

A Year for Execution



In a year for execution, Mobily took all-important first steps in the delivery of the RISE strategy, making progress towards the achievement of our goals for growth to 2019 and beyond.

Mobily at a Glance

A snapshot of Mobily's financial and operating highlights in 2018 – an award-winning year.



MEIRA 2018 Awards
'Best Digital Annual Report'



MEIRA 2018 Awards
'Leading Corporate for Investor Relations in Saudi Arabia'



Internationalist Awards
'Innovative Digital Solutions'



NEXT-GEN WOMEN LEADERS
ARABIA

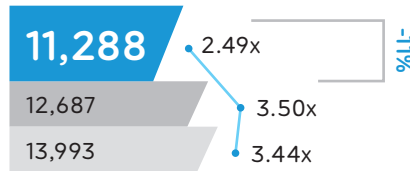
The Game Changer
'Visionary Leadership'

Financial Highlights

Operational Cash Flow (EBITDA-CAPEX)



Deleveraging (Net Debt and Net Debt/EBITDA)



11.12%

improvement in Free Cash Flow

6

consecutive quarters of EBITDA growth

Highest annual EBITDA growth since

2013

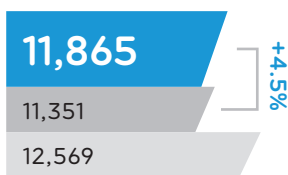
Net debt to EBITDA ratio at lowest level

since **2016**, at under **2.5x**

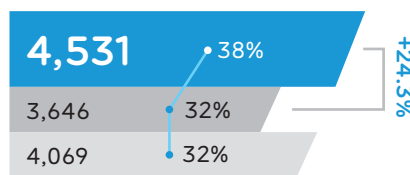
Net debt at lowest level in

6 years

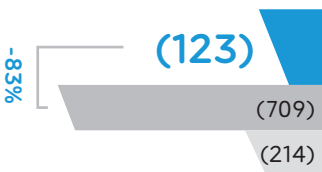
Revenues



EBITDA and EBITDA margin



Net Income/(Loss)



Vision

To be one of the most admired Saudi companies, creating superior value for our stakeholders.

Values

Progressive

- Self-assured and forward-looking
- Experienced and dynamic
- Driving towards Saudi Arabia's future

Passionate

- Relentless pursuit of excellence
- Warm and engaging
- A positive attitude to go the extra mile

Caring

- Focused on you and your needs
- Takes the long-term view and builds a great relationship
- Clear and accountable

Operating Highlights

SAR 1.1 billion

ECA financing

Network modernization

agreement with blue chip partners

2x10 MHz 

new spectrum –
active July 2018

2x5 MHz 

new spectrum –
active March 2019

46

Elite 4th batch recruits



28 Saudi women



18 Saudi men

Saudization



81% in company wide

70% in top management

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Read Annual Report online,
including a link to the investor film
<https://ir.mobily.link/2018/en>

mobily



01

Overview



موبائیلجی



About Mobily

Etihad Etisalat (Mobily) was established in 2004 by a consortium led by Etisalat, the UAE-based telecom conglomerate. The Company's major Shareholders are Etisalat Emirates Group (27.99%) and the General Organization for Social Insurance (11.86%). The remaining shares are owned by institutional and retail investors.

As the winning bidder for Saudi Arabia's second Global System for Mobile communications (GSM) license in 2004, Mobily ended a monopoly in the wireless industry to provide mobile telecoms services nationwide. After a six-month preparatory phase, it launched commercially in May 2005, acquiring over 1 million subscribers in its first 90 days of operation. In 2006, the GSM Association named Mobily the fastest-growing mobile operator in the Middle East and North Africa. The same year, it launched 3.5G services, with 4G services introduced in 2011.

Mobily's growth has been characterized by a series of significant strategic acquisitions. In 2008, it acquired Bayanat Al Oula, a licensed data service provider and later that year it acquired an absolute majority stake in Zajil, the leading Saudi internet service provider. The Company owns 66% of the Saudi National Fiber Network (SNFN), one of the world's largest fiber-optic networks, enabling it to rely on strong backhauling capacity to offer its customers comprehensive communication, mobile and broadband services.

Mobily provides integrated services for 3 main sectors, namely individuals, business and carriers. It has one of the largest wireless networks by coverage in Saudi Arabia, as well as in the region and one of the widest fiber-to-the-home (FTTH) networks, in addition to one of the largest data center systems worldwide.

The Company's network comprises its own infrastructure and those of Bayanat Al Oula and SNFN. This is the Kingdom's newest fiber-optic network, with access to all major cities and more than 33,000 km of roads. The network has been expanded to connect to neighboring countries including Yemen, the United Arab Emirates, Bahrain, Qatar, Kuwait and Jordan.

Mobily has been listed on Saudi Arabia's Tadawul stock exchange since 2004. It has a share capital of SAR 7,700 million, comprising 770 million shares of SAR 10.00 each, paid in full as at 31 December 2018. Total equity as at 31 December 2018 was SAR 13.86 billion.



Chairman's Statement

I am pleased to introduce Mobily's Annual Report for the year ended 31 December 2018. In it you will find a detailed discussion of our performance and activities through the year, together with our full audited accounts. This was a year for commencing the execution of our 3-year corporate strategy – RISE – which we introduced in 2017. We are proud of our achievements to date in delivering the the strategic goals that we have set ourselves.

Our market

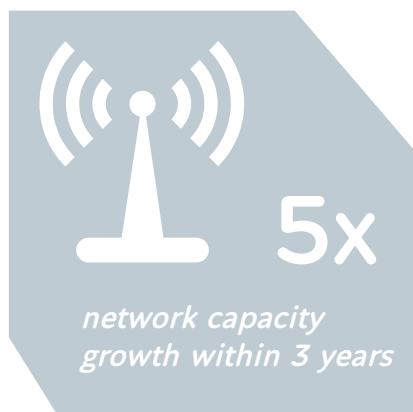
Although 2018 was a volatile year for markets, stabilizing oil prices and an agreement on production cuts by OPEC members in the final quarter provided some basis for optimism for the future. An accompanying rise in consumer spending added to a sense that economic recovery could begin to consolidate and accelerate through 2019. It is clear that the reform strategies adopted by the government – Vision 2030 and the National Transformation Plan – are an important driver for this recovery

and will help pave the way for the country's future economic growth and diversity.

Growth in the telecommunications sector closely mirrors economic sentiment, but it also flows from the adoption of new technologies that are now being rolled out. With a continuing steady decrease in expatriates living in Saudi Arabia, the challenge for all participants in the sector is to rebalance their business models and tap into what increasingly sophisticated young Saudi consumers are seeking from their devices and networks. Mobily needs to be as agile as it can to provide them with the latest and most competitive solutions, to make us their operator of choice.

in 2018 with 2x10 MHz of spectrum in the 800 MHz band available mid-year, and an additional 2x5 MHz of spectrum in the 1,800 MHz band (added to the 2x15 MHz that Mobily already holds) available from 1 March 2019. These will support both our network expansion and its capacity. The rollout of our 4G services continued and tests were initiated on the launch – over a 2-year time horizon – of 5G as well as other intermediate technologies.

The role of government in stimulating the telecom sector cannot be overstated. Its increasing use of data centers, some of them belonging to Mobily, as well as the growing digitization of the Saudi economy, for instance in hospitals, is a driver that will enable the industry in Saudi Arabia to grow and to aspire to world-class stature. Mobily's exceptionally strong network and data center offering has put it in pole position to take full advantage of this market



Highlights in 2018

Following the acquisition of additional network spectrum from Communication and Information Technology Commission (CITC) in 2017, a further 2 blocks were won

“

Mobily's exceptionally strong network and data center offering has put it in pole position for future growth



trend, which has a crucial place in our path to future growth.

For Members of the Board and for myself personally, 2018 was also a milestone year that saw our reappointment by Shareholders for another 3-year term. Since our previous term began, we have had the privilege to oversee a great deal of positive change, which has resulted in the turnaround that Mobily has achieved after a difficult chapter in its history as a company. We are pleased to have been reappointed in our stewardship of the business and we look forward to seeing further positive change during the current term.

Our commitment

Apart from the employment we offer, the services we deliver and the impact we have in leveraging technology for the nation, we continued to make significant contributions to charitable and philanthropic causes across the Kingdom, among them Ensan,

the Charity Committee for Orphans Care, the Sanad Children's Cancer Support Association (Riyadh) and the Takaful Charity Association for Orphan Care (Madinah). Meanwhile, Mobily's #UpForIt campaign and platform – initially launched to our staff – went national in 2018, with a competition to identify and motivate talent among young Saudis focused on such areas as art and technology, football and cooking. These are our future employees, customers and leaders and we want to give them all the support we can.

Our thanks

I would like to express my gratitude to the Board of Directors for their diligent and valuable support for the Company throughout the year. On behalf of the Board, I would also like to offer our deep gratitude to senior management for the endeavour and professionalism that they bring to building Mobily's today and tomorrow. Lastly, but by no

means least, I would like to thank our Shareholders for their ongoing support and trust. We have made great strides in our strategic journey and we look forward to further growth and success.

Suliman Al Gwaiz
Chairman

A Year for Execution

This year was about the execution of the first phases of the RISE strategy, introduced in 2017. The 3-year plan aims to guide the Company's growth to 2019 and beyond. Its 4 pillars are to regain commercial strength by offering value to customers and growth that supports Saudi Arabia's transformation agenda; to ignite customer experience, which includes customer care and digital excellence; to strive to increase our agility and operating efficiency; and to enable a level of execution that is world class, improving our organizational structure and our overall capabilities.

In 2018, key implementation milestones were reached or passed, with particular emphasis now being placed on digital transformation and customer excellence, to mid-2019. This 'year for execution' included major network enhancement rollouts, an IT transformation program, OPEX reduction and the extension of our reach to a wider range of sales channels. It was a year that saw a quantum shift in our product portfolio and its enrichment. During 2018, Mobily recorded its 5th consecutive quarterly revenue growth and its 6th consecutive quarterly EBITDA growth. RISE is directly impacting both operating and financial metrics and its results to date are unambiguous.

R

Regain commercial strength

I

Ignite customer experience and digital excellence

S

Strive to gain agility and efficiency

E

Enable world-class execution



Geographic Footprint

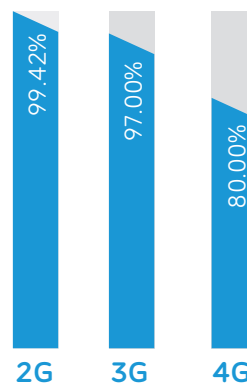
Mobily is headquartered in Riyadh, with an industry-leading network covering subscribers across the Kingdom of Saudi Arabia. It provides 99.42% of the population with access to 2G, 97% to 3G and 80% to 4G. The Company's Metropolitan and FTTH network extends for 33,000 km, encompassing all major Saudi cities.

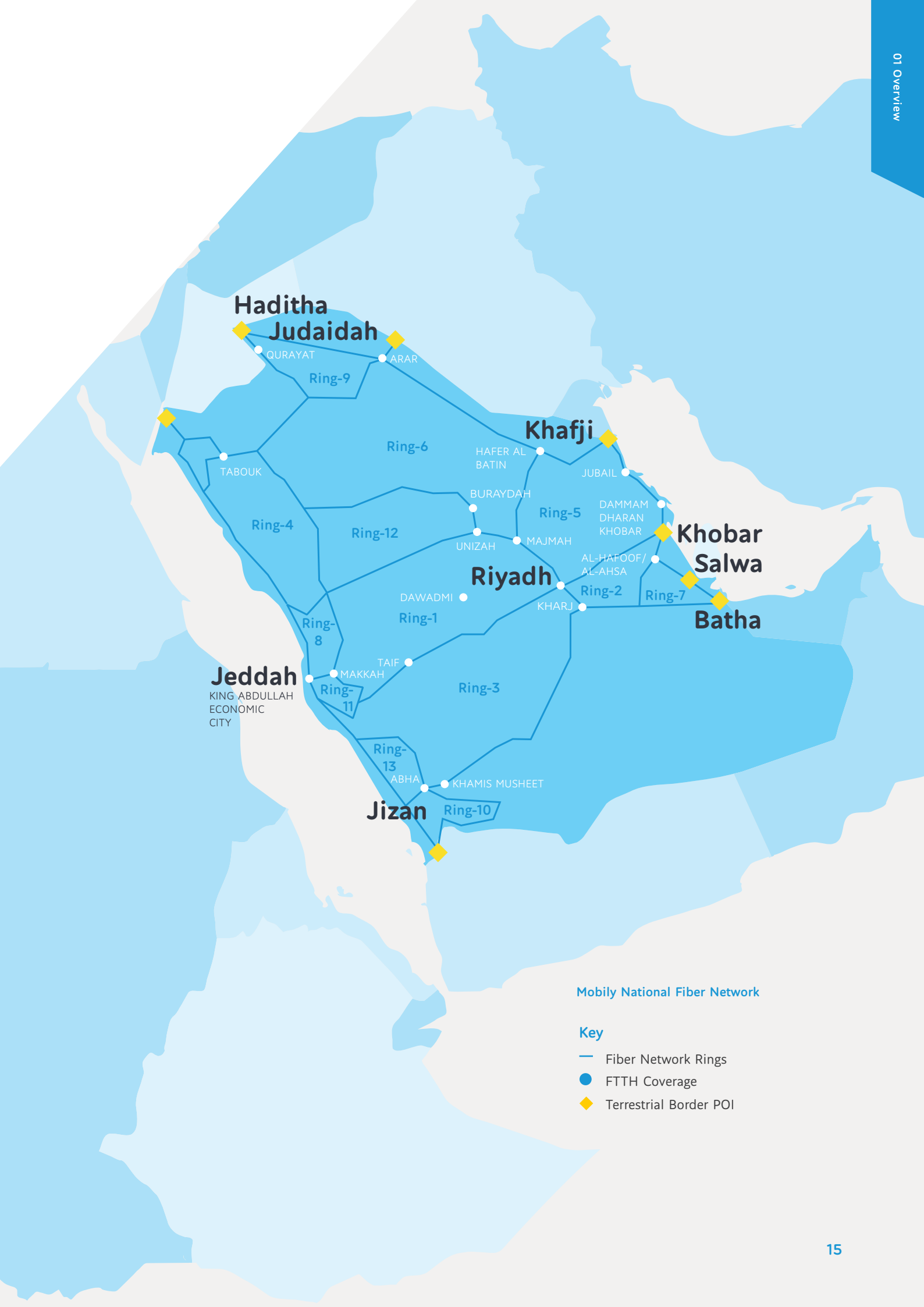
The Company's state-of-the-art data centers are located in Riyadh, Dammam and Jeddah, and Mobily is the only hosted managed services provider in the Middle East to have achieved a Tier IV Certification for a Constructed Facility (located at Malga 2 in Riyadh). The facility is one of only nine in this class globally, and is the only such facility anywhere in Asia, Africa or the Middle East.

Mobily's total retail footprint comprises 662 outlets (72 flagship stores, 239 fully branded outlets and 351 modern trade outlets) and more than 3,900 third-party retailers.

Mobily's International Gateway is operated in partnership with a range of global players, supported by overland, submarine and terrestrial cables. International Gateway destinations include Egypt, Jordan, Iraq, Kuwait, Bahrain, Qatar, Yemen, India, Singapore, the wider Asia Pacific region, USA and Europe.

Mobily's Saudi network population coverage





Mobily National Fiber Network

Key

- Fiber Network Rings
- FTTH Coverage
- ◆ Terrestrial Border POI

Shareholder Information and Key Announcements

Shareholder information



Major Investors	No. of shares held	Ownership percentage
Emirates Telecom Corporation	215,541,832	27.99%
General Organization for Social Insurance	91,318,058	11.86%

Investor type	No. of investors	No. of shares held	Ownership percentage
Corporate/Institutional	207	503,244,654	65.36%
Individual/Retail	153,844	266,755,346	34.64%
Total	154,051	770,000,000	100%

Nationality	No. of investors	No. of shares held	Ownership percentage
Saudi	153,077	530,746,392	68.93%
GCC	138	229,763,218	29.83%
Other	836	9,490,390	1.24%
Total	154,051	770,000,000	100%

Top 6 international shareholders	No. of shares held
Merrill Lynch International	2,369,376
iShare MSCI Saudi Arabia ETF	535,501
Parametric Tax-Managed Emerging Markets	233,523
HSBC Bank plc	170,145
Parametric Emerging Markets Fund	95,838
Acadian Frontier Markets Equity Fund	92,189

Size of ownership (no. of shares held)	No. of investors	Ownership percentage
More than 1,000,000	53	73.31%
500,000-999,999	46	4.06%
100,000-499,999	315	7.95%
50,000-99,999	308	2.63%
10,000-49,999	2,343	6.12%
5,000-9,999	2,100	1.82%
1,000-4,999	7,913	2.19%
Fewer than 1,000	140,973	1.92%
Total	154,051	100%

Key announcements

Mobily holds 7th CIO summit (8 January 2018)

Mobily Business conducted its 7th CIO Summit in London, addressing a number of global issues, developments and new trends in the ICT sector and technical resolutions through mobility solutions to improve customer services. Leading technology companies such as Cisco, Oracle, Jasper, Palo Alto and Virtustream attended the event.

Mobily acquires new blocks of spectrum (12 February 2018)

Mobily successfully acquired additional blocks of spectrum in the 800 MHz and 1,800 MHz bands in an auction conducted by CITC. The blocks, available from the second half of 2018, were 2x10 MHz of spectrum in the 800 MHz band for a fee of SAR 100,001,000 payable over 14 years from 1 January 2019, in addition to an annual usage fee of SAR 54,000,000. The Company also won an additional 2x5 MHz of spectrum in the 1,800 MHz band (added to the 2x15 MHz that Mobily already holds in the band) available from 1 March 2019 for a fee of SAR 30,005,000 also payable over 14 years from 1 January 2019 together with an annual usage fee of SAR 19,285,714.

Mobily refreshes brand (15 February 2018)

Coinciding with the launch of its campaign #UpForIt, aimed at the younger end of its target market, the Company relaunched its brand with enhancements to strengthen its appeal and modernize its appearance.

Launch of new recruitment e-portal (26 February 2018)

In line with the RISE strategy values of 'Caring' and 'Progressive', Mobily launched a new recruitment e-portal, incorporating all elements of the process from approving the vacancy, through its announcement, the application process, screening and interviewing both internal and external candidates.

Mobily, Huawei and Nokia sign MoUs for first 5G tests in the Kingdom (26 February 4 March 2018)

Mobily signed a Memorandum of Understanding in Barcelona with Huawei to launch 5G tests for the first time in the Kingdom of Saudi Arabia. The agreement represents Mobily's commitment to support one of most important goals of Vision 2030, focusing on the development of the nation's future telecom industry. A similar agreement was signed with Nokia a few days later, introducing new technologies in Mobily's network, such as 4.5G LET, 4.9G, 5G, transport modernization for both optic and IP, fixed wireless access technologies including FastMile and wireless PON.

New phase of #UpFort campaign and platform launched (6 March 2018)

Mobily launched the latest phase of its #UpFort campaign and platform to motivate and stimulate talent and competencies among younger members of Saudi society. After kicking off the campaign internally, Mobily started communicating it externally by promoting it as a competition across 4 talent categories – cooking, football, art and technology. Forty-five winners received SAR 10,000 each, along with a fully paid round trip to attend a course in an international, specialized institute in Italy, the United Kingdom or France.

Launch of information protection program (12 March 2018)

An Information Protection Program was unveiled by Mobily to assist information owners in identifying, recording, classifying and evaluating their information assets and to provide guidance in identifying and mitigating risks around those assets.

Mobily rolls out business “FiberNet” (19 March 2018)

Mobily launched its business “FiberNet” service in packages from 25 Mbps to 200 Mbps to provide internet services to business customers in the small to medium-sized enterprises (SME) category, through high-speed fiber-optic technology, offering stable network connectivity, high performance and optimal security and reliability.

Mobily is #UpFort (13 May 2018)

The fourth phase of the #UpFort campaign was launched to introduce a range of new products and services to target customers. The first phase of the campaign was internal, the second phase debuted the campaign externally through the media, while the 3rd phase introduced the #UpFort platform, aiming to motivate, encourage and highlight talent and potential in Saudi society.

Mobily nationalizes call and customer care centers (16 August 2018)

Mobily has expanded headcount in its call and customer care centers in Jeddah and Dammam to accommodate newly recruited Saudi employees. This announcement came a few weeks after Mobily announced it was starting to nationalize its call centers. The process included additional training courses and the installation of new equipment and programming to ensure optimum quality in record time. The Company has also developed and modernized its digital and self-service platforms to give customers greater flexibility. Mobily added that 25% of all call center staff are female.

Mobily finances upgrade of network (4 December 2018)

Mobily signed a financing agreement with the Swedish Export Credit Agency and Finnvera Export Credit Agency for USD 291 million (SAR 1.09 billion) over 10 years to partially finance the purchase of network equipment, as part of the network modernization agreement signed in August 2017 with Nokia, Huawei and Ericsson. The financing is consistent with the deleveraging strategy of the Company, further diversifies Mobily’s sources of financing and reduces its funding costs.

