As at 1 January 2019 (adjusted)	3,452,069	389,896	53,263	255,691	4,150,919
Additions	27,597	143	-	446	28,186
31 March 2019	3,479,666	390,039	53,263	256,137	4,179,105
<b>Depreciation:</b>					
1 January 2019	-	-	-	-	-
Adjustment on application of IFRS 16	1,453,487	167,094	11,810	67,091	1,699,482
As at 1 January 2019 (adjusted)	1,453,487	167,094	11,810	67,091	1,699,482
Charge for the period	92,265	14,872	667	12,291	120,095
31 March 2019	1,545,752	181,966	12,477	79,382	1,819,577
<b>Net book value:</b>					
<b>At 31 March 2019</b>	<b>1,933,914</b>	<b>208,073</b>	<b>40,786</b>	<b>176,755</b>	<b>2,359,528</b>

### 7 INTANGIBLE ASSETS

	Telecommunication services licenses	Goodwill	Indefeasible Right of Use (IRU)	Others	Total
<b>Cost:</b>					
1 January 2019	13,534,100	1,466,865	1,151,215	97,689	16,249,869
Additions	46,200	-	836	-	47,036
31 March 2019	13,580,300	1,466,865	1,152,051	97,689	16,296,905
<b>Amortization:</b>					
1 January 2019	6,812,172	-	521,843	97,689	7,431,704
Charge for the period	68,903	-	21,327	-	90,230
31 March 2019	6,881,075	-	543,170	97,689	7,521,934
<b>Net book value:</b>					
<b>At 31 March 2019</b>	<b>6,699,225</b>	<b>1,466,865</b>	<b>608,881</b>	<b>-</b>	<b>8,774,971</b>
At 31 December 2018	6,721,928	1,466,865	629,372	-	8,818,165

### 8 INVENTORIES

During the three-months period ended 31 March 2019, the Group has a net written down of SR 4.1 million (three-month period ended 31 March 2018: a net written down of SR 5.7 million) of inventories. This expense is included in cost of sales in the condensed consolidated interim statement of profit or loss.

### 9 ACCOUNTS RECEIVABLE

	31 March 2019	31 December 2018
Accounts receivable	4,859,591	5,591,274
Less: provisions for doubtful debts	(2,001,995)	(2,024,556)
	<u>2,857,596</u>	<u>3,566,718</u>

The movement of the provision for doubtful debts is as follows:

	31 March 2018	31 December 2018
Opening balance	(2,024,556)	(1,636,529)
Adjustment on application of IFRS 9	-	(276,499)
Balance at the beginning of the year (adjusted)	<u>(2,024,556)</u>	<u>(1,913,028)</u>
Reversal / (charge) for the period / year	<u>22,561</u>	<u>(111,528)</u>
Closing balance	<u>(2,001,995)</u>	<u>(2,024,556)</u>

# Etihad Etisalat Company (A Saudi Joint Stock Company)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-months period ended 31 March 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

### 10 RELATED PARTIES TRANSACTIONS AND BALANCES

During the period, the Group transacted with following related parties:

<u>Party</u>	<u>Relationship</u>
Emirates Telecommunication Corporation	Founding shareholder
Emirates Data Clearing House	Affiliate to Emirates Telecommunication Corporation
Etisalat Misr	Subsidiary to Emirates Telecommunication Corporation
Etisalat Afghanistan	Subsidiary to Emirates Telecommunication Corporation
Etisalat Al Maghrib S.A (Maroc Telecom)	Subsidiary to Emirates Telecommunication Corporation
Pakistan Telecommunication Company Limited	Subsidiary to Emirates Telecommunication Corporation

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

	<u>31 March 2019</u>	<u>31 March 2018</u>
Interconnection services and roaming services rendered	<b>22,920</b>	39,072
Interconnection services and roaming services received	<b>98,655</b>	72,299
Management fees	-	5,631
Other management expenses	<b>(4,840)</b>	14,894
Telecommunication services	<b>1,204</b>	1,167
<u>Balances with related parties</u>	<u><b>31 March 2019</b></u>	<u>31 December 2018</u>
Balance due from	<b>70,441</b>	68,452
Balance due to	<b>153,358</b>	147,063
<i>Compensation and benefits to key management personnel</i>	<u><b>31 March 2019</b></u>	<u>31 March 2018</u>
Short term employee benefits	<b>37,129</b>	12,974
Post-employment benefits	<b>541</b>	524
<b>Total compensation and benefits to key management personnel</b>	<u><b>37,670</b></u>	<u>13,498</u>

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.