Agreement to settle old disputes with Saudi government authorities (16 December 2018)

Mobily reached an agreement with the Ministry of Finance, the Ministry of Telecommunications and Information Technology and the Communications and Information Technology Commission to settle all old disputes and to define a new investment framework and a new mechanism for the calculation of service royalties and license royalties. The new royalty mechanism, starting from 2018, will consist of an annual service royalty equal to 10% of annual net telecommunication revenues and an annual license royalty equal to 1% of annual net telecommunication revenues. The new investment framework, which covers a period of 3 years including 2018, allows Mobily to ensure continuous improvement of the quality of its fixed and mobile networks and to invest in the proper deployment of new technologies such as 5G.





02

Strategic
Review



CEO's Message

It is my pleasure to report on 2018 as the beginning of the execution of our turnaround. This was the year that we began to see tangible results from our corporate strategy – RISE – which we introduced the previous year. As the achievements of 2018 show, RISE is making its mark, and Mobily is on track for sustainable recovery, growth, and value creation for both shareholders and customers.

Responding to market challenges, capitalizing on opportunities

In recent years, the telecom market has faced a number of challenges to growth, such as continued price rationalization, the lifting of the VoIP ban, and a substantial outflow of expatriates from the labor market. In order to counter these trends, in 2017 we set out to understand the underlying issues and to fix the basics for a sustainable turnaround. With RISE, we reshaped our vision and strategy, re-energized our winning culture, invested in human capabilities and a world-class infrastructure, revamped our market approach, and identified significant potential for efficiency gains. This laid the foundations for successful execution of the turnaround in 2018.

As a result, in 2018 we softened and neutralized the impact of adverse market factors through dedicated and targeted commercial measures to the effect of stabilizing and slightly growing our subscriber base and its monetization. Meanwhile, 'fixing the basics' in 2017 allowed us to capitalize

on significant current and future growth opportunities provided by the market.

A key element of the RISE roadmap is customer satisfaction. It has already improved dramatically and we secured the top position in Customer Care in Saudi Arabia, according to the CITC's 2H18 market report. This leadership will enable us to retain and grow our customer base going forward, and we will continue to focus on customer satisfaction with an emphasis on the quality of our call centers, the introduction and enhancement of digital and app-based channels, the pushing of direct e-Sale services, and the launch of new versions of the Mobily App, with distinctive features. In addition, our revamped sales activities will enable us to continue to exploit the market's potential, as seen during this year's Hajj season, which saw record numbers of pilgrims.

In terms of products and services, standout Business Unit achievements during the year included the introduction of high data volume packages for mobile subscribers, as well as a wide range of promotions to encourage Fixed Service subscription uptake. Meanwhile, in Digital Services we targeted partnerships for solution-based sales in the IoT space and introduced a Fleet Management mobile app. In regard to improving sales more generally, we have set a baseline to establish strong partner channels to grow our share of the SMB market.

We have reinforced our role as a strategic partner for the government, to improve the Kingdom's digital infrastructure through our state-of-the-art ICT and data facilities – as part of the Saudi Vision 2030 agenda. We were proud to win the lion's share of the telecom solutions project for the Riyadh Metro and we inked an agreement with the Arriyadh Development Authority to provide complete digital solutions for the Riyadh Buses Project. We have started implementing the Saudi Health Insurance Business (SHIB) program and the integration platform for the electronic health data exchange SEHA in collaboration with the Ministry of Health and the Saudi Health Insurance Council. We also worked with the Ministry of Foreign Affairs to connect the Kingdom's embassies and consulates around the world. Mobily helped deliver the "Yesser eGovernment" program to build the infrastructure of the secure government network, and we won the Security Forces' project for security monitoring and a vehicle authentication system. In the years to come, we will continue to leverage similar opportunities for deploying the power of our data center assets.

At the back-end, improvements have been made to our network infrastructure, including tie-ups with leading international technology providers Nokia and Huawei. The work we are doing together is essential for our preparedness to launch 5G and for operating a network with the capacity and speed to ensure the satisfaction of our customers. Our recent acquisition



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As the achievements of 2018 show, RISE is making its mark and Mobily is on track for sustainable recovery and growth

of further spectrum from CITC has been essential for supporting improved data speed, while our ongoing IT transformation will allow us to bring together all aspects of an ever more digitized world, reacting to market opportunities in a faster and more efficient way.

Delivery of RISE remains a work-in-progress, but on current results we are excited to see the next phase come to fruition.

Financial performance

On a full-year basis, Mobily's revenues improved by 4.5% to reach SAR 11.865 billion. This uptick in performance was driven by improved revenues from consumer sales, along with growth in FTTH and by sales of services to the government sector. Both will be important focus areas in 2019. It is worth noting that this growth was achieved despite demographic challenges in the market, along with regulatory headwinds including reduced mobile termination rates.

Resilient top-line performance and efficiency in managing operating expenses enabled the business to achieve its highest EBITDA in 5 years, increasing by 24% to reach SAR 4.5 billion, with an EBITDA margin of 38%, as compared with 32% in 2017. Continued investment in our network modernization program – which is vital to our future competitiveness – resulted in intensive CAPEX of SAR 2.8 billion in 2018. Despite this heavy CAPEX, Mobily achieved its highest operational cash flows in 7 years, increasing by 24% on the previous year to reach SAR 1.7 billion. At year-end, the net loss for the period was SAR 123 million, reducing by 83% compared to 2017 – an achievement that reflects Mobily's strong revenue progression, optimized OPEX and improved EBITDA. We have work still to do, but with successful deleveraging of SAR 1.4 billion and a significant net loss reduction, we move into the latter phases of the RISE strategy with much to be proud of.

Looking ahead

With a view to 2019, we will maintain our commitment to delivering the final strategic tracks of RISE. The market holds significant potential and, as we have shown in 2018, we have the ability and determination to maintain our success story in 2019 and beyond. Key growth drivers for the business will come from consumer data usage, the expansion of our FTTH offer, and the ICT services we provide to government and businesses. In addition, Mobily will exploit its increasingly advanced technology architecture to develop and market IoT services, as well as cyber security products for SMEs. We have identified considerable opportunities in these areas, and we look forward to deploying our growing resources to take full advantage of them.

The RISE journey continues...

Eng. Ahmed Abdelsalam AbouDoma
Chief Executive Officer

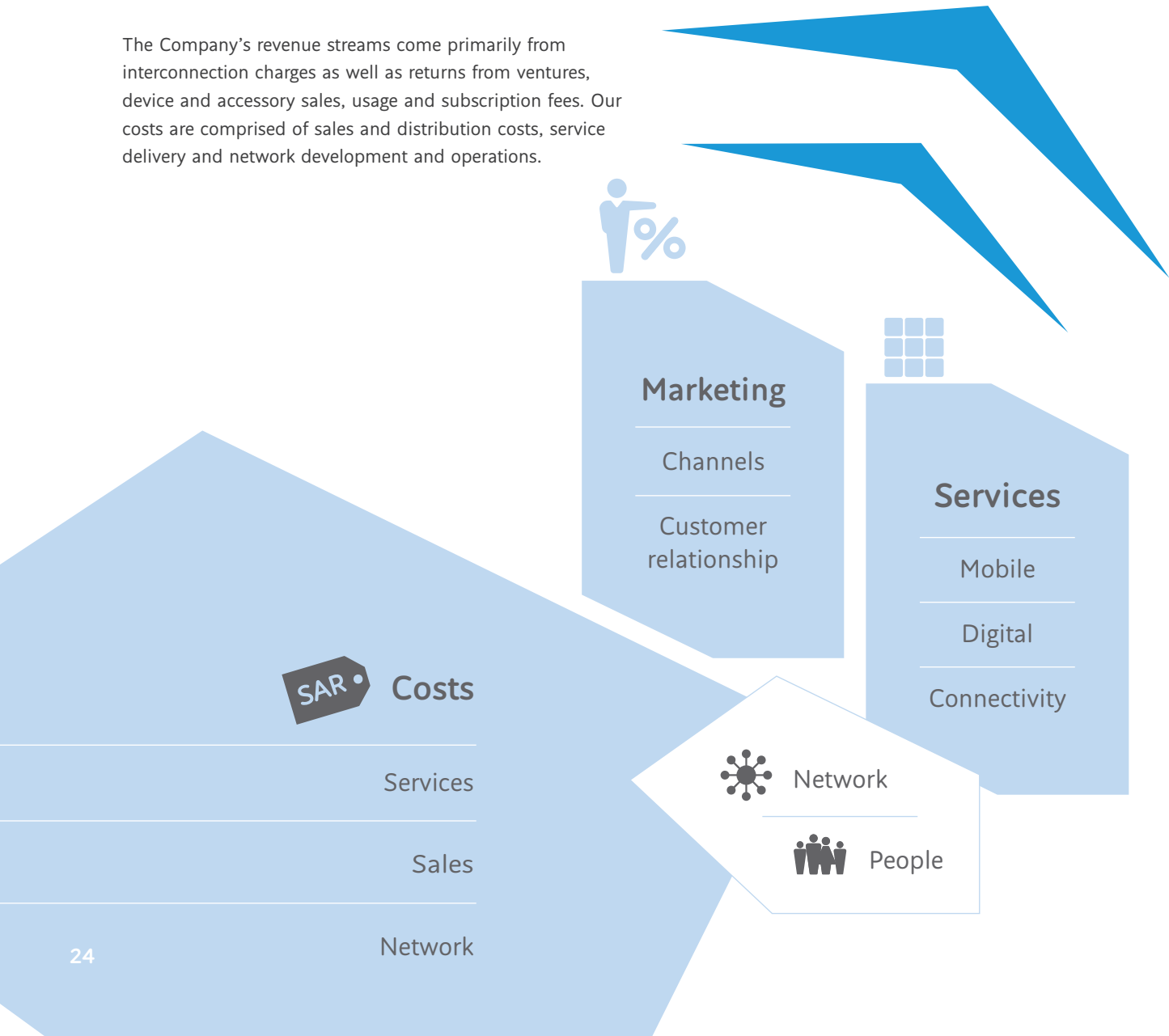
Business Model

The essence of Mobily's business is product development, supported by sales and optimal service delivery.

Our customers fall into 6 distinct groups, namely prepaid (mobile), postpaid (mobile), mobile operators, businesses and small-to-medium businesses (SMBs), and households.

We tailor a variety of bundled services to meet their requirements, and we work with a number of suppliers to support the delivery of our services, including VAS partners, mobile operators and distributors.

The Company's revenue streams come primarily from interconnection charges as well as returns from ventures, device and accessory sales, usage and subscription fees. Our costs are comprised of sales and distribution costs, service delivery and network development and operations.



Value

Customer support

Network

Services

Products and Sales

"The Company's value proposition is to provide a one-stop-shop that offers best-in-class services to our respective customer groups."



Customers

Consumers

Mobile operators

Business

Household



Partners



Revenue

Returns from ventures

Fees

Sales

Strategy and KPIs

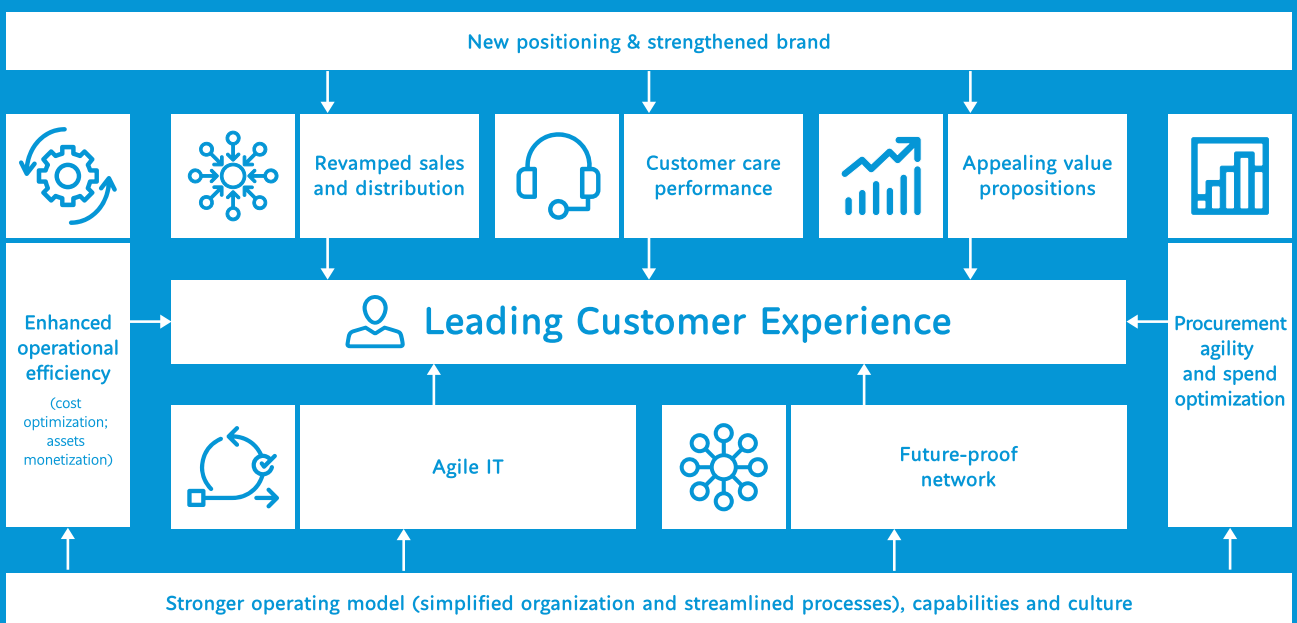
Having announced a new corporate strategy in 2017, which we have called RISE, this year was about taking the first steps in executing and delivering on its objectives. RISE comprises 4 strategic tracks:

- R** Regain commercial strength
- I** Ignite customer experience and digital excellence
- S** Strive to gain agility and efficiency
- E** Enable world-class execution

RISE is built on a fundamental purpose that has been articulated for the Company. This includes a set of customer-oriented priorities that differentiate Mobily from

its peers and will enable it to achieve its aims for growing revenues and profitability. Mobily’s ‘fundamental purpose’ can be summarized as follows:

1. **Our Saudi identity:** pride, admiration and positive association that consumers have towards Saudi brands. Mobily is proud to be a brand of this kind.
2. **A better choice:** giving consumers the opportunity to enjoy superior products and services. In this respect, Mobily is the Saudi telecom market’s original challenger brand.
3. **A better life:** Mobily’s services are functionally and emotionally important to consumers. We provide a superior mobile and internet offering, meaningfully impacting subscribers’ lives.



Progress and the way ahead

2018

Having strengthened our position in 2017 and put the Company 'back on track', in 2018 we focused our efforts on creating new positioning for a more powerful brand, by tailoring our value propositions for all subscriber types. We have improved the performance of our customer touchpoints – including our call centers – and have enhanced our sales and distribution network by upgrading shops and franchises and revamping indirect and wholesale sales channels. A culture of efficiency has been embedded within Mobily, leading to a more effective operating model, while the ongoing transformation of the IT infrastructure is enhancing our agility and increasing our capacity for future growth.

During the year, we focused on impressing our subscribers by achieving excellence in customer service, with customer-centric business processes that have enhanced the relationship journey – supported by a more seamless omnichannel experience. This experience has been further improved by the background of a simplified IT landscape and a digital-first mindset within the Company, enabling informed business intelligence and market analysis.

2019 and beyond

Our future is to become one of the most admired Saudi companies, creating superior value for all stakeholders. This will be achieved by delivering world-class performance. Mobily will lead the market by being the first to introduce innovative new products and services, while achieving a fair share in higher-end segments. The Company will provide a superior digital offering and a future-proof network, ranking among the Kingdom's most sought-after employers with a lean asset base that is fully monetized.



KPIs

Our KPIs allow us to measure the progress of RISE and to identify and respond to any gaps in its delivery.

Regain commercial strength

Strong, meaningfully differentiated brand

Clear and distinct segment-focused value propositions

Revamped and relevant distribution network

Support Saudi Arabia's transformation agenda

Ignite customer experience and digital excellence

Enhanced and seamless customer experience (including customer care, omnichannel, digital)

Fully digital across all customer interactions

Strive to gain agility and efficiency

Simplified and agile IT systems

Future-proof network

Optimized resources

Enable world-class execution

Leading culture and employee engagement

Improved organization and capabilities

Customer-centric end-to-end processes with strong yet empowered governance

Market Review

Economic backdrop

The contraction experienced by the Saudi economy in 2017 was reversed in 2018, largely due to higher oil production and revenues, accompanied by growing direct foreign investment. Consumer spending improved during the year, evidenced (according to the World Bank) by point of sale transactions increasing 6.8% year-on-year at the mid-year mark. Meanwhile, the introduction of Value Added Tax (VAT) contributed to government revenues but put pressure on businesses of all types to comply with tax laws by the start of the year.

Non-oil exports registered an increase, expected to have fueling a 2% rise in GDP in 2018 with expectation of further improvement in the year ahead. Total government revenue for 2018 is expected to reach SAR 882 billion, which is almost SAR 100 billion more than budgeted. Forecasts for revenue in 2019 have been revised up, to SAR 978 billion. Financial markets received a boost from announcements by MSCI, FTSE Russell and S&P Dow Jones Indices that the Saudi capital market would be upgraded to Emerging Market status, prompting robust inflows.

Interest rates have begun to increase following a series of US Fed rate hikes, with SIBOR at 2.66% as at 31 December 2018. Light emerged on the horizon when oil prices appeared to have stabilized at higher levels. That stabilization was, however, short-lived. In 4Q18, volatility returned to international oil markets, which turned bearish. OPEC and its allies responded by agreeing to production cuts in December, which should shore up pricing in 2019. The Saudi government maintained its unwavering commitment to the Vision 2030 reform agenda, with diversification efforts likely to be further boosted by the lower-than-hoped oil price environment. This reassures the private sector and its investors – across industries – that there will be continued stimulation of a more dynamic local economy.

Saudi telecom sector

The Saudi telecom sector recorded healthier revenues and gross profits, despite the continuous regulatory challenges and the continuing reduction in resident expatriates. This performance ran counter to market expectations, given increasing infrastructure costs, no material increases in data prices and a likely pickup in VoIP calling impacting revenues. A combination of a healthy and higher than expected increase in foreign visitors, led by the Hajj season, as well as heavy government spending on digital infrastructure helped to boost industry performance.

Further growth is likely to be driven by the proliferation of VAS and strong investment into 4.5G and 5G capabilities to power IoT, VR and other state-of-the-art platforms. While fixed voice is likely to see minimal growth in the year ahead, fiber development projects supported by the government and commercial providers will supplement demand.



43 million mobile telecom service subscribers



132% mobile penetration of Saudi population



71.5% prepaid subscriptions

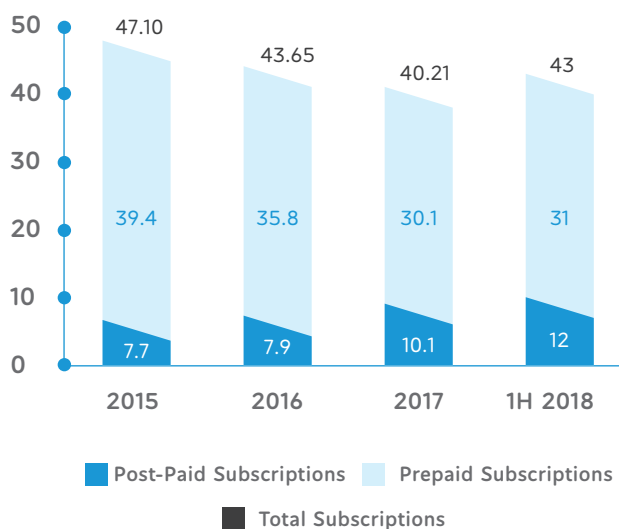
*Data source: CITC ICT Performance Indicators First Half 2018



With 3 operators in the Saudi market, competition for subscribers is fierce and pricing rationalization is ongoing. New innovations are quickly copied and scope for creating a lasting unique offer is limited. The challenge is to be constantly agile, innovative and tuned into ever-changing customer preferences to maintain and build on market share. A trend that began to make itself felt in the Kingdom in the past year was the evolution of apps, which may in the medium- to longer-term reduce the need for physical telecom outlets. The advantage this will bring through cost savings is likely to feature prominently as the industry seeks further efficiencies to support net revenues.

Data from CITC suggests that subscriptions for both mobile and fixed telephone services were likely to be around or just above 2017 levels. The pressure, particularly among the younger population, for higher quality services at lower cost was an ongoing challenge for the industry. This is what drives Saudi Arabia's mobile penetration of over 130%, with 43 million mobile subscribers by mid-year (compared with 40 million at the end of 2017). By comparison, only 3.34 million users subscribe to fixed telephone services, approximately half of them for businesses and the remainder residential. Today less than a third of Saudi households have a fixed telephone line.

Mobile telecom service subscriptions – Saudi Arabia (SAR million)



*Data source: CITC ICT Performance Indicators First Half 2018

Advancing Technology



Mobily's innovation remains a key differentiator in an increasingly competitive market

Mobily's innovation remains a key differentiator in an increasingly competitive market. A number of new initiatives were undertaken during the year to support operational efficiency and our ability to provide a first-class service to subscribers. Critical to this was increasing the speed of access and service delivery and laying the foundations for the next era of mobile technology, as well as the one after that.

Network and service enhancement

Despite an increase in data volume, investment in the network infrastructure during the year enabled Mobily to double the average speed of service delivery. The other thrust of our work was to modernize the network platform, allowing a full and seamless rollout of the 4G system, initially successfully deployed for the first time for Hajj in 2017. This was around 50% completed by year end, with the remainder expected to be accomplished by the end of 2019. With 5G following over a 2-year time horizon, sites in Jeddah and Dammam were identified and were in the early stages of development by the end of the year.