# Etihad Etisalat Company (A Saudi Joint Stock Company)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-months period ended 31 March 2019

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### 11 LOANS AND NOTES PAYABLE

	<b>31 March 2019</b>	31 December 2018
Long-term loans	<b>12,876,841</b>	13,021,679
Less: current portion	<b>(1,401,737)</b>	(1,033,891)
Non-current	<b>11,475,104</b>	11,987,788

a) Maturity profile of loans and notes payable:

	<b>31 March 2019</b>	31 December 2018
Less than one year	<b>1,401,737</b>	1,033,891
Between one to five years	<b>10,751,200</b>	8,704,052
Over five years	<b>723,904</b>	3,283,736

### 12 FINANCIAL ASSETS AND LIABILITIES

#### 12.1 FINANCIAL ASSETS

	<b>31 March 2019</b>	31 December 2018
<b>Financial assets at fair value:</b>		
Financial assets - fair value through other comprehensive income *	<b>7,636</b>	7,271
Derivatives financial instruments**	<b>3,619</b>	8,095
<b>Total financial assets at fair value</b>	<b>11,255</b>	15,366
<b>Financial assets at amortized cost:</b>		
Accounts receivables	<b>2,857,596</b>	3,566,718
Due from related parties	<b>70,441</b>	68,452
Other financial assets	<b>1,000,000</b>	1,000,000
Cash and cash equivalents	<b>837,037</b>	1,032,850
<b>Total financial assets at amortized cost</b>	<b>4,765,074</b>	5,668,020
<b>Total financial assets</b>	<b>4,776,329</b>	5,683,386
Current financial assets	<b>4,768,693</b>	5,676,115
Non-current financial assets	<b>7,636</b>	7,271
<b>Total financial assets</b>	<b>4,776,329</b>	5,683,386

#### 12.2 FINANCIAL LIABILITIES

	<b>31 March 2019</b>	31 December 2018
<b>Financial liabilities at fair value:</b>		
Derivatives financial instruments**	<b>30,176</b>	11,249
<b>Total financial liabilities at fair value</b>	<b>30,176</b>	11,249
<b>Financial liabilities at amortized cost:</b>		
Loans and notes payable	<b>12,876,841</b>	13,021,679
Lease liabilities	<b>2,442,745</b>	-
Accounts payable	<b>4,909,430</b>	5,154,712
Due to related parties	<b>153,358</b>	147,063
Other financial liabilities	<b>276,444</b>	299,640
<b>Total financial liabilities at amortized cost</b>	<b>20,658,818</b>	18,623,094
<b>Total financial liabilities</b>	<b>20,688,994</b>	18,634,343
Current financial liabilities	<b>7,136,938</b>	6,346,915
Non-current financial liabilities	<b>13,552,056</b>	12,287,428
<b>Total financial liabilities</b>	<b>20,688,994</b>	18,634,343

\* 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.

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### 13 REVENUE

	<u>Consumer</u>	<u>Business</u>	<u>Wholesale</u>	<u>Outsourcing</u>	<u>Total</u>
<b>31 March 2019</b>					
Usage	1,880,570	108,793	202,040	-	2,191,403
Activation and subscription fees	490,842	97,021	-	-	587,863
Others	154,605	161,924	64,680	40,485	421,694
	<u>2,526,017</u>	<u>367,738</u>	<u>266,720</u>	<u>40,485</u>	<u>3,200,960</u>
<b>31 March 2018</b>					
Usage	1,706,864	132,597	143,829	-	1,983,290
Activation and subscription fees	473,697	91,657	-	-	565,354
Others	146,869	87,271	23,627	26,100	283,867
	<u>2,327,430</u>	<u>311,525</u>	<u>167,456</u>	<u>26,100</u>	<u>2,832,511</u>

### 14 BASIC AND DILUTED PROFIT / (LOSS) PER SHARE

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

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

	<u>31 March 2019</u>	<u>31 March 2018</u>
Profit / (Loss) for the period	<b>67,250</b>	(93,407)
Weighted average number of shares	<b>770,000</b>	770,000
Basic and diluted profit / (loss) per share (in SR)	<b>0.09</b>	(0.12)

### 15 COMMITMENTS AND CONTINGENCIES

#### 15.1 Capital commitments

The Group has capital commitments resulting from contracts for supply of property and equipment, which were entered into and not yet executed at the condensed consolidated statement of financial position date in the amount of SR 924 million as at 31 March 2019 (31 December 2018: SR 1.2 billion).

#### 15.2 Contingent liabilities

The Group had contingent liabilities in the form of letters of guarantee and letters of credit amounting to SR 762 million as at 31 March 2019 (31 December 2018: SR 769 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 (808) lawsuits filed by the Group against CITC amounting to SR 708 million as of 31 March 2019.
- The Board of Grievance has issued (210) verdicts in favor of the Group voiding (210) resolutions of the CITC's violation committee with a total penalties amounting to SR 506 million as of 31 March 2019.
- Some of these preliminary verdicts have become conclusive (after they were affirmed by the appeal court) cancelling penalties with a total amounting to SR 478 million as of 31 March 2019.

Management and the Board of Directors believe that, based on the status of these lawsuits as of 31 March 2019, adequate and sufficient provisions have been recorded.

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### 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### 15.2 Contingent liabilities (continued)

There are 182 lawsuits filed by some of the shareholders against the Group before the Committee for the Resolutions of Security Disputes and still being adjudicated by such committee. The Company has received (5) preliminary verdicts and (151) final verdicts in its favor and (11) dismissals while (1) case has been maintained (2) cases have been abandoned and (12) cases are on-going as of 31 March 2019.

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 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 GAZT for the years through 2017 and settled its zakat thereon. During the year ended 31 December 2016, the Group submitted adjusted zakat returns for the years 2013 and 2014, as a result of restatement of the consolidated financial statements for the said years.

The Group has finalized its zakat status and obtained the final zakat assessments for the years until 2006. During the first quarter of 2019, the tax and zakat status for the year 2008 has been finalized. The Group has received zakat assessments for the years 2007, 2009, 2010 and 2011 that showed additional zakat and withholding tax assessments of SR 279 million and SR 232 million respectively, which have been appealed against by the Group at the Preliminary and Higher Appeal Committees. Recently, the Higher Appeal Committee has issued certain rulings in favor of the company related to zakat and withholding tax disputes. Management believes that it has sufficient grounds to contest the matters included in the assessments and the eventual outcome of the appeal process will not result in any significant liability.

### 16 SEGMENT INFORMATION

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

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

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

	<b>31 March 2019</b>	31 March 2018
Consumer revenues	<b>2,526,017</b>	2,327,430
Business revenues	<b>367,738</b>	311,525
Wholesale revenues	<b>266,720</b>	167,456
Outsourcing revenues	<b>40,485</b>	26,100
<b>Total revenue</b>	<b>3,200,960</b>	2,832,511
Total cost of sales	<b>(1,362,251)</b>	(1,169,746)
Total operating expense	<b>(566,443)</b>	(626,428)
Depreciation and amortization	<b>(968,598)</b>	(935,596)
Impairment loss on property and equipment	<b>(27,000)</b>	-
Total non-operating expense	<b>(200,822)</b>	(182,554)
Capital expenditures	<b>781,527</b>	814,124

### 17 COMPARATIVE FIGURES

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