In line with this aspiration, MoUs were signed with both Huawei and Nokia in the first quarter of the year to launch 5G tests in the Kingdom. Mobily's collaboration with Nokia included work towards adopting the next generation of advanced bandwidth networks to include new technologies such as 4.5G-LTE, 4.9G, 5G, transport modernization for both optic and IP and fixed wireless access technologies

such as FastMile and wireless PON. These agreements support Mobily's contribution to the Kingdom's Vision 2030, in preparation for adopting and deploying best practice international technology.

Recognizing the increasing risks that surround data security, Mobily's Security and Privacy division launched the Information Protection Program. This holistic framework was developed to assist data owners in identifying, recording, classifying and evaluating their information assets, as well as mitigating the risks surrounding their safety and integrity. Meanwhile, the specific needs of SMEs were addressed by the rollout of Mobily Business FiberNet, providing reliable and stable internet services through high-speed fiber-optic technology.

Meanwhile, progress was made to introduce Artificial Intelligence into our operations and service delivery to assist us in further improving the efficiency and intuitiveness of our services.

During the year, Mobily's Risk Management team conducted a bottom-up risk assessment exercise to identify and assess the departmental risks, carried out various risk awareness sessions to enhance and improve the risk culture and achieved an improved rating in the Etisalat Wave 3 Risk Maturity Assessment. The team also initiated the rollout of an automated risk management solution in line with the digital strategy of Mobily. The Business Continuity team



MoUs were signed with both Huawei and Nokia in the first quarter of the year, to launch 5G tests in the Kingdom



conducted 66 vulnerability assessments for data centers and other technical facilities across the Kingdom. The team also developed/updated 79 business continuity/disaster recovery plans covering critical areas of business and operations. In addition, 53 incident and crisis simulation exercises were conducted for the developed plans. These efforts facilitated Mobily in renewing our ISO 22301 certification for all our operations.

Data centers gather momentum

Mobily operates 1 Tier IV-certified data center in Riyadh and 2 Tier III-certified data centers in Dammam and Jeddah. Data centers have now reached a level of maturity in Saudi Arabia that engenders an increased level of trust. This is demonstrated by the greater readiness detected, particularly among corporate customers in the market, to outsource their IT operations and data to cloud-based applications with full-service management to oversee their day-to-day operations.

At Mobily, this has manifested itself in the fact that some 20 corporate customers have entrusted their data centers to Mobily to manage. Since 2017, the Dammam and Riyadh centers have hosted the Saudi Ministry of Municipality's data activities and the Ministry of Foreign Affairs (MoFA) use the Riyadh center to deliver international connectivity for embassies in 105 countries. These arrangements show clear alignment between Mobily's strategy and the Saudi government's objectives and demonstrate the growing commercial importance of our data center operations.

Excelling in Service

As a company, we are passionate about meeting and exceeding the expectations of our customers. Every year we look for new ways to improve our service levels, with specific customer needs in mind and raising the performance of our staff is an integral part of this ambition. In 2018 we had more than 100 projects underway to help us reach this objective. We consider this program vital to responding to a dynamic market that has matured as much in the last 24 months as it has over the past decade. The pressure to enhance offers and to improve the customer experience is what drives us and our competitors. How we respond is what makes us different.

Digital transformation

Our focus on digital transformation was and will remain our top priority going forward. Using the global standard TRIM methodology for measuring customer satisfaction by preference and performance, Mobily achieved successively improved ratings throughout the second half of the year. According to Mobily's own metrics, the newly established Digital and Customer Service division registered a 10% improvement measured by customer feedback. This was supported by the improved self-care app that was launched during the year, as well as the new e-shop channel, which together helped to double the number of digital users year-on-year. The division also initiated a new Strategy department, to provide deeper insights into customer requirements and market trends to enable Mobily to remain ahead of the curve.

The additional network spectrum acquired from CITC in 2017 (a 2x5 MHz block in the 1,800 MHz band) supported by a further block won in early 2018, was almost fully deployed during the year, which helped us achieve a significant increase in data capacity and underpinned a significant boost in network speed in the second half. This, as well as the integration of 4G and later 5G, will support our future offerings for IoT and cybersecurity.

New market dynamics

With continuing growth in data against voice as the preferred channel of communication, the Company enriched its innovative data packages at competitive prices to meet the

requirements of our customer groups and to make us a provider of choice.

Saudi Arabia has seen a further reduction in expatriates living and working in the Kingdom and in order to rebalance our business audience we are focusing on the new generation of Saudi nationals entering the market and seeking more complex solutions for their communications needs. Our corporate personality as a Saudi organization, from ownership to employee base and operating environment places us well to respond to them and to be seen as their go-to provider.

Hajj pilgrimage volumes rose in 2018, providing opportunities for Mobily to serve the requirements of visiting subscribers travelling to the Holy Cities of Makkah and Madinah through 450 POS locations in cities and airports. Acquisition of visiting subscribers was supported by the increased presence of roving Mobily agents, totalling 1,850 in 2018, who provided on-the-spot support to pilgrims.

Expanding our presence

Mobily's on-the-ground retail network was expanded by a further 21 new kiosks in high-density retail environments, recognizing that malls have the dual benefit of improved convenience for subscribers and capturing ad hoc sales opportunities. We further expanded our product portfolio for VIP customers to include a wider range of data packages and increased our focus on female VIPs.

Service improvements for FTTH

Mobily's FTTH service continued to grow in 2018, with a 10% growth in sales, a 13% increase in new subscribers (compared to 37% in 2017) and rollout deals in an additional 14 compounds in Riyadh, Jeddah, Khobar, Al Dahrhan and Yanbu. The FTTH team prides itself on after-sales support and has identified areas for enhanced services in the future. Having received a unified license in 2017, Mobily views FTTH as a fundamentally progressive product as it enables the exploitation of a wider range of fixed-line services.



Investors in People

Mobily has a 95% retention rate for employees and 81% of our staff are Saudi nationals. These figures say a lot about our corporate culture. We are committed to the personal and professional development and growth of our people at every level and the fact that so many stay with us and the vast majority of them are Saudi nationals gives us a distinct edge in how we can relate to our customers. The 3 values we have adopted as a Company – passionate, caring and progressive – resonate particularly well in terms of how we recruit, develop and retain our employees. They clearly represent both what we do and how we do it. As at 31 December 2018, the Company employed 2,678 staff across the Kingdom and a total of 5,210 including outsourced personnel.

Highlights in 2018

The year was notable for a number of significant initiatives adopted within the Human Resources division to reflect our implementation of the organization’s corporate strategy, RISE. Chief among these were a new Career Management Framework and Grading Structure incorporating a competency framework and job profiling process, introducing revised position titles that better reflect the nature and seniority of the roles filled. We also launched a new Salary Structure and Performance Management System and a new ‘Job Family’ concept that enables related job owners to interact and interrelate beneficially with one another.

All of these frameworks were fully implemented and monitored closely by the RISE Execution Office. Particular success was achieved around the Career Management

Framework, with its Mapping and Step Promotion process being rolled out to 1,850 staff, resulting in an average salary uptick of 10.75%.

Caring is perhaps the most important value of our corporate strategy, as it relates to employees. Our goal is to build strong relationships and collaboration across our teams. The HR role is to provide a wide range of benefits and incentives, together with development tools and options, through courses and other forms of learning.

Training and development

In 2018, Mobily provided over 126 training courses to employees, involving 7,559 training days and the participation of over 1,535 staff. Types of training run through the year included on-the-job training schemes, departmental courses, cross-functional courses, soft-skills training and leadership programs, with a primary focus on consumer sales and customer care.

Consumer sales training covered a deep knowledge of Mobily products and services, promotions and system enhancements. As for customer care, the opportunities included Unified Project Management, to help call center staff pinpoint issues and conduct troubleshooting, as well as Mobility quality standards and protocols that aim to address issues around performance and error reduction. Additional training was conducted for outbound and telesales staff to enhance skills by employing best practice.

The Mobily Elite program entered its 7th year, targeting Saudi graduates. Its primary objective is to enhance skills

Progressive

- Transparent
- Risk-taking
- Entrepreneurial

Passionate

- Empowering
- Engaged
- Service-oriented

Caring

- Respectful
- Collaborative
- Accountable

in a range of different disciplines as part of their future career structure. Areas covered by the training include IT, technology, HR, customer care, sales, marketing, finance and legal services. Since the 2-year program started, a total of 124 graduates have been inducted, with each of them rotating through 4 different departments and receiving extensive additional hours of training through a reputable external resource.

Recruiting the right talent remains a high priority for Mobily and, as in 2017, increased efforts were made to identify internal candidates for roles when they become available. This reinforces the presence and implementation of a career structure for existing staff, exploits their skills and experience already gained from Mobily and improves our ability to retain them. During the year, 167 job vacancies were advertised internally, of which 36% were filled by existing employees. Another initiative taken in 2018 to help us retain staff was the opening of a nursery for the children of employees, which was received positively.

Mobily sought further efficiencies and systems optimization for its HR operations and the digital HR help desk successfully closed over 3,000 cases, compared with approximately 1,500 in 2017. The Company again participated in Etisalat Group's annual HR Excellence exercise, run according to the EFQM Business Excellence model, which emphasizes the importance of continuous improvement to HR processes and practices.

Rewards and remuneration

The Company's rewards and remuneration program focuses on performance. Financial incentivization is provided to those working in sales and customer care, with bonus payments varying according to the sales cycle. When appropriate, competitions are introduced to both support specific promotions and to boost sales generally. The Company also operates an annual bonus scheme, covering all employees and linked directly to their personal performance.

A wide range of other engagement and recognition programs are delivered on an ad hoc or structured basis. These include 10-year work anniversary awards, outstanding achievement awards and gifts for new parents as well as employees who leave the Company. Other performance and recognition schemes cover customer care and spot rewards and this year also included the chance for high performers to attend the national football team's matches in the World Cup in Russia. Fixed and variable compensation is structured in accordance with the Mobily Total Rewards Strategy (TRS), which has 3 main pillars, as summarized below.

Pillar	Program
Foundational rewards	<ul style="list-style-type: none"> Benchmark salaries against Saudi market Retain talents and employees in critical positions Implement a new grading structure
Performance-based awards	<ul style="list-style-type: none"> Implement a new performance management system Implement a new bonus scheme Enhance incentive schemes for sales and customer care
Career and environment awards	<ul style="list-style-type: none"> Offer career opportunities through internal hiring Mobily Elite program for fresh graduates Long service award program Spot awards

Social Responsibility

The values embodied in RISE are also borne out by our ongoing engagement with the community, particularly in the form of Corporate Social Responsibility (CSR) initiatives and contributions. We have a clearly defined and tangible commitment to the communities we serve.

Given the extent to which we touch so many people's lives in the Kingdom, we fully accept that we have an important role to play in society beyond our direct business, not only for our subscribers but for the population as a whole. We provide employment opportunities for Saudi nationals and all the professional development that goes with a career at Mobily, which contributes directly to the Kingdom's socioeconomic growth. But this is only part of our overall effort. We also participate in a wide range of charitable and philanthropic programs to promote social and economic support, with a clear emphasis on those particularly in need.

In 2018, Mobily activated its #UpForIt campaign for the public (having initially developed and tested it within the Company), to motivate and encourage talent within Saudi society and to encourage young people to face challenges and achieve their aspirations. The campaign focuses on technology, sport, art and a number of other fields, and seeks to contribute directly to Vision 2030.

Mobily also initiated a project that seeks to recognize the benefits that society has bestowed upon it, or what we are calling 'Bounty'. Essentially, the Bounty program aims to

encourage our staff as well as the public to preserve water, electricity and other finite resources and to tailor their behavior to preserve them more sustainably. The project will be rolled out through a set of published objectives in 2019.

We undertook a number of sponsorships throughout the year, including a national media campaign organized by the Emirate of Makkah Province for pilgrims on 1439H Hajj season. Mobily also honored the children of employees who had distinguished themselves at grades 6, 9 and 12 to motivate them to further success as role models and to reflect our belief in the importance of education and its role in building the individual and society.

Mobily maintained its relationship with Ensan, the Charity Committee for Orphans Care, providing direct financial support for its vital work. Other charities directly supported by Mobily in 2018 included the Sanad Children's Cancer Support Association (Riyadh), the Takaful Charity Association for Orphan Care (Madinah), the Ekhaa Charity Association for Orphan Care (Khobar) and the Aaba Charity Association for Orphan Care (Asir region).





Collaboration

Forit

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03

Financial
Review



Financial Review

Financial performance in 2018 demonstrated that Mobily's RISE strategy is yielding positive results, putting the Company back on a trajectory for growth. Consistently strong performance delivered a fifth consecutive quarter-on-quarter growth in revenues, along with a third consecutive year-on-year quarterly revenue growth. In addition, Mobily

achieved its sixth consecutive quarter-on-quarter EBITDA growth, reaching its highest annual EBITDA since 2013. The Company reached its lowest level of net debt since 2012, and in so doing achieved an eighth consecutive quarter of net debt reduction.

Highlights (SAR '000)	2018	2017	% change
Revenues	11,864,912	11,351,301	4.52%
EBITDA	4,530,702	3,645,626	24.3%
CAPEX	2,819,173	2,268,293	24.3%
Operational cash flow (EBITDA – CAPEX)	1,711,528	1,377,333	24.3%
Net debt	11,288,469	12,687,491	(11%)
Net profit/(loss)	(122,666)	(708,941)	(82.7%)

Top line results were characterized by steady growth due to price rationalization, strong data and FTTH performance, growth in the subscriber base and an improved subscriber mix, and strong performance by the Business segment – especially in the government sector. Mobily recorded its first year of growth in annual revenues since 2015, which increased by 4.5%.

Other financial highlights of the year were improved cash flow generation and deleveraging. In 2018, Mobily achieved a free cash flow of SAR 2.1 billion, with net debt reduced by SAR 1.4 billion and the net debt to EBITDA ratio coming in below 2.5x – its lowest level since 2016. EBITDA for 2018 increased by 24.3%, at a margin of 38% – the highest since 2013. This result was driven primarily by improved top line performance, ongoing efficiency measures for managing operating expenses, the impact of implementing IFRS 9 and IFRS 15 accounting standards, and the reversal of provisions related to government fees, which exceeded the negative impact resulting from the new government fee regime.

Mobily has maintained the deployment of its modernization programme to cope with growth in data traffic and improve customer experience, and in 2018 acquired a 2x5 MHz block in the 1800 MHz and a 2x10 MHz block in the 800 MHz bands. A Capex intensity ratio (Capex to revenues) of 20% excluding spectrum acquisition and 23.8% including spectrum acquisition reflects the Company's commitment to customers and its continued efforts to improve the quality of its services.

On the bottom line, 2018 was a crucial year for the net loss turnaround programme. Net losses for the year were reduced by 82.7%, at a net loss of SAR 123 million, compared with a net loss of SAR 709 million in 2017. In Q4 2018, Mobily achieved its first net profit since Q2 2016, at SAR 80 million compared to a loss of SAR 182 million in the same quarter of 2017, and a loss of SAR 31 million in Q3 2018.



Balance Sheet Highlights (SAR '000)	2018	2017	% change
Total assets	38,564,869	40,487,123	(4.70%)
Total liabilities	24,695,553	26,233,286	(5.86%)
Total equity	13,869,316	14,253,837	(2.70%)

Income Statement Highlights	2018	2017	% change
Gross profit	6,582,203	6,530,307	0.79%
Total operating expenses	(5,979,311)	(6,511,036)	(8.2%)
Operating profit/(loss)	602,892	19,271	3028.49%
Net income/(loss)	(122,666)	(708,941)	(82.7%)

Cash Flow Statement Highlights	2018	2017	% change
Net cash from operating activities	3,492,396	3,594,414	(2.84%)
Net cash used in investing activities	(1,765,951)	(2,977,626)	(40.69%)
Net cash from/(used in) financing activities	(1,885,776)	(290,716)	548.67%
Cash and cash equivalents	1,032,850	1,192,181	(13.36%)



04

Governance



Board of Directors

Board members



Mr. Suliman Al Gwaiz, Chairman, Non-Executive Member

Mr. Al Gwaiz is the Governor of the General Organization for Social Insurance (GOSI). He has previously held positions as Deputy Chief Executive Officer at Riyadh Bank and Head of Public Sector Business at Saudi American Bank in the Central Region. Al Gwaiz has experience in the areas of business administration, banking operations management and financial management; he holds a Bachelor's degree in Business Administration from the University of Portland (USA). He has also completed CitiCorp's Operations Management and Corporate Finance Programs.



Eng. Abdullah Al Issa, Vice Chairman, Independent Member

Eng. Al Issa is the CEO of Assila Investments Company. He is also Chairman of Abdullah Mohammed Alissa Consulting Engineers and Amias Holding Company. Previously, he was President of the Saudi Construction Company. He has experience in engineering and investment. Eng. Al Issa holds a Master's degree in Engineering Management and a BSc in Industrial Engineering from Southern Methodist University (USA).



Eng. Khalifa Al Shamsi, Managing Director, Executive Member

Eng. Al Shamsi is Chief Corporate Governance Officer at Etisalat Group. He has previously held the positions of Chief Digital Services Officer and Deputy Chief Technology and Networks Officer at Etisalat Group. Al Shamsi has experience in marketing, strategic management, engineering and telecommunications; he holds a BSc in Electrical Engineering from the University of Kentucky (USA).



Eng. Homood Al Tuwajri, Independent Member

Eng. Al Tuwajri was Executive Vice President for Strategic Planning, Finance, Petrochemicals Strategic Business Units Coordination, Supply Chain Management, and Corporate Governance and Control at SABIC. Al Tuwajri has experience in engineering, strategic management and economics, administrative services, finance and information technology, legal affairs, compliance and governance; he holds a Bachelor's degree in Business and Engineering from the University of Washington (USA) and a Master's degree in Engineering from the Georgia Institute of Technology (USA).

Positions and appointments

Current Board memberships

Within Saudi Arabia:

- Saudi Industrial Investment Group – Listed Joint Stock Company
- Saudi Arabian Mining Company (Maaden) – Listed Joint Stock Company
- Hassana Investment Company (HIC) – Unlisted Joint Stock Company

Within Saudi Arabia:

- Riyadh Bank – Listed Joint Stock Company
- Dur Hospitality – Listed Joint Stock Company
- SABIC – Listed Joint Stock Company
- Saudi Arabian Mining Company (Maaden) – Listed Joint Stock Company

Outside Saudi Arabia:

- Etisalat Afghanistan – Limited Liability Company
- PTCL – Listed Joint Stock Company
- Ufone – Limited Liability Company
- E-Vision – Limited Liability Company
- iMENA – Unlisted Joint Stock Company

Previous Board memberships

Within Saudi Arabia:

- National Company for Glass Industries (ZOUJAJ) – Listed Joint Stock Company
- National Industries Company (NIC) – Listed Joint Stock Company
- Banque Saudi Fransi – Listed Joint Stock Company
- Ajil Financial Services – Unlisted Joint Stock Company

Outside Saudi Arabia:

- Royal & Sun Alliance Insurance (Middle East) – Listed Joint Stock Company
- MasterCard International (Africa and South Asia) – Limited Liability Company

Within Saudi Arabia:

- Arabian Cement Co – Listed Joint Stock Company
- National Medical Care Co (Care) – Listed Joint Stock Company
- Cement Products Company – Limited Liability Company
- Jadwa Investment – Unlisted Joint Stock Company
- National Chemical Carriers – Unlisted Joint Stock Company
- National Shipping Company of Saudi Arabia (Bahri) – Listed Joint Stock Company

Within Saudi Arabia:

- Alinma Bank – Listed Joint Stock Company
- The Company for Cooperative Insurance (Tawuniya) – Listed Joint Stock Company
- Tabuk Cement – Listed Joint Stock Company

Outside Saudi Arabia:

- Aluminum Bahrain (Alba) – Listed Joint Stock Company



Dr. Khaled Al Ghoneim*, Independent Member

Dr. Al Ghoneim is Founder of Hawaz Company, having previously held the position of CEO at ELM Information Security Company and Saudi Telecom Company (STC). He was also Chairman and CEO of Takamol Company. Dr. Al Ghoneim has experience in telecommunications, technology and engineering; he holds a BSc in Computer Engineering from King Saud University (Saudi Arabia) and a Master's and PhD in Computer and Electrical Engineering from Carnegie Mellon University (USA).



Mr. Serkan Okandan, Non-Executive Member

Mr. Okandan is CFO of Etisalat Group. He was previously Deputy CEO of Mobily from 2014 to 2015. He also served as CFO of Turkcell Group. Okandan has experience in financial management, telecommunications and auditing; he graduated from the Faculty of Business and Economics at the Boğaziçi University in Istanbul (Turkey).



Eng. Saleh Al Abdooli, Non-Executive Member

Eng. Al Abdooli is CEO of Etisalat Group and previously served as CEO of Etisalat UAE and Etisalat Egypt. Al Abdooli has experience in engineering, telecommunications and planning; he holds a Master's degree in Communications and a Bachelor's degree in Electrical Engineering from the University of Colorado Boulder (USA).



Eng. Abdulaziz Al Jomaih*, Independent Member

Eng. Al Jomaih is Managing Director of International Investments at Al Jomaih Holding Company. He has experience in investment, management and engineering; he holds a Master's degree in Public Administration from the University of Southern California (USA) and a Bachelor's degree in Architecture from King Saud University (Saudi Arabia).



Eng. Ali Al Subaihin, Independent Member

Eng. Al Subaihin is a Founding Partner of Chedid Reinsurance Brokerage Ltd and a member of Al Faisal University's Business Advisory Council. He was previously CEO at Tawuniya for Cooperative Insurance and General Manager of Finance and Information Services at Saudi Petrochemical Company. Al Subaihin has experience in insurance, systems engineering and IT, financial management and treasury management, marketing and sales; he holds a Bachelor's degree in Systems Engineering from King Fahd University of Petroleum and Minerals (Saudi Arabia). He completed the Executive Program in Management and Cost Accounting at the University of Houston (USA), as well as a number of courses at Northwestern, Harvard, INSEAD and the International Institute for Management Development (IMD).

* Membership ended upon the end of the previous Board term on 30 November 2018

Positions and appointments

Current Board memberships

Within Saudi Arabia:

- King Abdulaziz and His Companions Foundation for Giftedness and Creativity (Mawhiba) – Non-Profit Organization
- Second Health Cluster – Government
- Obeikan Company – Unlisted Joint Stock Company

Outside Saudi Arabia:

- PTCL – Limited Liability Company
- Ufone – Limited Liability Company
- Maroc Telecom – Listed Joint Stock Company
- Etisalat Services Holding – Limited Liability Company

Outside Saudi Arabia:

- Etisalat Egypt - Unlisted Joint Stock Company
- Maroc Telecom - Listed Joint Stock Company
- Thuraya Telecommunications Company - Unlisted Joint Stock Company
- Etisalat Services Holding – Limited Liability Company
- Khalifa University - Government

Previous Board memberships

Within Saudi Arabia:

- Takamol – LLC
- National Water Company – Unlisted Joint Stock Company
- King Abdulaziz City for Science and Technology (KACST) – Government
- Public Transport Authority – Government
- Takaful Charitable Foundation – Non-Profit Organization
- National Gas & Industrialization Company (GASCO) – Listed Joint Stock Company
- Saudi Computer Society – Non-Profit Organization
- Saline Water Conversion Corporation – Government
- Human Resource Development Fund – Government

Outside Saudi Arabia:

- Etisalat Nigeria – Limited Liability Company

Within Saudi Arabia:

- Al Bilad Bank – Listed Joint Stock Company

Within Saudi Arabia:

- Astra Industrial Group – Listed Joint Stock Company
- Alyusr Leasing and Financing Company – Unlisted Joint Stock Company
- Best Rent A Car Company – Unlisted Joint Stock Company
- Middle East Financial Investment Company (MIFC Capital) – Unlisted Joint Stock Company

Within Saudi Arabia:

- The Company for Cooperative Insurance (Tawuniya) – Listed Joint Stock Company
- Cooperative Real Estate Investment Company (CREIC) – Government
- WASEEL – Unlisted Joint Stock Company
- Najm for Insurance Services – Unlisted Joint Stock Company
- Council of Cooperative Health Insurance – Government

Outside Saudi Arabia:

- United Insurance Company (Bahrain) – Unlisted Joint Stock Company



Mr. Mohamed Al Hussaini, Independent Member

Mr. Al Hussaini has extensive professional experience in the banking, finance, real estate, telecommunications and investment sectors. He is now an administrative partner at H&H Investment & Development. Previously, he was Chief Executive Officer of Bright Start, and was Managing Director for one of Emirates NBD's branches. He holds a Bachelor's degree in International Management from Franklin College (Switzerland) and an MBA in International Business from Webster University (Switzerland).



Mr. Hussain Al Asmari, Independent Member**

Mr. Al Asmari is the IT Governor's Advisor for Information Technology at the Public Pension Agency, and he previously served as General Manager of Digital Channels, Distribution and Retail Solutions at STC Channels. He also served as General Manager of IT Governance and Strategy at Saudi Arabian Mining Company (Maaden). Al Asmari has experience in IT, Sales and Governance; he holds a Bachelor's degree in Computer Science from King Abdulaziz University (Saudi Arabia).



Eng. Moataz Al Azzawi, Independent Member**

Eng. Moataz Al Azzawi is the Executive Director of his own companies' group. Al Azzawi has experience in engineering, investing and financial markets, telecommunications and strategic planning, and IT; he holds a degree in Computer Engineering from King Saud University (Saudi Arabia).

** Elected by the General Assembly of the Company for the Board of Directors' term beginning 1 December 2018

Positions and appointments

Current Board memberships

Outside Saudi Arabia:

- Emirates Integrated Telecommunications Company – Listed Joint Stock Company
- Emirates NBD – Listed Joint Stock Company
- Emirates Islamic Bank – Listed Joint Stock Company
- Dubai Refreshments – Listed Joint Stock Company
- Emaar Malls – Listed Joint Stock Company

Previous Board memberships

Within Saudi Arabia:

- Afia International – Unlisted Joint Stock Company
- Riyadh Bank – Listed Joint Stock Company
- Savola Group – Listed Joint Stock Company
- Arabian Cement Company – Listed Joint Stock Company
- Herfy Food Services – Listed Joint Stock Company
- Savola Foods – Unlisted Joint Stock Company
- United Sugar Company – Unlisted Joint Stock Company
- Saudi Industrial Construction & Engineering Projects Company – Limited Liability Company
- Saudi Trading & Technology Co. – Limited Liability Company
- Al-Wosata Development Company – Limited Liability Company

Outside Saudi Arabia:

- Afia International Company (Egypt) – Unlisted Joint Stock Company
- United Sugar Company (Egypt) – Unlisted Joint Stock Company
- Alexandria Sugar Company – Unlisted Joint Stock Company
- Queen Food Industries – Unlisted Joint Stock Company
- El Farasha Company for Food Industries – Unlisted Joint Stock Company
- Qatrana Cement – Unlisted Joint Stock Company
- Kingdom Concrete – Listed Joint Stock Company

Outside Saudi Arabia:

- Merrill Lynch (Saudi Arabia) – Unlisted Joint Stock Company

Board of Directors' meetings and attendance

The Board of Directors held 9 meetings during 2018, as shown in the table below. The new Board term dedicated the time required to perform its duties and responsibilities, including preparation for Board meetings and the meetings of its Committees, and ensuring members' attendance at meetings.

It is worth noting that on 30 November 2018 the term of the Board ended. The Board was restructured for the new

term, which started on 1 December 2018 and will continue for 3 years, during the General Assembly meeting that was held on 28 November 2018. The General Assembly meeting resulted in the election of the members of the Board of Directors for its new term.

During 2018 the Board of Directors held 9 meetings and the following table illustrates the names, positions and attendance of the Board's members:

No.	Name	Position	13 February	25 March	22 April	3 June	3 October	8 October	28 October	3 December	13 December
1	Suliman Al Gwaiz	Chairman	Present	Present	Present	Present	Present	Present	Present	Present	Present
2	Abdullah Al Issa	Vice Chairman	Present	Present	Present	Present	Present	Present	Present	Present	Present
3	Khalifa Al Shamsi	Managing Director	Present	Present	Present	Present	Present	Present	Present	Present	Present
4	Abdulaziz Al Jomaih*	Member	Present	Absent	Present	Present	Present	Absent	Present	-	-
5	Mohamed Al Hussaini	Member	Present	Present	Present	Present	Present	Absent	Present	Absent	Present
6	Khaled Al Ghoneim*	Member	Present	Present	Absent	Present	Present	Present	Present	-	-
7	Homood Al Tuwajri	Member	Present	Present	Present	Present	Present	Present	Present	Absent	Present
8	Ali Al Subaihin	Member	Present	Present	Present	Present	Present	Absent	Present	Present	Present
9	Serkan Okandan	Member	Present	Present	Present	Present	Present	Absent	Present	Absent	Present
10	Saleh Al Abdooli	Member	Present	Present	Present	Present	Present	Present	Present	Present	Present
11	Hussain Al Asmari**	Member	-	-	-	-	-	-	-	Absent	Present
12	Moataz Al Azzawi**	Member	-	-	-	-	-	-	-	Present	Present

* Membership expired on 30 November 2018 at the end of the previous Board term

** Elected by the General Assembly of the Company for the Board of Directors' term beginning 1 December 2018

The remaining members are Board of Directors members for its previous and current terms

Board of Directors' Committees

In accordance with the Articles of Association of the Company and the Corporate Governance Regulations issued by the CMA, the following Committees are formed:

Audit Committee

The Audit Committee was formed by a resolution of the General Assembly of the Company held on 4 June 2017, during the previous term, which ended on 1 December 2018. The restructuring of the Audit Committee was also approved by a resolution made by the General Assembly held on 28 November 2018, during the new term, commencing 1 December 2018 and will last until 30 November 2021. The members of the Audit Committee of the previous term are the same members during the new term. The following members of the Committee are not members of the Board of Directors:

Mr. Jameel Al Molhem

Non-director serving as a member the Committee (Chairman of the Audit Committee)

Mr. Jameel Al Molhem previously held several positions at Saudi British Bank before being appointed as COO of Saudi Telecom Company in Saudi Arabia. He then served as Managing Director of Shaker Group. He currently serves as the Managing Director of Takween Group. Al Molhem has experience in banking, marketing, business, and communications; he holds a Bachelor's degree in Marketing

from King Fahd University of Petroleum and Minerals (Saudi Arabia). He has completed several training courses at a number of specialized institutes in the USA and Europe.

Dr. Abdulrahman Al Barrak

Non-director serving as a member the Committee (Audit Committee)

Dr. Abdulrahman Al Barrak is the Founder and Executive partner of THARA Consultants. He has extensive experience in financial markets, finance and corporate governance, and internal audit and control systems. Dr. Al Barrak has served as a member and then Vice President of the Capital Market Authority (CMA) Board of Commissioners for nine years. He also chaired the Audit Committee of the Capital Market Authority (CMA), the Saudi Organization for Certified Public Accountants (SOCPA) and a number of Executive Committees and strategic committees overseeing projects related to the development of the Saudi financial market. He has been appointed as a Board member for a number of joint stock companies and Chairman of a number of their Audit Committees. In addition, he served as Head of Finance and Dean of Faculty Affairs at King Faisal University. He holds a Bachelor's degree in Accounting and a Master's and PhD in Finance.

During 2018, the Audit Committee held 6 meetings. The meetings of the Audit Committee and the attendance of members are shown below:

Name	Position	12 February	22 April	23 July	16 September	21 October	29 November
Jameel Al Molhem	Chairman of the Committee	Present	Present	Present	Present	Present	Present
Mohamed Al Hussaini	Member	Present	Present	Present	Present	Present	Present
Serkan Okandan	Member	Present	Present	Present	Present	Present	Present
Homood Al Tuwajjri	Member	Present	Present	Present	Present	Present	Present
Abdulrahman Al Barrak	Member	Present	Present	Present	Present	Present	Present

The Audit Committee is responsible for monitoring the Company's business and verifying the integrity of its financial statements and internal control systems. The duties and responsibilities of the Committee include:

1. External Auditor and Financial Reports

- Reviewing and assessing the qualifications, performance, objectivity and independence of the External Auditor, including the main Shareholder and other senior members of the independent audit team on an annual basis and obtaining an annual

acknowledgment of that independence and verify the effectiveness of the audit work, considering relevant rules and standards.

- Reviewing the External Auditor's audit plan, scope and approach.
- Supervising the External Auditor's activities and approving any activity which falls beyond their scope of work while carrying out their duties.
- Reviewing the External Auditor's report and comments on the financial statements and monitoring the actions taken in this regard.

- Reviewing the interim and annual financial statements before their submission to the Board of Directors and providing feedback and recommendations regarding their fairness, integrity and transparency.
- At the request of the Board of Directors, the Committee shall provide its technical opinion on whether or not the Annual Report of the Board of Directors and the financial statements are fairly, consistently and understandably presented and contain appropriate information to enable Shareholders and investors to assess Mobily's financial position, results of operations, performance, business models and strategies.
- Reviewing with the External Auditor the extent to which the changes or improvements to financial or accounting practices have been implemented.
- Regularly reviewing with the External Auditor any problems or difficulties they face during the audit work, including any restrictions on the External Auditor's scope of work or obtaining the required information and management's response to the same.
- Examining the current accounting policies and providing feedback and recommendations to the Board in this regard.
- Examining any abnormal or serious matters found in the financial reports or such matters as may be raised by the Controller, any person assuming the Controller's duties, or the Company's Compliance Officer or Auditor.
- Reviewing the significant estimates and judgments on which the financial statements are based.
- Responding to the External Auditor's inquiries.
- Reviewing and discussing the quarterly and annual press releases.

2. Internal Audit

- Examining and reviewing the Company's internal and financial control systems and risk management plan.
- Reviewing the Internal Audit reports and monitoring the modification and corrections in said reports.
- Monitoring and overseeing the activities of the Company's Internal Auditor and Internal Audit department to ensure the Auditor's independence, the availability of necessary resources and the department's efficiency in carrying out its responsibilities and duties.
- Reviewing and submitting written recommendations on such regular internal reports (or their summaries) as may be prepared by Internal Audit, as well as management responses, and monitoring the implementation of the Committee's recommendations and agreed action steps in this regard.

3. Compliance

- Reviewing the results of any examinations made by regulatory bodies and ensuring that the Company has taken the necessary actions in this regard.
- Ensuring that the Company has taken appropriate measures to comply with the relevant laws, regulations, policies and procedures.
- Reviewing the proposed contractual arrangements and transactions with related parties and submitting their opinions in relation to such arrangements and transactions to the Board of Directors.
- The Committee shall raise such matters that it believes are necessary to the Board of Directors by making recommendations on the appropriate course of action.

4. Ethics and anti-fraud

- The Committee shall make arrangements to enable the Company's employees to provide anonymous reports about their concerns and comments regarding financial and other matters. The Committee shall also ensure the effective implementation of measures through appropriate independent investigations into the size of reported irregularities, errors, infringements, inaccuracies or irregularities and take appropriate follow-up actions.
- Ensuring that appropriate measures are taken to respond to any reported allegations or concerns, including obtaining external legal or technical advice where appropriate.
- Reviewing and evaluating Mobily's management of the Code of Conduct.

5. Reporting to the Board of Directors

- Preparing a report on the opinion and recommendation of the Committee on the adequacy of the internal control system, the financial controls and risk management and the extent to which the Committee has discharged its responsibilities. The report shall be published and made available to Shareholders by the Board of Directors at least 21 days prior to the General Assembly meeting. The summary of the report shall also be read out at the General Assembly meeting. The report shall also be made available on the Company's and Stock Exchange's websites when the call to convene the General Assembly is published.
- Reporting on issues requiring action with the Committee's recommendations on actions to be taken to the Board of Directors, whenever necessary.

6. Coordinating with the Board of Directors' Risk Management Committee

- The Committee shall coordinate with the Risk Management Committee to use the risk assessment outputs and risk management evaluations and to take them into consideration in the Internal Audit plan.

7. Other responsibilities

- Reviewing its charter periodically, at least annually, and making recommendations to the Board of Directors of any necessary amendments.
- At least three months before the end of the year, the Committee shall develop its annual action plan and schedule for the coming year. This shall include the Committee's regular meetings, meetings with Management, external and Internal Auditors, and such other activities in the light of its duties and responsibilities set out in the current charter.

- Carrying out any other activities in accordance with this charter, Mobily's Articles of Association and the applicable laws, as may be deemed necessary by the Board.

Executive Committee

The Executive Committee was formed by the Board of Directors for the new term, after the end of the previous term on 30 November 2018. The new Board term began on 1 December 2018 and will operate until 30 November 2021. It is important to note that the composition of the Executive Committee remains the same as previously, with the exception of Moataz Al Azzawi whose membership began only for the new term.

Over the course of 2018, the Committee held 5 meetings. The meetings of the Executive Committee and the attendance of members are shown below:

Name	Position	13 February	1 May	9 July	5 November	28 November
Suliman Al Gwaiz	Chairman of the Committee	Present	Present	Present	Present	Present
Abdullah Al Issa	Member	Present	Absent	Present	Present	Present
Khalifa Al Shamsi	Member	Present	Present	Present	Present	Present
Saleh Al Abdooli	Member	Present	Present	Present	Present	Present
Moataz Al Azzawi*	Member	-	-	-	-	-

*Membership began at the beginning of the new term on 1 December 2018

The duties and responsibilities of the Committee include:

- Exercising the powers entrusted by the Board to manage and direct the business of the Company, with the exception of:
 - Amending the Company's Articles of Association.
 - Electing or dismissing members of the Board.
 - Approving or amending the balance sheet, except in accordance with the Company's delegation of powers regulations.
 - Making substantial structural changes, such as changing the Company's capital, mergers and acquisitions, sale of assets, joint ventures or other similar arrangements, liquidating or suspending the Company's business or dissolving the Company.
 - Borrowing any amounts.
 - Any powers and responsibilities expressly delegated to other Board committees.
- Any other matters that may not be delegated by the Board under the applicable regulations or the Company's Articles of Association.
- Following up on the Company's strategic plans for the long, medium and short-term and revising them from time to time and recommending to the Board of Directors any update or modification when deemed necessary.
- Acting as a guide for the Company's Management on emerging issues and investment opportunities.
- Reviewing fundamental legal issues and emerging lawsuits.
- Approving the appointment of advisory bodies in case the appointment exceeds Management's authority as per the delegations of powers.
- Filing reports to the Board of Directors regarding decisions or procedures taken by the Committee, which require the approval of the Board.
- Such other matter as assigned by the Company's Board of Directors.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was formed for the new term of the Board of Directors, after the end of the previous term on 30 November 2018. During its

previous term in 2018, the Committee held 6 meetings. The meetings of the Nomination and Remuneration Committee and the attendance of members are shown below:

Name	Position	18 February	9 April	11 June	9 July	22 October	6 November
Khaled Al Ghoneim	Chairman of the Committee	Present	Present	Present	Present	Present	Present
Abdulaziz Al Jomaih	Member	Present	Present	Absent	Present	Present	Present
Khalifa Al Shamsi*	Member	Present	Present	Present	Present	Present	Present

*The membership classification has changed since the beginning of the new term from Non-Executive Member to an Executive Member

The Nomination and Remuneration Committee was formed for the new term of the Board of Directors, which began on 1 December 2018 and will continue until 30 November 2021. It should be noted that the new Committee did not hold any meetings from the beginning of its term until the end of 2018:

Name	Position
Ali Al Subaihin	Chairman of the Committee
Moataz Al Azzawi	Member
Serkan Okandan	Member

The duties and responsibilities of the Committee include:

- Giving recommendations to the Board of Directors regarding nominated members in accordance with the approved policies and criteria, ensuring that nominees have not been charged with any crimes against honor and integrity
- Recommend the Board of Directors to nominate and re-nominate members of the Audit Committee
- Proposing a new member to the Board after consulting with the Audit Committee to appoint him temporarily as a member when the position of the Audit Committee member becomes vacant
- Proposing clear policies and conditions for the membership of the Board of Directors and Executive Management and developing special procedures to deal with situations when a position of a member of the Board of Directors or Executive Management becomes vacant
- Annually reviewing the Board's requirements of skill and experience and preparing a description of qualifications and capabilities required in nominees for Board membership and Executive Management
- Reviewing the Board of Directors' and Executive Management's structure and giving recommendations on proposed changes
- Determining the strengths and weaknesses of the Board of Directors and proposing solutions that align with the Company's best interests
- Annually examining and ensuring independence of independent Board members and the absence of any conflicts of interest if a Director is at the same time a member of another company's Board of Directors.
- Developing clear policies outlining the remuneration and rewards of members of the Board and its committees and Executive Management. These policies should be based on performance-related criteria and shall be disclosed, verified and submitted to the Board for consideration before being adopted by the General Assembly
- In selecting nominees for Board membership, the Committee shall consider several factors, including but not limited to:
 - Integrity, honesty and responsibility
 - Proven leadership experience and strong business acumen
 - Future foresight and strategic focus
 - Cooperation
 - Independence and lack of conflicts of interest
 - Ability to devote the time necessary to fulfill the responsibilities of a Board member
- Ensuring that there is an induction program for new members of the Board of Directors
- The Committee shall provide continuous education and training programs and make sure that the Board of Directors is kept informed of the latest developments in the telecom industry

13. The above paragraph shall be treated in accordance with the Company's approved policy on training programs and business trips
14. Checking the stability of the Company's job positions and overseeing the Company's preparation of a succession plan, particularly for the Executive Management
15. When nominating members of the Board of Directors, the Committee shall consider the terms and conditions of the Corporate Governance Regulations and the requirements set by the Capital Market Authority (CMA)
16. The number of nominees for the Board of Directors whose names are proposed to the General Assembly shall exceed the number of available seats in order to enable the General Assembly to choose from among them
17. Developing job descriptions for executive, non-executive and independent members and senior executives.
18. Clarifying the relationship between the remuneration awarded and the applicable remuneration policy and indicating any material deviation from this policy
19. Regularly reviewing the remuneration policy and evaluating its effectiveness in achieving the intended objectives
20. Recommending the remuneration of the Board of Directors, the Board Committees and Executive Management in accordance with the approved policy
21. The Committee shall examine the subjects assigned

to it or referred to it by the Board of Directors and submit its recommendations to the Board of Directors for decision, or the Committee shall make decisions if authorized by the Board

22. The Board report submitted to the General Assembly shall indicate the number of Committee meetings and how many times each member was present at those meetings

Risk Management Committee

The Risk Management Committee was formed by the Board of Directors for the new term, after the end of the previous term on 30 November 2018. The new term began on 1 December 2018 and will continue until 30 November 2021. It is important to note that the composition of the Risk Management Committee remains the same as previously, with the exception of Hussain Al Asmari, who became a member of the Committee when the new term commenced, as a successor to Ali Al Subaihin. During 2018, the Committee held 4 meetings. A meeting for the new term was not held until the end of the year. The meetings of the Risk Management Committee and the attendance of members are shown below:

Name	Position	28 January	16 April	30 July	15 October
Homood Al Tuwajiri	Chairman of the Committee	Present	Present	Present	Present
Khalifa Al Shamsi	Member	Present	Present	Present	Present
Ali Al Subaihin*	Member	Present	Present	Present	Present
Serkan Okandan	Member	Present	Present	Present	Present
Hussain Al Asmari**	Member	-	-	-	-

* Membership ended with the end of the previous term on 30 November 2018

** Membership began with the beginning of the new term on 1 December 2018

The duties and responsibilities of the Committee include:

1. Reviewing and evaluating the safety and efficiency of risk management within the Company
2. Monitoring the implementation of the risk management framework and strategy
3. Reviewing tolerance levels and risk limits, related reports and the necessary procedures applied to reduce risks that occur

The Committee's assignment lasts throughout the term of the Board of Directors and expires at the end of this period. The regulations of the Committee include controls to enable the Board to routinely follow up on its work and to verify actions assigned to it. These include Committee meetings, recommendations and how to notify the Board of Directors of such recommendations.

Description of interests, contractual securities or rights issue of Board members and their relatives in the shares and debt instruments of the Company and its subsidiaries

Etihad Etisalat Company (Mobily)

Name	No. of shares at start of 2018	No. of shares at end of 2018	Net change	Percentage change
Suliman Al Gwaiz	14,093	14,093	-	-
Abdullah Al Issa	34,600	34,600	-	-
Khalifa Al Shamsi*	-	-	-	-
Abdulaziz Al Jomaih**	8,322	8,322	-	-
Homood Al Tuwajri	208,084	208,084	-	-
Ali Al Subaihin	21,600	21,600	-	-
Khaled Al Ghoneim**	36,000	36,000	-	-
Mohamed Al Hussaini	-	-	-	-
Serkan Okandan*	-	-	-	-
Saleh Al Abdooli*	-	-	-	-
Hussain Al Asmari***	-	-	-	-
Moataz Al Azzawi***	500	500	-	-

* Membership guarantee shares have been reserved in Emirates Telecommunication Company (Etisalat) portfolio

** The number of shares at the end of the year is considered until the end of his membership on 30 November 2018

*** The number of shares at the beginning of the year is considered since the beginning of his membership on 1 December 2018

It is worth noting that there are no interest, contractual securities and subscription rights for the Board of Directors' members and their relatives in the shares or debt instruments of the subsidiaries.

Executive Management

Senior Executives

Eng. Ahmed Aboudoma

Chief Executive Officer

Eng. Aboudoma has previously held positions as Managing Director and Chief Executive Officer of Global Telecom Holding (Egypt) and Deputy Chief Executive Officer for Asia and Africa at VimpelCom Group. Previously, he was seconded by Orascom Group as CEO of Banglalink Telecom (from 2009-2011). Before joining Mobily as CEO, Eng. Aboudoma was a member of the Board of Directors of the National Telecommunications Regulatory Authority (NTRA) in Egypt. Eng. Ahmed Aboudoma has experience in telecommunications, marketing, business administration and planning; he holds a Bachelor's degree in Communications Engineering from Cairo University (Egypt) and received the Telecommunications Planning Award from the International Telecommunications Union (ITU) (Switzerland). Eng. Aboudoma has completed the International Executive Program in Business Administration from INSEAD Business School (France and Singapore).

Eng. Kais Ben Hamida

Chief Financial Officer

Eng. Ben Hamida previously served as Chief Financial Officer of Orange Egypt, and as a Partner at Valence Capital, an Italian investment fund that focuses on infrastructure investments. Prior to these roles and for more than 14 years, he held several senior positions at the French Orange Group, as the Group's Vice President of M&A Operations, member of the Board of Directors of Orange Sweden, Orange Austria, Orange Denmark, Viaccess France and Orange Egypt, Manager of the Group CFO's office, Financial Operations Manager and Project Finance Manager. Eng. Ben Hamida began his career at the World Bank in Washington (USA) and then at Société Générale in France. Eng. Ben Hamida has experience in financial and strategic management, economics, operations management, telecommunications and banking; he holds a BSc in Statistics and Financial Engineering from the Ecole Polytechnique (France), a Master's degree in Engineering from the Ecole des Ponts et Chaussées (France) and a

Master's degree in Economics from the Sorbonne University (France).

Mr. Ismail Saeed Al Ghamdi

Chief Customer Care Officer, Acting Chief Corporate Strategy Officer

In addition to his current position, Mr. Al Ghamdi is Board Chairman of Sehaty and National Company for Business Solutions (NCBS). Mr. Al Ghamdi previously served as Chief Business Officer at Mobily, Operations Manager at Cisco Systems, Microsoft's Deputy General Manager, and Regional Director of Al-Alamiah Institute for Computer and Technology (AICT). He has also served as a Board member of Mobily Ventures and Mobily Infotech India Private Limited. Mr. Al Ghamdi has experience in telecommunications, operations management, technology and strategic management; he holds a BSc in Computer Science from King Abdulaziz University (Saudi Arabia) and has completed the Leadership Development Program at Harvard Business School (USA).

Eng. Maziad Nasser Al Harbi

Chief Technology Officer, Acting Chief Legal and Governance Affairs Officer

Eng. Maziad Al Harbi has previously served as Senior Chief Executive Officer at Mobily and Vice President for Home Services at STC. Prior to these roles, he held several positions at STC, including General Manager of Network Services Solutions, Manager of Mobile Service Implementation Program, and Manager of Integrated Customer Solutions. Prior to joining Saudi Telecom, Eng. Al Harbi served as Deputy General Manager – Services at Huawei Technologies and Senior Manager – Sales at Lucent Technologies. Eng. Al Harbi has experience in engineering, technical solutions, sales and telecommunications; he holds a BEng in Electrical Engineering from King Saud University (Saudi Arabia).

Mr. Khaled Mohammed Riad

Chief Sales and Distribution Officer

Mr. Riad has held many senior positions throughout his career across several sectors, including telecommunications, FMCG and hospitality. His first role was as Executive Assistant Manager at the Intercontinental Hotel in Semiramis, before moving to the Coca-Cola Company, where he held several senior roles across the Middle East over a 15-year period. Mr. Riad's career in telecommunications began with his appointment as Director of Sales and Distribution for Vodafone Egypt. He then moved to Ooredoo Group as Group Director of Sales and Distribution, before being appointed as Commercial Senior Director in 2014. Prior to his appointment to his current role as Chief Sales and Distribution Officer for Mobily, he was working at Millicom Group as the Group Chief Ethics and Compliance Officer (CECO) for Africa. Mr. Riad has experience in management, marketing, sales and telecommunications. He graduated with a Bachelor's degree in Management, majoring in Hotel Management from Helwan University (Egypt). Mr. Riad then pursued a Master's degree in Distribution & Product Management, which he received from Wits Business School (South Africa), followed by an MBA from Maastricht University (Netherlands), where he majored in Marketing. He was also awarded a mini-MBA in Telecommunications from Informa (UK) after which he pursued a post-graduate degree in Leadership & Network Project Management (Switzerland).

Eng. Walid Mohammed Al Abdulsalam

Acting Chief Human Resources Officer

Eng. Al Abdulsalam previously served as Senior Vice President of Human Resources Strategy and Development at Mobily. Prior to that, he worked as Senior Vice President for Human Capital and Support Services and Vice President of Business Excellence at Integrated Telecom Company. He also held the positions of Vice President of Human Resources, Vice President of Public Relations and Communications, and Vice President of Marketing at Integrated Telecom Company. Eng. Abdulsalam has experience in Business Administration, Public Relations, Marketing, Human Resources and Engineering. He holds a Bachelor's Degree in Electrical Engineering from King Fahd University of Petroleum and Minerals (Saudi Arabia), and an MBA from Detroit Mercy University (USA).

Eng. Majed Abdulaziz AlOtaibi

Acting Chief Business & Wholesale Officer

Eng. Alotaibi was previously B2B Marketing and Sales Senior Executive Officer within Mobily, prior to which he held the position of General Manager of B2B Marketing

at STC and operated in a senior role for the Consumer Marketing team. Eng. Alotaibi has experience in marketing, sales, telecommunications and engineering. He holds a Bachelor's degree in Electrical Engineering from King Saud University (Saudi Arabia), after which he completed a course in Strategic Executive Marketing from INSEAD. He has also received a qualification in Executive Strategy Pricing from Chicago Booth University and has completed a course in Executive Leadership at Ashridge Business School (Dubai).

Mr. Omar Saud Al Rasheed

Acting Chief Digital & Customer Experience Officer

Mr. Al Rasheed has held a number of senior positions at various telecommunications companies prior to his appointment as Acting Chief Digital & Customer Experience Officer at Mobily. Prior roles have included Executive General Manager of Mega Projects and General Manager for Mobily Infotech India Private Limited. Mr. Al Rasheed has experience in telecommunications, project management and IT. He holds a BSC in Computer and Information Sciences from King Saud University (Saudi Arabia), after which he attended several Executive Education programs at Harvard Business School (USA), Massachusetts Institute of Technology (MIT) and London Business School (UK). He is a certified Project Management Professional (PMP), accredited by the Project Management Institute (PMI).

Mr. Asher Yaqub Khan

Chief Marketing Officer, Consumer Marketing

Mr. Khan has held several senior positions at various telecommunications companies across the MENA region prior to his appointment as Chief Marketing Officer of Consumer Marketing for Mobily. Previous roles include Chief Marketing Officer and Chief Commercial Officer which he carried out while working for Ufone in Islamabad, Chief Commercial Officer for Bangalink and Chief Marketing Officer for MTN, during which time he was based in Ghana. Mr. Khan has experience in management, marketing, operations and telecommunications. He holds a Bachelor's degree in Business from Boğaziçi University, and an MBA from the Lahore University of Management Sciences, Pakistan.

Description of interests, contractual securities or rights issue of Senior Executives and their relatives in the shares and debt instruments of the Company and its subsidiaries

Etihad Etisalat Company (Mobily)

Name	Position	No. of shares at start of 2018	No. of shares at end of 2018	Net change	Percentage change
Ahmed Aboudoma	Chief Executive Officer	-	-	-	-
Kais Ben Hamida	Chief Financial Officer	-	-	-	-
Ismail Saeed Al Ghamdi	Chief Customer Care Officer, Acting Chief Corporate Strategy Officer	-	-	-	-
Maziad Nasser Al Harbi	Chief Technology Officer, Acting Chief Legal and Governance Affairs Officer	-	-	-	-
Khaled Mohammed Riad	Chief Sales and Distribution Officer	-	-	-	-
Walid Mohammed Al Abdulsalam	Acting Chief Human Resources Affairs Officer	126	126	-	-
Majed Abdulaziz Al Otaibi	Acting Chief Business & Wholesale Officer	-	-	-	-
Omar Saud Al Rasheed	Acting Chief Digital & Customer Experience Officer	-	-	-	-
Asher Yaqub Khan	Chief Marketing Officer, Consumer Marketing	-	-	-	-

It is worth noting that there are no interest, contractual securities and subscription rights for the Executive Management members and their relatives in the shares or debt instruments of the subsidiaries.

Related Party Transactions

During 2018, several related party transactions were conducted by the Company with Emirates Telecommunications Corporation and its subsidiaries,

a main Shareholder in Mobily and represented by a number of Board Directors, namely: Saleh Al Abdooli, Khalifa Al Shamsi, Mohamed Al Hussaini and Serkan Okandan.

Entity	Relationship
Emirates Telecommunication Group Company and its subsidiaries	Founding Shareholder
Emirates Data Clearing House	Etisalat's sister company
Etisalat Egypt	Etisalat's subsidiary company
Etisalat Afghanistan	Etisalat's subsidiary company
Maroc Telecom SA (Maroc Telecom)	Etisalat's subsidiary company
Pakistan Telecommunication Company Limited	Etisalat's subsidiary company

Services rendered to related parties consist of the provision of telecommunications, interconnection and roaming services by the Group on the basis of normal commercial terms. Meanwhile, services received from related parties consist of telecommunications, interconnection and roaming services to the Group based on normal commercial terms. Management fees and other management expenses are calculated based on relevant agreements with the Emirates Telecommunication Group Company. The balances due from and to related parties, which are without guarantee, are settled in cash.

Transactions with senior management personnel are the remuneration of Board of Directors and other senior management members who are key management personnel of the Company. Details of key related party transactions during the financial year ended 31 December 2018 are as follows:

Related party transactions 2018 (SAR '000)

	2018
Interconnection and roaming services rendered	119,544
Interconnection and roaming services received	365,703
Management fees	-
Other management expenses*	29,673
Telecom services	4,079
Other services	-

*Other management expenses represent reimbursement of salaries and emoluments of key group executives seconded by Emirates Telecommunication Corporation (Main Shareholder)

There are three contracts signed between Mobily and Communications Solutions Co. during 2018 which cover the period from 1 September 2015 to 28 February 2019, with transactions amounting to SAR 2,577,978.90. These contracts ensure the provision of several telecommunications services to the Company, and they are

subjected to conditions that are in line with the contracts of the Company and other companies. They were awarded on the basis that the supplier provided the most competitive bid. The transactions are noted because there is an indirect interest for former Board member Dr. Khalid Abdulaziz Al Ghoneim.



Compensation and Remuneration

Compensation Policy

General provisions

1. The purpose of compensation is to encourage the members of the Board of Directors and the Executive Management to make the Company succeed and develop in the long-term
2. The compensation shall be determined according to the level of the job concerned, the tasks and responsibilities assigned to the worker, his scientific and practical qualifications, the level of performance, and achievements
3. This policy must be consistent with the nature of the risks surrounding the Company.
4. The Company's internal regulations must comply with this policy
5. The practices of other companies should be taken into consideration in determining the compensation, avoiding any unjustified increase in remuneration and compensation
6. This policy aims to attract, maintain and motivate professional competencies without any exaggeration.
7. This policy must be considered at any new appointments and in coordination with the Nomination and Remuneration Committee
8. Consider the cases of suspension and refund of the remuneration if it was based on inaccurate information provided by the person concerned, in order to prevent the exploitation of employment status to obtain undeserved compensation
9. This policy allows, in accordance with the regulations, the granting of shares in the Company to the Board of Directors' members and the Executive Management, whether newly issued or purchased shares
10. This policy aims to enhance the Company's culture of disclosure and transparency, in accordance with the relevant regulations

Scope of application

This policy shall be applied to the Board of Directors, its Committees and the Executive Management of the

Company. It may be used for application in whole or in part to the general staff of the Company.

Application responsibility

The Nomination and Remuneration Committee, in coordination with the Executive Management of the Company, shall follow up the application of this policy, verify the integrity of the procedures taken, evaluate any deviations that may arise in the application, and submit its requests to the Board of Directors for each matter that requires the guidance of the Board.

Remuneration of the Board of Directors and its Committees

1. The Company's Articles of Association shall provide the manner of remuneration to Directors
2. Such remuneration may be a certain amount or attendance allowance for meetings, in-kind benefits or a certain percentage of net profits. Two or more of these remunerations may be combined
3. If the bonus is approved as a certain percentage of the profits of the Company, it shall not exceed 10% of the net profits after deducting the reserves decided by the General Assembly in application of the provisions of the Companies Law and the Company's Articles of Association, and 5% of the paid-up share capital, so that the remuneration is proportionate with the number of meetings attended by the member, and any other estimate is null and void
4. In all cases, the sum of the remuneration of any Board member shall not exceed the amount of SAR 500,000 annually
5. The Nomination and Remuneration Committee shall, on an annual basis, consider the proposed remuneration of the Board and its Committees, by verifying the annual objectives set for the Company and the objectives achieved and the efforts made by the Board members, the Board and its Committees during the year

6. Remuneration of the Board of Directors and its Committees may be approved unevenly, whether at the member or Committee level, depending on tasks, responsibilities and achievements
7. If the reward granted to Board members or one of its Committees is based on inaccurate information or erroneous results, whatever the motivation, then the case shall be submitted to the Board for an appropriate decision; the relevant regulations shall be observed in consideration of the rules and preservation of the Company's Shareholder rights
8. The decision of the Board of Directors in the preceding paragraph shall be either suspension of the payment, in case it is not paid yet, or it shall be partially or wholly refunded according to the circumstances of the case

Remuneration of Executive Management

1. When approving the remuneration of the Executive Management, the policies adopted by the Company in this regard, as well as the achieved objectives set for it, must be considered
2. The remuneration of each Executive Management officer may vary depending on the results achieved during the year assessed
3. The remuneration shall take into consideration companies operating in the telecommunications sector as well as companies operating in the Saudi market
4. The maximum ceiling of Executive Management bonuses may be reviewed annually, and any proposed amendments shall be raised to the Board of Directors and then to the General Assembly, in accordance with the regulations applicable in this area
5. This policy must be consistent with the Company's strategy and objectives, and in accordance with its performance and evaluation policy in respect of Executive Management remuneration
6. If the Executive Management's remuneration was based on inaccurate information or wrong results, whatever the motive was, then the case shall be submitted to the Board of Directors to take appropriate action; the relevant regulations shall be observed in its consideration with the rules and preservation of the Company's Shareholder rights
7. The decision of the Board of Directors in the preceding paragraph shall result in either suspension of the payment, if it has not yet been paid, or refund it partially or totally, in accordance with the circumstances of the case



The relationship between remuneration and the applicable remuneration policy

There is no substantial deviation in the remuneration awarded according to the policy. The following tables show compensation and remuneration details for Board members, Committee members and Senior Executives:

Board of Directors' and Committee Members' compensation and remuneration (SAR '000)

Name	Committee memberships	Board and committees meetings' attendance allowances	Annual bonus	Benefits
Board of Directors				
Suliman Al Gwaiz	Executive Committee	45	-	-
Abdullah Al Issa	Executive Committee	42	-	-
Khalifa Al Shamsi	Executive and Risk Management Committees	78	50	90
Abdulaziz Al Jomaih*	Nomination and Remuneration Committee	33	50	-
Mohamed Al Hussaini	Audit Committee	39	50	42
Khaled Al Ghoneim*	Nomination and Remuneration Committee	39	250	-
Homood Al Tuwajjri	Audit and Risk Management Committees	57	250	6
Ali Al Subaihin	Nomination and Remuneration Committee	36	200	10
Serkan Okandan	Audit, Nomination and Remuneration and Risk Management Committees	54	224	36
Hussain Al Asmari**	Risk Management Committee	3	-	-
Moataz Al Azzawi**	Executive and Nomination and Remuneration Committees	6	-	-
Non-Directors				
Abdulrahman Al Barrak	Audit Committee	18	18	-
Jameel Al Molhem	Audit Committee	18	120	2
Total		468	1,212	186
			1,866	

* Membership ended upon the end of the previous Board term on 30 November 2018

** Elected by the General Assembly of the Company for the Board of Directors' term beginning 1 December 2018

The above amounts are related to 2017, they represent the cash received by board members in 2018. Eng. Al Abdooli waived his attendance fee for 2018 and the bonus of 2017. Mr. Al Gwaiz, Eng. Al Issa, Eng. Al Shamsi, Eng. Al Jomaih

and Mr. Al Hussaini waived their bonuses for the year 2017. Eng. Al Abdooli has waived his remunerations of 2018; details of which will be disclosed in the report of 2019.

Senior Executives' compensation and remuneration (SAR '000)

Remuneration and allowances	5 senior executives receiving top allowances (including CEO and CFO)
Salaries	7,417
Allowances	5,804
Regular and annual bonuses	7,224
Other allowances and non-monetary rewards paid monthly or annually	611
Total	21,057



About Mobily

Organization and activity

Etihad Etisalat Company (“Mobily” or the “Company”), a Saudi joint stock company, is registered in 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, Saudi Arabia.

The Company was incorporated pursuant to 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 a 2G and 3G mobile telephone network including all related elements and the provision of all related services locally and internationally through its own network. In 2006, it launched 3.5G services, with 4G services introduced in 2011.

Pursuant to the Communications and Information Technology Commission resolution number 5125 dated 21 February 2017 (corresponding to Jumada I, 1438H), the Company obtained a Unified License to provide all licensed telecom services including fixed-line voice services and fixed internet.

The authorized, issued and paid-up share capital of the Company is SAR 7,700 million divided into 770 million shares of SAR 10 each. The Company’s main activity is to establish and operate a mobile wireless telecom network, fiber-optics networks and to manage any extension thereof. The Company also installs and operates telephone networks, terminals and communication unit systems, in addition to selling and maintaining mobile phones and communication unit systems in Saudi Arabia. The Company began its commercial operations on 25 May 2005 (corresponding to Rabi’II 17, 1426H).

The main activities of the subsidiaries are as follows:

- Development of technology software programs for the Company’s use and to provide information technology support
- Execution of contracts for the installation and maintenance of wire and wireless telecom networks and the installation of computer systems and data services
- Wholesale and retail trade in equipment and machinery, electronic and electrical devices, wire and wireless telecom equipment, smart building systems and import and export to third parties, in addition to marketing and distributing telecom services and providing consultation services in the telecom domain
- Wholesale and retail trade in computers and electronic equipment, maintenance and operation of such equipment, and provision of related services
- Establishment, management and operation of, and investment in, service and industrial projects
- Establishment, operating and maintenance of telecom networks, computers and related works, and establishment, maintenance and operating of computer software, importing, exporting and sale of equipment, devices and programs of telecom systems and computer software
- Establish and own companies specializing in commercial activities
- Manage affiliated companies or participate in the management of other companies in which it owns shares and provide the necessary support for such companies
- Invest funds in shares, bonds and other securities
- Own real estate and other assets necessary for undertaking its activities within the limits pertained by law
- Own or lease intellectual property rights such as patents and trademarks, concessions and other intangible rights to exploit and lease or sub-lease them to its affiliates or to others
- Have interest or participate in any manner in institutions that carry out similar activities or that may assist the Company in realizing its own objectives in

the Kingdom of Saudi Arabia or abroad. The Company may acquire such entities or merge therewith

- Perform all acts and services relating to the realization of the foregoing objects

Subsidiaries

Below is a summary of the Company's subsidiaries and ownership percentages as at 31 December 2018 and 31 December 2017:

Name	Country of incorporation/operation	Capital	Ownership percentage				Initial investment
			31 December 2018		31 December 2017		
			Direct	Indirect	Direct	Indirect	
Mobily Ventures Holding S.P.C.	Bahrain	BD 250,000	100%	–	100%	–	2,510
Mobily Infotech India Private Limited	India	INR 20 million	99.99%	0.01%	99.99%	0.01%	1,836
Bayanat Al-Oula for Network Services Company	Saudi Arabia	SAR 150 million	99%	1%	99%	1%	1,500,000
Zajil International Network for Telecommunication Company	Saudi Arabia	SAR 10 million	96%	4%	96%	4%	80,000
National Company for Business Solutions	Saudi Arabia	SAR 10 million	95%	5%	95%	5%	9,500
Sehati for Information Service Company*	Saudi Arabia	SAR 1 million	25%	–	90%	10%	1,000
National Company for Business Solutions FZE	United Arab Emirates	AED 180,000	–	100%	–	100%	184

*On 1 July 2018, the Company's investment in Sehati for Information Service Company was reduced from 100% to 25% and was therefore classified as an investment in a joint venture and accounted for using equity methodology

Mobily Ventures Holding S.P.C.

The principal activity of the Company is to act as a holding company for the group of commercial, industrial or services companies.

Mobily Ventures Holding has an investment in the following companies:

- Anghami LLC (Cayman Islands): 8.16% (2017: 8.16%)
- MENA 360 DWC LLC (United Arab Emirates): 2.48% (2017: 2.48%)
- DokkanAfkar.com (British Virgin Islands): 4.2% (2017: 4.2%)

Mobily Infotech India Private Limited

The Company's activities include providing IT services, applications, billing and testing support, product marketing, process management, support services and call centers services primarily to its Group companies.

Bayanat Al-Oula for Network Services Company

The main activities of the Company include construction and maintenance of telecommunications networks and related services, installation and maintenance of computers, and import and marketing services, as well as data services. The contribution of the Company to Mobily's revenues amounted to SAR 2,310 million.

Zajil International Network for Telecommunication Company

The Company offers a broad range of wholesale and retail services including computers and electronic devices, maintenance, operation and provision of related services.

National Company for Business Solutions

The main activities of the Company include installation and maintenance of telecommunications networks, import and export, sale and distribution of telecommunications hardware, software and systems, intelligent building systems, marketing and distribution of telecommunications services and management of centers that provide such services, in addition to providing consulting services in the field of communications, computer, software and technical production. The contribution of this company to Mobily's revenues amounted to SAR 126 million.

Sehati for Information Service Company

The main activities of the Company include the development, operation and maintenance of telecommunications networks, computers, software and related activities, import and export, and sale and distribution of telecommunications and computer hardware, software and systems.

National Company for Business Solutions FZE

The main activity of the Company is computer software trading, import and export.

Important Events

Acquiring additional spectrum

In order to meet increasing data usage requirements, enhance the performance of services provided to network users, contain future capital expenditure and prepare the network for 5G services for release at a later date, Mobily successfully acquired additional spectrum in the 800 and 1,800 MHz bands through its participation in the auction conducted by CITC on 11 February 2018, details of which are as follows:

- Mobily acquired a 2x10 MHz block in the 800 MHz band for the amount of SAR 100,001,000 that will be paid in equal annual installments over a period of 14 years starting from 2019, in addition to annual usage fees of SAR 54,000,000. These additional frequencies have been available for use since the second quarter of 2018
- Mobily successfully acquired a 2x5 MHz block in the 1800 MHz band (in conjunction with the 2x15 MHz block in the 1800 MHz band already occupied by the Company). The acquired spectrum is valued at SAR 30,005,000. The amount will be paid in equal annual installments over a period of 14 years starting from 2019, in addition to annual usage fees of SAR 19,285,714. These frequencies will be available on 1 March 2019

Fees for such frequencies will be paid from the Company's cash flows and available finance facilities.

Structural changes to the Executive Management

Mobily announced several changes to the structure of its Executive Management to boost operational capabilities. Details of key structural changes to the Executive Management are as follows:

- Mr. Asher Khan was appointed as Chief Marketing Officer from 28 January 2018, as a successor to Mr. Khalid Riad, the former Acting Chief Marketing Officer.
- Mr. John Lincoln was appointed as Chief Business and Wholesale Officer (CBWO) from 29 January 2018.

- Mr. Majid Al Otaibi was appointed as Acting Chief Business and Wholesale Officer from 4 October 2018, as a successor to Mr. John Lincoln who previously held this position

Two new departments were added to the organization, reporting directly to the CEO, rather than the Legal Affairs department. The new departments are Legal and Governance Affairs, and Regulatory Affairs.

Regulatory decisions and government settlements

Following an order issued by the Communications and Information Technology Commission (CITC) on 7 October 2018, some of the Company's services were suspended for Mobily not meeting Saudization requirements for Senior Executive staff reporting to the CEO – according to the CITC statement – starting on 7 October 2018. On the same day, Mobily has submitted evidence affirming its commitment to Saudization among Senior Executive staff reporting to the CEO. Accordingly, the suspension was lifted entirely after 24 hours and the Company resumed the provision of services to its customers with full capacity. The Company also notes that there have been no substantial financial repercussions regarding the suspension.

Additionally, the Company declared that it has reached an agreement with the Ministry of Finance, the Ministry of Communication and Information Technology and the CITC to settle all previous disputes concerning government fees until the end of 2017. The parties also settled on a new mechanism for calculating service royalties, and license royalties starting from 2018. Moreover, the parties agreed on a new investment framework to support the Company in developing its telecommunications infrastructure, improving the quality of existing and future technology.

The new royalty mechanism, which will be applied as of 2018, relies upon calculating an annual service royalty as 10% of annual net telecommunication revenues and license royalty as 1% of annual net telecommunication revenues. Additionally, the new investment framework, covering a

3-year period beginning in 2018, will enable the Company to guarantee constant and sustainable improvements to the quality of its fixed and mobile networks by achieving targets as stated in the key performance indicators that have been established. The new framework has increased investment in new services such as the deployment of 5G technologies.

The agreement marks the end of a long period of disputes and should end any confusion regarding the evolution of the royalty mechanism in Saudi Arabia, allowing a suitable framework to further develop the Company's telecommunications infrastructure. The new royalty mechanism did not have any substantial impact on the Company's financial results in 2018, as the overall effects were contained by reversing provisions related to previous disputes. The new investment framework has been incorporated in the Company's future investment plans, however it may lead to additional investments based on price developments in the market and customer behavior in their use of the network.

Re-electing Board members and establishing the Audit Committee

After Mobily announced to its Shareholders that it had opened the membership candidacy of its Board of Directors for the 3-year period from 1 December 2018 to 30 November 2021, in accordance with the provisions of the Companies Law and the Corporate Governance Regulations issued by the Capital Market Authority, the Extraordinary General Assembly meeting held on 28 November 2018 resulted in the announcement of the names of candidates who were elected by the Company's Shareholders. The candidates are as follows: Mr. Suliman Al Gwaiz, Eng. Abdullah Al Issa, Eng. Khalifa Al Shamsi, Mr. Mohamed Al Hussaini, Eng. Homood Al Tuwajiri, Eng. Ali Al Subaihin, Mr. Serkan Okandan, Eng. Saleh Al Abdooli, Mr. Hussain Al Asmari and Eng. Moataz Al Azzawi. Furthermore, the Extraordinary General Assembly meeting resulted in approval of the formation of the Audit Committee, for the 3-year period from 1 December 2018 to 30 November 2021. Members of the Committee are: Mr. Jameel Al Molhem (Chairman of the Audit Committee), Mr. Mohamed Al Hussaini, Eng. Homood Al Tuwajiri, Mr. Serkan Okandan and Dr. Abdulrahman Al Barrak.

Appointment of Board Chairman, Vice Chairman and Managing Director

Mobily announced that its Board of Directors, elected for the 3-year current term starting on 1 December 2018, resolved in its meeting on 3 December, to appoint Mr. Suliman Abdulrahman Al Gwaiz (Non-Executive Board member) as Chairman of the Board of Directors, Eng. Abdullah Mohammed Al Issa (Independent Board member) as Vice Chairman of the Board of Directors, and Eng. Khalifa Hassan Al Shamsi (Executive Board member) as Managing Director. They will hold these positions until the current term ends. The Board of Directors also formed its Committees in accordance with their approved duties and responsibilities.

Signing of financing agreement with export credit agencies

On 4 December 2018, Mobily signed a financing agreement with export credit agencies (Swedish Export Credit Corporation and Finnvera Export Credit Agency), Deutsche Bank Ag, and JP Morgan Bank as part of the Company's periodic review of its financing portfolio, through which the Company seeks to diversify its financing sources, improve its payment schedule and reduce financing costs. The value of the financing agreement amounts to SAR 1,091 million and will last for a 10-year period, with no guarantees. The purpose of that agreement is to partially finance the network development equipment listed in the Company's agreement signed on 14 August 2017 with Nokia and Ericsson to modernize the mobile network, in line with its ongoing strategy to reduce debt.

Forward-looking Statements

Although 2018 saw volatility in global markets, the stability of oil price and the OPEC members' agreement in the last quarter of the year to reduce production provides a basis for future optimism. Additionally, a rise in consumer spending has provided increased overall optimism that economic recovery may accelerate in 2019. The National Transformation Plan and Vision 2030 are important drivers for such recovery; helping to lay the foundations for future economic growth and diversification in Saudi Arabia.

Saudi Arabia has traditionally had a strong focus on the telecommunications sector. Vision 2030 outlines a dedication to the development of digital infrastructure, which is considered an important element in building advanced industrial activities, attracting investors and improving economic competitiveness. Accordingly, the communications and information technology infrastructure will be developed through partnerships with the private sector, particularly in high-speed broadband technology, to expand coverage within cities and remote areas and improve overall call quality. The Vision aims to provide network coverage to more than 90% of houses in densely populated cities and 66% in other areas. Furthermore, Saudi Arabia will strengthen its governance of digital transformation through a national council that will act as a supervisory body.

Within Mobily, substantial improvements have been made to the network infrastructure, including agreements signed with major equipment vendors, Nokia, Huawei and Ericsson. The work undertaken by Mobily and these companies is fundamental in the context of preparations to launch 5G technology and enabling the operation of a network with capacity and speed to ensure customer satisfaction at all levels. The recent acquisition of spectrum from CITC was necessary to supporting improved data speed. The RISE initiatives – the approved strategy of the Company since 2017 – are still in their implementation phase, and this year saw the implementation of the first stages of the strategy. The 3-year plan aims to guide the Company's growth in 2019 and beyond.

At the same time, in line with Vision 2030, government support and investment in digital infrastructure in Saudi Arabia has created an opportunity for telecom operators such as Mobily providing the latest telecommunications, information and data technologies. Economic indicators reflect growth in the telecommunications sector, but such growth is dependent on the adoption of new technologies offered to customers.

In 2019, Mobily will provide state-of-the-art competitive solutions to meet the targets set by the RISE strategy, with the overall aim of becoming the first choice for both customers and investors. Telecom operators are facing new challenges in the form of rapid technological development. These challenges are an important motivational factor for management and staff, encouraging the Company to deploy its full capacity in order to address sector changes within and outside Saudi Arabia, to achieve positive results for Shareholders and customers.

The telecommunications sector is governed by public regulation, and future projections may be affected depending on regulatory decisions taken by the relevant authorities.

Social Responsibility Activities

Blood donation campaign

In cooperation with King Fahd Medical City in Riyadh, Mobily launched a blood donation campaign in July. Mobily called on its employees to take part in the 5-day campaign, emphasizing that thousands of patients are in need of blood donations and that even donating small amounts of blood will help save many lives.

Hajj awareness campaign

Mobily signed a strategic partnership agreement to sponsor the National Media Campaign, which is organized by Makkah Province to generate awareness for the guests of pilgrims during Hajj season 2018. The National Media Campaign aims to educate the pilgrims on compliance with rules and regulations during the Hajj and Umrah seasons. Each year, Mobily is willing to utilize all services, manpower and technical capabilities to serve the pilgrims and to work together with various government and private sector organizations.

Raising awareness via social media

Social media has an increasingly important role across all segments of society and is an important medium for the rapid transmission and dissemination of information. Mobily has committed to delivering charity awareness messages via social media, in addition to government awareness messages through these channels.

Sponsorship of social events

Family and youth events are among the most important initiatives supported by Mobily, some of which include the Internet of Things Event, the Janaderiya Festival, Women Driving Awareness Campaign, Comic-Con, Ramadan Ghabga, and the Common Skin Diseases Awareness Exhibition. Mobily sponsors these events in support of both awareness and entertainment programs in Saudi Arabia.

Bounty campaign

In line with its care-oriented values, Mobily supports a number of social causes, notably the environment, sports and waste management. In line with its “Digital Transformation” initiative, the Company aims to deliver creative campaigns to raise societal awareness on the importance of preserving blessings such as food, water, energy, health and the natural environment.

Shareholders

General Assembly of Shareholders

During 2018, the General Assembly of Shareholders met twice, on 22 April (Ordinary General Assembly meeting) and on 28 November (Extraordinary General Assembly meeting). The Board of Directors' attendance was as follows:

No.	Name	Position	22 April	28 November
1	Suliman Al Gwaiz	Chairman	Present	Present
2	Abdullah Al Issa	Vice Chairman	Present	Present
3	Khalifa Al Shamsi	Managing Director	Present	Present
4	Abdulaziz Al Jomaih	Director	Present	Absent
5	Mohamed Al Hussaini	Director	Absent	Absent
6	Khaled Al Ghoneim	Director	Present	Present
7	Homood Al Tuwajjri	Director	Present	Absent
8	Ali Al Subaihin	Director	Present	Present
9	Serkan Okandan	Director	Present	Present
10	Saleh Al Abdooli	Director	Present	Present

During the Ordinary General Assembly meeting on 22 April, the Shareholders voted to approve all items on the agenda. Below are the items of the agenda:

1. Approval of the Financial Statements for the financial year ended 31 December 2017
2. Approval of the Auditor's Report for the financial year ended 31 December 2017
3. Approval of the Board of Directors' Report for the financial year ended 31 December 2017
4. Approval of releasing the members of the Board of Directors from their liabilities for the financial year ended 31 December 2017
5. Approval of appointing KPMG Al Fozan & Partners as the Company's External Auditor, upon recommendation by the Audit Committee, to audit the Company's annual, Q3 and Q4 Financial Statements for the financial year 2018, and Q1 and Q2 Financial Statements for the financial year 2019; and to determine their remuneration
6. Approval of the businesses and contracts held between the Company and Emirates Telecommunications Corporation (a main Shareholder with representatives on the Board: Mr. Mohamed Al Hussaini, Eng. Khalifa Hassan Al Shamsi, Eng. Saleh Al Abdooli and Mr. Serkan Okandan) and licensing for one coming year without preferential conditions. The businesses and contracts held between the Company and Emirates Telecommunications Group in 2017 are as follows: interconnection and roaming services rendered of SAR 102,338,000; interconnection and roaming services received of SAR 147,491,000; administrative expenses of SAR 22,524; other administrative fees of SAR 28,670,000; telecom services of SAR 4,224,000; and other services of SAR 2,512,000
7. Approval of the businesses and contracts held between the Company and Communications Solutions Co., which are the provision of a number of services to the Company and licensing for one coming year without preferential conditions. The businesses and contracts held between the Company and Communications Solutions Co. in 2017 amounted to a value of SAR 10,027,412.01, with an indirect interest for the Board member Dr. Khalid Abdulaziz Al Ghoneim

8. Approving the Board of Directors' decision to appoint Dr. Abdulrahman Al Barrak as an independent member of the Audit Committee, replacing the resigning Committee member, Mr. Khaled Al Solai, from 8 November 2017 until the end of the term of the Audit Committee on 1 December 2018, as per the Audit Committee Charter
9. Approving authorization of the Board of Directors to take legal procedures and liability claims against the former Managing Director and CEO, Khalid Al Kaf, and to resume actions for personal claims
10. Approving authorization of the Board of Directors to authorize or delegate whomsoever it deems appropriate to take the legal procedures before the judiciary bodies with regard to the claim mentioned in (9) above.
11. Approving the policies, criteria and procedures of Board membership

The Extraordinary General Assembly meeting on 28 November resulted in Shareholders voting to approve all items on the agenda, which were as follows:

1. Approving the election of the Directors from among the nominees, for the term starting from 1 December 2018 until 30 November 2021, noting that the members are: Mr. Suliman Al Gwaiz, Eng. Abdullah Al Issa, Eng. Khalifa Al Shamsi, Mr. Mohamed Al Hussaini, Eng. Homood Al Tuwajjri, Eng. Ali Al Subaihin, Mr. Serkan Okandan, Eng. Saleh Al Abdooli, Mr. Hussain Al Asmari and Eng. Moataz Al Azzawi
2. Approving amendments to the Audit Committee Charter
3. Approving amendments to the Nomination and Remuneration Committee Charter

4. Approving the formation of a five-member Audit Committee, its functions and controls, and the remuneration of its members for the term starting from 1 December 2018 until 30 November 2021, noting that the members are: Mr. Jameel Al Molhem (Chairman of the Audit Committee), Mr. Mohamed Al Hussaini, Mr. Homood Al Tuwajjri, Mr. Serkan Okandan and Dr. Abdulrahman bin Mohammed Al Barrak
5. Approval of amendments to Article (27) of the Company's Articles of Association
6. Approval of amendments to Article (33) of the Company's Articles of Association
7. Approval of amendments to Article (39) of the Company's Articles of Association
8. Approval of amendments to Article (43) of the Company's Articles of Association
9. Approval of amendments to Article (44) of the Company's Articles of Association

Shareholders' proposals

Mobily's Investor Relations department maintains regular and sustainable communication with the Company's Shareholders through several communication channels. If any proposals are received from Shareholders, they will be reviewed and reported to the Board of Directors in full. Shareholders are also given the opportunity to submit proposals and inquiries directly to members of the Board of Directors during the General Assembly meetings, and sufficient time is dedicated to answering these questions.

Requests for the Shareholders' register

During 2018, the Company requested the Shareholders' register 13 times from the Saudi Stock Exchange (Tadawul). The dates and reasons for such requests are listed below:

No. of requests	Request date	Reason
1	7 January	For the Company's internal reporting purposes
1	11 January	For the Company's internal reporting purposes
1	6 February	For the Company's internal reporting purposes
1	29 April	For the Company's internal reporting purposes
1	27 May	For the Company's internal reporting purposes
6	26 July	For the Company's internal reporting purposes
1	1 October	For the Company's internal reporting purposes
1	22 October	For the Company's internal reporting purposes

Dividend Policy

Article 44 of the Company's Articles of Association states that the annual net profit of the Company shall be distributed after the deduction of overheads and other costs, including Shareholders' loans and Zakat, as follows:

- 10% of the net profit to be set aside to form a statutory reserve. The Ordinary General Assembly can discontinue the deduction for the statutory reserve when such reserve reaches 30% of the Company's paid-up capital
- The Ordinary General Assembly may, upon the recommendation of the Board of Directors, set aside 5% from the net profit to form an adequate reserve to be allocated for certain purposes
- The Ordinary General Assembly shall have the right to decide on forming other reserves to the extent that it serves the best interests of the Company or to ensure the distribution of fixed dividends, as much as possible, to the Shareholders
- A dividend representing a minimum of 5% of the Company's paid-up capital will be distributed from the balance to the Shareholders
- Subject to the provisions of Article 18 of the Company's Articles of Association and Article 76 of the Companies Law, 10% of the remaining profit shall be allocated as remuneration to the Board of Directors. Entitlement to such remuneration shall be proportional to the number of terms attended by the Director. The remaining part shall afterwards be distributed to Shareholders as an additional portion of the profits

In 2018, no dividends were distributed to Shareholders.



Risks

The telecommunications market is one that is under constant pressure to evolve and change, therefore Mobily works to ensure that it achieves its risk mitigation objectives according to ISO 31000 standards, local governance rules and regulations, and Corporate Governance Regulations issued by the Capital Market Authority. The Company has a specialized risk department. The Risk Management Committee meets regularly to oversee the department's activities, provide guidance on the most significant risks the Company faces, and developing strategies for minimizing and controlling these risks in accordance with the Committee's approved charter, which has been drawn up for this purpose. Updates are regularly and continuously submitted to the Board of Directors.

The following summary discusses key strategic, operational, financial and compliance risks in 2018:

- **Cyber Security Risk:** Advanced and ongoing cyber-attacks on infrastructure are among the most significant risks that may disrupt operations/services and affect the reputation of the Company. Additionally, they may result in legal action or collateral damage. Therefore, the Company consistently attempts to promote risk mitigation strategies and plans required for handling such threats. To achieve this, the Company deploys the latest technologies and applies international standards and best practice through the "Security and Privacy Unit", which is intended to provide 24/7 protection for the Company's information assets
- **Business Continuity and Disaster Recovery Plans:** As an important service provider in Saudi Arabia, the Company ensures that it is able to prepare for and respond to any incidents that may affect the continuity of its operations. The Company has applied international standards (such as: ISO 22301) as a basis for its management of business continuity and disaster recovery since 2009. Furthermore, it has won numerous international and regional awards from leading standard training institutes in recognition of its efforts

- **Regulatory Risk:** Changes in the regulatory framework of the sector pose risks to the Company as it operates in a highly regulated environment. Therefore, the Company has focused its efforts on avoiding gaps and improving compliance with such regulations
- **Market Conditions Risk:** The Company should manage competition and change in market conditions, especially with a continuous decrease in voice revenues, increasing its reliance on modern technologies. Therefore, the Company develops new revenue streams, attractive products and strategic partnerships and it pursues the adoption of value-creation pricing strategies to overcome such risks. These measures resulted in the Company's growth and an increase in revenues during 2018
- **Technological Risk:** The inability to meet demand for modern technologies or appropriate digital expertise may affect the Company's ability to grow. Consequently, as part of its approved RISE strategy, Mobily is focused on enhancing IT and supporting digital transformation to minimize and address such risks

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Regulatory risk

Risk management is carried out by Senior Management in accordance with policies approved by the Board of Directors. Senior Management identifies, evaluates and hedges, when appropriate, financial risks in close cooperation with the Group's operating units.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk principally from cash and cash equivalents, accounts receivable, dues from a related

party and other financial assets and derivative financial instruments. The carrying amount of financial assets represents the maximum credit exposure.

Cash and cash equivalents and other financial assets

Cash and cash equivalents and other financial assets are held with banks with sound credit ratings. The Group regularly updates its cash flow and, where appropriate, places any excess cash in short-term investments with reputable financial institutions.

Accounts receivable

The Group has established a credit policy under which credit assessment is made to check the creditworthiness of major customers prior to signing a contract or accepting their purchase orders. The receivables are shown net of allowance for impairment of trade receivables. The Group applies the simplified approach to calculate impairment

on accounts receivable and this always recognizes lifetime ECL on such exposures. ECL on these financial assets is estimated using a flow rate based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Credit and Collection Operations provide inputs on the aging of financial assets on a periodic basis.

The Group has two major customers representing 34% of total accounts receivable as at 31 December 2018 (31 December 2017: 29%). The rest of the balances do not have a significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The age analysis of net accounts receivable is as follows:

	31 December 2018	31 December 2017
Current	641,897	607,636
Within two months	610,391	553,916
From two months to three months	149,297	169,226
More than three months	2,165,133	2,351,770
	3,566,718	3,682,548

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Group's reputation. Management closely and continuously

monitors liquidity risk by performing a regular review of available funds, present and future commitments, and operating and capital expenditure. Moreover, the Group monitors the actual cash flows and seeks to match the maturity dates of its financial assets and its financial liabilities. The Group seeks continuously to comply with its legal obligations, including any relating to its financing agreements.

The following represents the maturities of financial liabilities at the reporting date based on undiscounted contractual cash flows:

	Less than 1 year	1 – 5 years	More than 5 years	Total contractual cash flows	Carrying amount
As at 31 December 2018					
Loans and notes payable	1,697,387	10,480,937	3,434,230	15,612,554	13,021,679
Trade payables	5,154,712	–	–	5,154,712	5,154,712
Due to related parties	47,399	–	–	47,399	47,399
Other financial liabilities	–	194,193	192,499	386,692	299,640
Derivatives financial instruments	11,249	–	–	11,249	11,249
	6,910,747	10,675,130	3,626,729	21,212,606	18,534,679
As at 31 December 2017					
Loans and notes payable	2,201,319	10,321,059	5,799,298	18,321,676	14,879,672
Trade payables	4,695,502	–	–	4,695,502	4,695,502
Due to related parties	92,590	–	–	92,590	92,590
	6,989,411	10,321,059	5,799,298	23,109,768	19,667,764

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, profit rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals and US Dollars. The Saudi Riyal is pegged to the US Dollar. The Company closely and continuously monitors exchange rate fluctuations. Based on its experience and market reaction, the Company does not believe it is necessary to hedge the effect of foreign exchange risks as most of the transactions of foreign currency risk are relatively limited in the medium term.

Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. The Group's exposure to market risk for changes in profit rates relates primarily to the Group's borrowings acquired to finance working capital requirements and capital expenditure. These borrowings are

repriced on a periodic basis and expose the Group to profit rate risk. The Group's practice is to manage its financing cost through optimizing available cash and minimizing borrowings. The Group aims to ensure that a large proportion of its medium-term loans are at a fixed rate.

This can be achieved partially by entering into fixed rate instruments and partially by borrowing at a variable rate and using profit rate swaps and maximum profit rates as hedges of change in cash flows attributable to movements in profit rates. The Group defines an economic relationship existing between the hedging instrument and the hedged item based on the reference profit rates, intervals, dates of repricing, dues and nominal amounts.

Regulatory risk

The Company operates in a regulated environment. This leads to certain regulatory risks; in particular, the method of calculating government fees, which might be calculated in a retroactive effect.

Accounting Standards Applied in Financial Statements

The consolidated financial statements comprise the financial information of the Company and its subsidiaries (together referred to as the “Group”). These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), which is endorsed in Saudi Arabia, and other standards and statements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

The principal accounting policies applied in the preparation of the Consolidated Financial Statements have been consistently applied to all periods presented, except for IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments”, which have been applied for the first time as provided in Note 6 of the Financial Statements. The Consolidated Financial Statements were authorized for issuance by the Board of Directors on 18 February 2019 (corresponding to 27 Jumada II 1440H).



Summary of Assets, Liabilities and Business Results

The following tables summarize the Consolidated Balance Sheet, Consolidated Operating Income and Consolidated Statement of Income as at 31 December 2018, 2017, 2016, 2015 and 2014:

Main items in the Consolidated Balance Sheet

(SAR million)	2018	2017	2016	2015	2014*
Current Assets	7,104	7,494	6,886	7,359	12,502
Non-current Assets	31,461	32,993	34,386	35,042	34,142
Total Assets	38,565	40,487	41,271	42,401	46,644
Current Liabilities	11,556	11,936	17,893	18,094	29,790
Non-current Liabilities	13,139	14,298	8,422	9,133	200
Total Liabilities	24,696	26,233	26,315	27,227	29,990
Shareholders' Equity	13,869	14,254	14,955	15,174	16,654
Total Liabilities and Equity	38,565	40,487	41,271	42,401	46,644

*Not subject to IFRS

As at 31 December 2018, total assets amounted to SAR 38,565 million, while total liabilities amounted to SAR 24,696 million and Shareholders' equity amounted to SAR 13,869 million.

Property and equipment represented the majority of assets, amounting to a net book value of SAR 22,184 million,

while the majority of liabilities consisted of loans and notes payable totaling SAR 13,022 million. These have been used to establish and operate the Company's infrastructure, in addition to working capital requirements. Employees' end-of-service provisions amounted to SAR 426 million at 31 December 2018.

Main items in the Consolidated Operating Income

(SAR million)	2018	2017	2016	2015	2014*
Usage	8,225	8,457	9,875	11,550	10,409
Activation and Subscription Fees	2,419	2,115	1,868	1,893	2,654
Other Services	1,221	779	826	981	941
Total Revenues	11,865	11,351	12,569	14,424	14,004

*Not subject to IFRS



Main items in the Consolidated Statement of Income

(SAR million)	2018	2017	2016	2015	2014*	Change value 17/18	Change % 17/18
Revenues	11,865	11,351	12,569	14,424	14,004	514	4.53%
Cost of Revenues	(5,283)	(4,821)	(5,144)	(6,466)	(7,225)	462	9.58%
Gross Profit	6,582	6,530	7,425	7,958	6,779	52	0.8%
Selling and Marketing Expenses	(1,286)	(1,234)	(1,270)	(1,442)	(1,043)	52	4.21%
General and Administrative Expenses	(747)	(1,450)	(2,138)	(3,575)	(2,689)	(703)	(48.48%)
Depreciation and Amortization	(3,809)	(3,626)	(3,782)	(3,625)	(3,533)	183	5.05%
Impaired Goodwill					(63)		
Operating Income	603	19	287	(684)	(1,349)	584	3,073.7%
Financing Expenses	(799)	(678)	(566)	(361)	(269)	121	17.85%
Finance Income	35	12	23	121	84	23	191.7%
Zakat	38	(61)	43	(169)	(41)	99	162.3%
Net (Loss)/Profit	(123)	(709)	(214)	(1,093)	(1,576)	(586)	(82.7%)

*Not subject to IFRS

- Net losses for 2018 totaled SAR 123 million, compared to a net loss of SAR 709 million in 2017, amounting to an overall decrease of 83%. This improvement is mainly due to improvements in most of the Company's revenue streams
- Gross profit in 2018 totaled SAR 6,582 million, compared to SAR 6,530 million in 2017, with the increase of 0.8% despite the change in government royalties' calculation mechanism that impacted the Gross Profit
- Revenues in 2018 were SAR 11,865 million, compared to SAR 11,351 million in 2017, amounting to an increase of 4.5%. This was mainly due to the sustained increase and improvement of Mobily's customer base, growth of data sales, growth of business sector sales, and growth of fiber optic sales, in spite of market challenges and various regulatory and economic changes
- EBITDA margin amounted to 38% in 2018, compared to 32% in 2017
- Operating income in 2018 was SAR 603 million, compared to SAR 19 million in 2017. This was due to the improvement in EBITDA

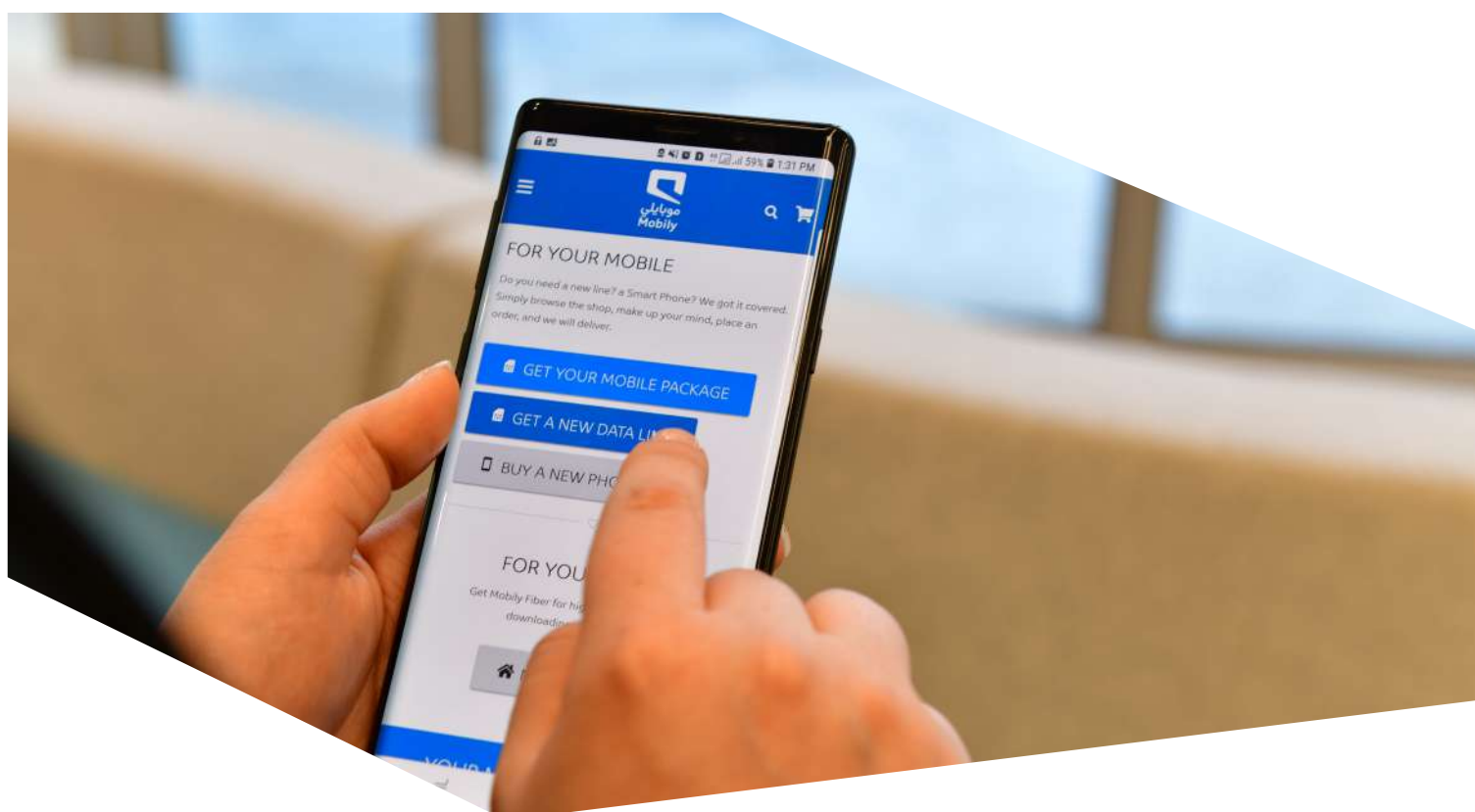
Loans

Loans and notes payable

(SAR million)	2018	2017
Long-term loans	13,022	14,880
Less: current portion	(1,034)	(1,411)
Non-current portion	11,988	13,469

Details of loans and notes payable maturity

(SAR million)	2018	2017
Less than 1 year	1,034	1,411
1-5 years	8,704	8,380
More than 5 years	3,284	5,089



Details of loans and notes payable as at 31 December 2018 are as follows. It should be noted that the amounts that have been paid during 2018 amount to SAR 2.5 billion.

Lender	Borrowing company	Loan nature	Borrowing purpose	Date issue	Currency	Principal amount
Local banks Syndicated	Mobily	Long-term refinancing facility agreement Sharia' compliant	Refinancing the maturing obligations under Airtime and Bayanat Facilities	Q1, 2017	SAR	SAR 7,889 million
Export Credit Agency of Finland (Finnvera)	Mobily	Long-term financing agreement Sharia' compliant	Acquiring network equipment from Nokia Siemens Networks (NSN) and Ericsson to upgrade and enhance the infrastructure capabilities, introduce new technologies, and strengthen the Company's competitiveness in the business segment	Q3, 2013, Q1, 2014 and Q4, 2018	USD Dollars	USD 725 million (SAR 2,719 million)
Swedish Export Credit Corporation (EKN)	Mobily	Long-term financing agreement Sharia' compliant	Acquiring network equipment from Nokia Siemens Networks (NSN) and Ericsson to upgrade and enhance the infrastructure capabilities, introduce new technologies, and strengthen the Company's competitiveness in the business segment	Q3, 2013, Q1, 2014 and Q4, 2018	USD Dollars	USD 653 million (SAR 2,447 million)
Saudi Investment Bank	Mobily	Long-term financing agreement Sharia' compliant	Financing the Company's working capital requirements	Q1, 2014	SAR	SAR 1,500 million
CISCO Systems International	Mobily	Vendor financing agreement	Acquiring CISCO network equipment and software solutions	Q3, 2016	US Dollars	USD 135 million (SAR 506.8 million)
Export Development of Canada (EDC)	Mobily	Long-term financing agreement Sharia' compliant	Acquiring a telecommunication devices and equipment from Alcatel-Lucent	Q2, 2014	US Dollars	USD 122 million (SAR 458 million)
Other debts (promissory notes and discounted invoices)	Mobily	Vendor financing	Vendor financing	-	SAR	SAR 1,090 million
Al-Rajhi Bank	Mobily	Mid-term financing agreement Sharia' compliant	Financing its capital expenditures and working capital requirements	Q1, 2016	SAR	SAR 400 million
Alinma Bank	Mobily	Long-term financing agreement Sharia' compliant	Financing its capital expenditures and working capital requirements	Q4, 2016	SAR	SAR 2,000 million
Total						

Utilized amount	Profit rate	Payment terms	Period	Current portion	Long-term portion	Total	Other terms
SAR 7,889 million	Murabaha rate is based on SIBOR plus a fixed profit margin	Semi-annual repayments	7 years	SAR 180 million	SAR 7,623 million	SAR 7,803 million	Utilization period of 2 years, repayment period of 5 years
USD 595 million (SAR 2,229 million)	Fixed rate per annum	Semi-annual repayments	10 years	SAR 280 million	SAR 1,152 million	SAR 1,432 million	Utilization period of 1.5 years, repayment period of 8.5 years
USD 584 million (SAR 2,190 million)	Fixed rate per annum	Semi-annual repayments	10 years	SAR 238 million	SAR 1,044 million	SAR 1,282 million	Utilization period of 1.5 years, repayment period of 8.5 years
SAR 1,500 million	Murabaha rate is based on SIBOR plus a fixed profit margin	Semi-annual repayments	7.5 years	SAR -5 million	SAR 668 million	SAR 663 million	Utilization period of 6 months, repayment period of 7 years
USD 131.90 million (SAR 495.15 million)	Fixed rate	Semi-annual repayments	3 years	SAR 5 million	SAR 10 million	SAR 15 million	Utilization period of 6 months, repayment period of 3 years
USD 101 million (SAR 377 million)	Fixed rate per annum	Semi-annual repayments	10.5 years	SAR 41 million	SAR 206 million	SAR 247 million	Utilization period of 2 years, repayment period of 8.5 years
SAR 1,090 million	-	Sporadic payments	3 years	SAR 96 million	-	SAR 96 million	Various repayment tenors
SAR 400 million	Murabaha rate is based on SIBOR plus a fixed profit margin	Annual repayment	3.5 years	SAR 200 million	-	SAR 200 million	Repayment period of 3.5 years
SAR 1,300 million	Murabaha rate is based on SIBOR plus a fixed profit margin	Semi-annual repayments	10 years	SAR -2 million	SAR 1,286 million	SAR 1,284 million	Utilization period of 4 years, repayment period of 6 years
				SAR 1,033 million	SAR 11,989 million	SAR 13,022 million	

Statutory Payments

Due statutory payments (SAR million)

Item	Payable to	Amount	
		31 December 2018	31 December 2017
Government share in commercial revenue fees	CITC	1,017	679
License fees	CITC	102	49

The Group is subject to Zakat according to the regulations of the General Authority of Zakat and Tax (GAZT) in 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 commercial entity wholly owned and managed by the Company.

During the year, the Zakat paid amounted to SAR 43 million, while the due amount was SAR 65 million.

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 to 2006. The Group has received Zakat assessments for the years 2007 through 2011 that showed additional Zakat and withholding tax assessments of SAR 317 million and SAR 237 million respectively, which have been appealed by the Group at the Preliminary and Higher Appeal Committees. The Appeal Committee recently issued its ruling on certain Zakat and withholding tax matters and those rulings issued against the Group have been appealed at the Higher Appeal Committee. 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.

Lawsuits and Penalties

The CITC's Violation Committee has issued several penalty resolutions against the Company, which the Company has opposed in accordance with the Telecom Act 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.

The Company aims to avoid recurrence of such penalties by allocating the necessary resources and policies to address violations within the legal period in compliance with CITC's terms, conditions and regulations. Most of these violations have been addressed within the past year to prevent such recurrences in the future.

Additionally, administrative proceedings had been instituted by the Company before the Administrative Court (Board of Grievances) to appeal the Committee's decisions as per the Law, which are detailed as follows:

1. The number of cases before the Administrative Court for challenging the penalty resolutions is (800) cases, the value of which is estimated at SAR 707,995,500 until 31 December 2018
2. To date, the Administrative Court has passed (223) judgments in favor of Mobily, cancelling (223) decisions made by the Committee for imposing penalties on the Company. The total value of the canceled penalties is SAR 476,774,000 until 31 December 2018
3. Some of these judgments were made final and enforceable. The amount of related penalties which were canceled by a final judgment is SAR 472,304,000 until 31 December 2018

In addition to the above, there are (11) administrative cases filed by the Company before the Administrative Court for appealing against some of the regulatory decisions made by CITC. On 15 December 2018, the Company entered into a settlement agreement with the Ministry of Finance, the Ministry of Telecommunications and Information Technology and CITC to settle all the old disputes in connection with governmental fees up to 31 December 2017 and to define a new investment framework for the development of its telecommunication infrastructure. As a result of this settlement, all provisions related to the legal cases in connection with the mechanism of calculating the governmental fees have been reversed.

The Company has received (179) cases filed by certain Shareholders before the Committee for the Resolution of Securities Disputes (CRSD). Some of these cases are still pending before the Committee. Until 31 December 2018, (5) preliminary decisions and (149) final decisions were delivered in favor of the Company, (11) cases have been written off, (2) cases were waived and (12) cases are still under deliberation.

Annual Review of the Effectiveness of Internal Control Procedures

The formation of the Audit Committee (the “Committee”) at Mobily took into consideration the requirements of Corporate Governance in terms of its composition and direct association with the Board of Directors of the Company. The Committee’s main contribution was in reviewing the Financial Statements and accounting policies and the supervision of the work of Internal Audit and the External Auditors and ensuring compliance. The Committee held 6 meetings during 2018.

The Committee’s main contribution during 2018

During 2018, the Audit Committee carried out various activities within its scope of responsibilities; of which its main activities were the following:

- Review and approve the Internal Audit plan for 2018. The Committee made its recommendation to the Board of Directors for approving Internal Audit’s budget for the year and ensured that sufficient resources are provided to Internal Audit to maintain its effectiveness. The Committee has reviewed and approved the targets and performance indicators of the Internal Audit Executive Officer for the years 2018 and 2019
- Oversee the Internal Audit department and follow up on the execution of its plan
- Review Internal Audit reports issued during 2018 and discuss significant issues and timelines for implementing pertinent recommendations
- Follow up on the execution of the Internal Audit department recommendations, review the periodical reports in addition to meeting with the concerned departments to discuss the department’s work progress in order to execute Internal Audit department recommendations that have been pending for over 1 year
- Oversee the work of the External Auditor and meet therewith periodically
- Review annual Financial Statements as at 31 December 2018, and quarterly statements and submit recommendations to the Board of Directors
- Review of the “Management Letter” on internal controls, issued by the External Auditor
- Review bids received for External Audit services and recommend the appointment of the External Auditor for the fiscal year ended 31 December 2018, and first and second quarters of 2019
- Review reports from the Company’s management on legal and regulatory requirements and follow up on the implementation of pertinent recommendations.
- Review reports of Internal Audit based on the whistle blowing policy for providing the Company’s employees with a system to confidentially provide their observations on any override of internal control related to financial reporting or other Company matters.
- Monitor the transition to IFRS and review the impact of the transition on the financial reports of the Company and follow up on the Company’s arrangements for application of Value Added Tax (VAT)
- Oversee two important projects, one of which is for the implementation of a general framework for control on financial reporting and the other is for deploying a continuous auditing mechanism
- Inform the Board of Directors about the activities of the Committee by periodically sharing minutes of the Committee’s meetings

Internal control system

The internal control system is designed to give reasonable assurance on the achievement of the organization’s established goals, effectively and efficiently. It includes, but is not limited to, issuing reliable financial reports, adequate compliance with laws, regulations and policies, as well as proper management of business risks to minimize their impact on the achievement of the Company’s goals. The internal control system also plays an important role

in exposing and preventing fraud and protecting the Company's resources. The Management of the Company is responsible for implementing a comprehensive and effective internal control system relative to the risks the Company might be exposed to, with reasonable cost and benefit to give acceptable level of assurances to avoid material errors and related losses.

The Committee reviews the reports provided periodically by Internal Audit and the External Auditor and by

different departments having internal control roles within the Company. The outcome of the annual review of the internal control system of the Company showed reasonable improvements over the year and, under the Committee's supervision, the Company will continue its periodic assessment and reviews of the internal control system to ensure the achievement of the set objectives and to improve the efficiency and effectiveness of operations and compliance with applicable laws and regulations.



Corporate Governance Compliance

Following review of the Corporate Governance Regulations issued by the Capital Market Authority (CMA), the Company has adopted the rules and standards pursuant to these Regulations. To illustrate the Company's compliance

with the Regulations, the Company applies all provisions of the Corporate Governance Regulations issued by the Capital Market Authority (CMA), except for the provisions below:

Article/Paragraph No.	Text of Article/Paragraph	Reasons for non-application
Article 90 – Paragraph 19	The Board's report shall include the following: Geographical analysis of the Company's revenues.	Given the nature of the telecoms sector, a geographic analysis of the Company's total revenues is not available. The reason is that subscriber-generated revenue is not linked to a certain location or area.
	The Board's report shall include the following: Geographical analysis of the subsidiaries' revenues outside Saudi Arabia.	Mobily InfoTech India Private Limited (India) is a cost center, with an activity of IT software development and provision of IT technical support services. National Company for Business Solutions FZE, headquartered in UAE, is a cost center that is wholly owned by the subsidiary.
Article 32 – Paragraph B	The Board shall convene no less than 4 meetings per year, and no less than 1 meeting every 3 months.	A guiding article. The Board of Directors convened 9 meetings in 2018, but the interval between all the meetings was not 3 months; noting that this did not impact the Board work.
Article 41 – Paragraph E	The Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent third party every 3 years.	A guiding article. The Board conducts internal evaluation through regular surveys that are being considered.
Article 50 – Paragraph 5	The Chairman or whomsoever is delegated from the Board Committees, shall attend the General Assembly meetings and answer any questions raised by Shareholders.	Some heads of Committees apologized for not attending the meeting and informed the Chairman beforehand.

Article/Paragraph No.	Text of Article/Paragraph	Reasons for non-application
Article 54 – Paragraph B	The Chairman of the Audit Committee shall be an Independent Director.	A guiding article. The Chairman of the Committee is a non-director whom is completely Independent.
Article 85 – Paragraph 3/2	The Company shall establish programs for developing and encouraging the participation and performance of the Company's employees. The programs shall particularly include the following: 2- Establishing a scheme for granting Company shares or a percentage of the Company profits and pension programs for employees and setting up an independent fund for such program. 3- Establishing social organizations for the benefit of the Company's employees.	A guiding article. The Company is developing other programs to improve and stimulate the participation and performance of the Company's employees.
Article 87	The Ordinary General Assembly, based on the Board's proposal, shall establish a policy that guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community.	A guiding article.
Article 88 – Paragraph 1	The Board shall establish programs and determine the necessary methods for proposing social initiatives by the Company, which include: 1- Establishing indicators that link the Company's performance with its social initiatives and comparing it with other companies that engage in similar activities.	The Company is continuously engaged in various social activities, which aim to develop the social and economic conditions of the society.
Article 93 – Paragraph 4-B	Disclosure of the remuneration of 5 Senior Executives pursuant to the schedule appended to the Corporate Governance Regulations.	A guiding paragraph. The remuneration of 5 Senior Executives has been disclosed in aggregate amounts.
Article 95	If the Board forms a corporate governance committee, it shall assign to it the competencies stipulated in Article (94) of these Regulations. Such committee shall oversee any matters relating to the implementation of governance and shall provide the Board with its reports and recommendations at least annually.	A guiding article. The Board of Directors ensures compliance with Corporate Governance regulations, reviewing and updating them, reviewing and developing professional codes of conduct and other internal policies and procedures. Board members are regularly informed of developments in governance.

It should be noted that:

- No third party has carried out an assessment of the performance of the Board of Directors and performance of its Committees. Such assessment is carried out internally through periodical surveys that are being considered
- There is no conflict between the recommendations of the Audit Committee and the Board resolutions as to appointing or dismissing the Company's External Auditor or determining its remuneration, assessing its performance or appointing the Internal Auditor.
- According to Article 45 of the Listing Rules, the Company has not been informed of any interest in voting right shares owned by any person (other than Board members and Senior Executives and their relatives)
- No convertible debt instruments, contractual securities, subscription right notes or similar rights were issued/ granted by the Company during the financial year.
- No conversion or subscription rights under any convertible debt instruments, contractual securities, subscription right notes or similar rights were issued/ granted by the Company
- There was no redemption, purchase or cancellation by the Company of any redeemable debt instruments
- Eng. Al Abdooli has waived his attendance allowance and bonus for 2018
- No Shareholder of the Company has waived any rights to dividends
- No investments or reserves were made or set up for the benefit of the employees of the Company
- The Auditor's Report does not contain any reservation about the approved Annual Financial Statements
- The Board of Directors did not recommend replacing the External Auditor before the end of its term
- There are no treasury shares retained by the Company
- There is no inconsistency with the standards approved by the Saudi Organization for Certified Public Accountants

Declarations of the Board of Directors

The Board of Directors declares the following:

- The accounting records were prepared accurately
- The internal control system was developed on a sound basis and was implemented effectively
- No doubt exists as to the ability of the Company to continue to practice its business

Board of Directors
Etihad Etisalat Co. (Mobily)
February 2019

THE STOCK COMPANY)
STATEMENTS FOR THE
2018

Balance
Total of 100
Share price
Total and ending retained
earnings and adjustments
Share price
Total and ending retained
earnings and adjustments
Share price

05

Financial Statements

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Year ended 31 December
With Independent Auditors' Report

Independent Auditor's Report

To the Shareholders of Etihad Etisalat Company

Opinion

We have audited the consolidated financial statements of Etihad Etisalat Company ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter	How the matter was addressed in our audit
<p>Revenue recognition</p> <p>See Note 27 to the consolidated financial statements.</p> <p>There is an inherent risk relating to the completeness and accuracy of recorded revenue given the complexity of the systems, the high volumes of data and the combination of different services into different products which are sold at varying prices.</p> <p>Significant management judgment can be required in determining the appropriate measurement and timing of recognition of different elements of revenue within bundled products.</p> <p>Due to the estimates and judgment involved in the application of revenue recognition standards and the complexity of the related IT systems and processes, we have identified this matter as a key audit matter.</p>	<p>In responding to this area, our audit procedures included testing of relevant controls and substantive procedures. In particular:</p> <ul style="list-style-type: none"> • Assessing the appropriateness of the revenue recognition policy that is applied to different products and combination of products to assess whether it is in accordance with the applicable accounting framework; • Assessing, with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of management’s key internal controls over the IT environment in which the business systems operate, including access controls, program change controls, program development controls and IT operation controls; • Assessing with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of management’s key internal IT controls over the completeness and accuracy of rating and bill generation and the end to end reconciliation controls from the rating and billing systems to the accounting system; • Performing tests on the accuracy of customer invoice generation on a sample basis and testing the credits and discounts applied; • Performing data analytics and analytical reviews of significant revenue streams; • Performing specific procedures to test the completeness and accuracy of adjustments relating to contracts containing multiple performance obligations.

The key audit matter	How the matter was addressed in our audit
<p>Impairment testing of Goodwill</p> <p>See Note 9.1 to the consolidated financial statements.</p> <p>As a result of past acquisitions, the Group carries capitalized goodwill with a value of SR 1,467 million as at 31 December 2018. Management performs an impairment assessment on an annual basis as required by IAS 36 Impairment of Assets. The impairment assessment for 2018 has been performed at the Group level which is consistent with the judgment that the Group has a single operating segment as discussed in Note 34 to the consolidated financial statements.</p> <p>The determination of recoverable amount, being the higher of fair value less costs to sell and value in use, requires judgment by the management in both identifying and then valuing the operating segment. Recoverable amounts are based on management's view of variables such as future average revenue per user (ARPU), average customer numbers and customer churn, timing and approval of capital expenditure, spectrum and the appropriate discount rate.</p> <p>We considered goodwill impairment to be a key audit matter due to the extent of judgment and assumptions involved in the assessment process.</p>	<p>We performed an evaluation of managements' assessment of the operating segment based on the criteria included in IFRS 8 Operating segments. Our evaluation included discussion with management, review of the internal reporting structure, the decision making process and how resources are allocated among business units of the Group. We subsequently evaluated the impairment assessment made by management to also ensure they were in accordance with IFRS.</p> <p>Our procedures included challenging management on the suitability of the impairment model and reasonableness of the assumptions through performing the following:</p> <ul style="list-style-type: none"> • Benchmarking the key market related assumptions in management's valuation models with industry comparators and assumptions made in prior years including revenue and margin trends, capital expenditure on network assets and spectrum, market share and customer churn, against external data where available, utilizing our internal valuation specialists; • Recalculation of the discount rate by our internal valuation specialists using external information and comparison to the management's assumptions; • Testing the mathematical accuracy of the cash flow model and agreeing relevant data to the Board approved strategic long term plan; • Assessing the reliability of management's forecast through a review of actual performance against previous forecasts; • Assessing and validating the appropriateness of the disclosures made in the consolidated financial statements.

The key audit matter

Capitalisation of assets and the assessment of useful lives and residual values for property and equipment and intangible assets

See Notes 8 and 9 to the consolidated financial statements.

Property and equipment, and intangible assets represent a significant proportion of the Group's asset base. The estimates and assumptions made to determine the carrying amounts, including whether and when to capitalise or expense certain costs, and the determination of depreciation and amortisation charges are material to the Group's financial position and performance. The charges in respect of periodic depreciation and amortisation are derived after estimating an asset's expected useful life and the expected residual value. Changes to assets' carrying amounts, expected useful lives or residual values could result in a material impact on the consolidated financial statements and is a matter of significance to our audit.

The details of critical accounting judgments and carrying values of Property and Equipment and intangible assets are given in Notes 8 and 9 respectively.

How the matter was addressed in our audit

We obtained an understanding of, and tested the relevant management controls relating to the capitalization of Property and Equipment and intangible assets, and the controls relevant to management's review of useful lives and residual values.

We evaluated the capitalization policies and assessed the timeliness of the transfer of assets under construction by agreeing the date that depreciation commenced to the date that the asset is ready for use.

Our substantive testing of the determination of estimated useful lives and residual values included the following:

- Considering management's judgments, including the appropriateness of existing and revised asset lives and residual values applied in the calculation of depreciation and amortization to determine whether these judgments reflected technological developments within the telecommunications industry and changes in the anticipated duration of use by management.
- Testing whether approved asset life and residual value revisions were appropriately applied to the fixed asset register.

The key audit matter	How the matter was addressed in our audit
<p>First Time adoption of IFRS 15 – “Revenue from contracts with customers”</p> <p>See Note 6 (A) to the consolidated financial statements.</p> <p>The Group adopted IFRS 15 “Revenue from contracts with customers” with effect from 1 January 2018 superseding the requirements of IAS 18 “Revenue”.</p> <p>The application and adoption of IFRS 15 is complex. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized.</p> <p>Management performed a detailed analysis of each type of revenue contract to identify differences between the requirements of the two standards, identify the changes required to be made to existing accounting policies and determine the transition adjustments and consequential changes to processes and controls.</p> <p>The Group applied the cumulative retrospective method to recognize the cumulative effect of the transition directly in equity as of 1 January 2018. In using this transition method, the Group has not restated the comparative periods.</p> <p>We considered this to be a key audit matter as revenue is a key financial statement caption and performance metric and the application of IFRS 15 can require judgment by the management and the use of significant assumptions.</p>	<p>We performed the following procedures in relation to the implementation of IFRS 15:</p> <ul style="list-style-type: none"> • Reviewed management’s detailed analysis of its various revenue streams and how the new accounting standard impacts the Group; • Gained an understanding of the management’s approach to the implementation of any changes to the accounting policy; • Obtained an understanding of the nature of revenue contracts used by the Group for each significant revenue stream, tested a sample of representative sales contracts to confirm our understanding and assessed whether or not management’s application of IFRS 15 requirements was in accordance with the accounting standard; • Tested relevant processes and controls established by the management to ensure appropriate recognition of revenue; • Evaluated the appropriateness of management’s assessment of performance obligations and whether control is transferred at a point in time or over time; • Performed cut-off procedures to ensure that revenue is recognized when the control is transferred to the customer and in the correct accounting period. • Evaluated the adequacy of the financial statement disclosures.

The key audit matter

First Time adoption of IFRS 9 – “Financial Instruments”

See Note 6 (B) to the consolidated financial statements.

The Group adopted IFRS 9 on its effective date of 1 January 2018 superseding the requirements of IAS 39 “Financial Instruments – recognition and measurement”.

Management has assessed that the key changes arising from adoption of IFRS 9 are related to the recognition and measurement of impairment allowance on financial assets carried at amortized cost.

The Group assesses at each reporting date whether the financial assets carried at amortized cost are credit impaired, and consequently measures impairment allowances based on the Expected Credit Loss (ECL) model as envisaged in IFRS 9, rather than the incurred losses model detailed in IAS 39.

The Group’s management has applied the simplified expected credit loss (“ECL”) model to determine the allowance for impairment of trade receivables. Further, the Group applied the exemption provided by IFRS 9 not to restate the comparative periods as a result of the adoption of IFRS 9.

The ECL model involves the use of various assumptions, covering both future macro-economic factors and study of historical trends.

As at 31 December 2018 the carrying value of trade receivables amounted to SR 5,591 million (2017: 5,319 million), and the allowance for impairment of trade receivables amounted to SR 2,025 million (2017: 1,637 million).

We considered this as a key audit matter due to the judgments and estimates involved in the application of the expected credit loss model.

How the matter was addressed in our audit

We performed the following procedures in relation to the implementation of IFRS 9:

- Reviewed management’s assessment of the impact of IFRS 9 in terms of the classification and measurement of its financial assets and liabilities, and understood the approach taken towards implementation.
- Considered and evaluated the validity of management’s conclusion that the main area of impact was in respect of trade receivables impairment, using our experience and knowledge of entities operating in similar industries.
- Tested significant assumptions, including those related to future economic events that are used to calculate the likelihood of default and the expected loss on default and tested the arithmetical accuracy of the ECL model;
- Involved our subject matter specialist to review the methodology used in the ECL model; and compared with accepted best practice.
- We also evaluated the adequacy of the disclosures included in the accompanying consolidated financial statements.

Other Information.

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements.

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable,

matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. The Group's audit committee is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Etihad Etisalat Company ("the Company") and its subsidiaries ("the Group").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Khalil Ibrahim Al Sedais
License No. 371



Riyadh on: 18 February 2019
Corresponding to: 13 Jumada II 1440H

Etihad Etisalat Company (A Saudi Joint Stock Company)

Consolidated Statement of Financial Position

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	31 December 2018	31 December 2017
Assets			
Non-current assets			
Property and equipment	8	22,183,775	23,428,341
Intangible assets	9	8,818,165	8,690,547
Capital advances		450,250	867,175
Investment in joint venture		1,483	-
Financial assets		7,271	7,271
Total non-current assets		31,460,944	32,993,334
Current assets			
Inventories	10	69,360	140,582
Contract assets	23	89,180	-
Accounts receivable	11	3,566,718	3,682,548
Due from related parties	12	58,215	52,419
Prepaid expenses and other assets	13	1,279,507	1,426,059
Other financial assets	14	1,000,000	1,000,000
Derivatives financial instruments		8,095	-
Cash and cash equivalents	15	1,032,850	1,192,181
Total current assets		7,103,925	7,493,789
Total assets		38,564,869	40,487,123
Equity and liabilities			
Equity			
Share capital	1	7,700,000	7,700,000
Statutory reserve	26	2,648,971	2,648,971
Retained earnings		3,543,131	3,911,783
Hedging reserve		(12,754)	-
Foreign currency translation reserve		(10,032)	(6,917)
Total shareholders' equity		13,869,316	14,253,837
Non-current liabilities			
Loans and notes payable	16	11,987,788	13,469,034
Provision for employees' end of service benefits	17	426,074	379,412
Deferred revenue		44,582	66,875
Deferred government grants income	18	141,604	160,833
Other financial liabilities		299,640	-
Provision for decommissioning liability	19	239,654	221,518
Total non-current liabilities		13,139,342	14,297,672
Current liabilities			
Loans and notes payable	16	1,033,891	1,410,638
Accounts payable	20	5,154,712	4,695,502
Contract liabilities	23	151,259	-
Due to related parties	12	47,399	92,590
Deferred revenue		1,270,979	1,726,522
Accrued expenses and other liabilities	21	3,369,261	2,726,272
Derivatives financial instruments		11,249	-
Provisions		433,455	1,215,981
Zakat provision	22	64,775	48,878
Deferred government grants income	18	19,231	19,231
Total current liabilities		11,556,211	11,935,614
Total liabilities		24,695,553	26,233,286
Total equity and liabilities		38,564,869	40,487,123

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.

Etihad Etisalat Company (A Saudi Joint Stock Company)

Consolidated Statement of Profit or Loss

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	31 December 2018	31 December 2017
Revenue	27	11,864,912	11,351,301
Cost of sales	28	(5,282,709)	(4,820,994)
Gross profit		6,582,203	6,530,307
Selling and marketing expenses	29	(1,286,397)	(1,234,103)
General and administrative expenses	30	(747,384)	(1,449,872)
Impairment loss on accounts receivable	11	(111,528)	(233,896)
Depreciation and amortization	8,9	(3,809,478)	(3,626,355)
Impairment loss on property and equipment	8	(118,333)	-
Other income		93,809	33,190
Operating profit		602,892	19,271
Share in results of joint venture		755	-
Finance expenses	31	(799,239)	(678,443)
Finance income	14	35,282	11,641
Loss before zakat		(160,310)	(647,531)
Zakat	22	37,644	(61,410)
Loss for the year		(122,666)	(708,941)
Loss per share:			
Basic and diluted loss per share (in SR)	32	(0.16)	(0.92)

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.

Etihad Etisalat Company (A Saudi Joint Stock Company)

Consolidated Statement of Comprehensive Income

(All amounts in Saudi Riyals thousands unless otherwise stated)

	31 December 2018	31 December 2017
Loss for the year	(122,666)	(708,941)
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(3,115)	2,194
Change in fair value of cash flow hedges	(12,754)	-
Net total items that will be reclassified subsequently to profit or loss	(15,869)	2,194
Items that will not be reclassified subsequently to profit or loss:		
Actuarial (losses) / gains on re-measurement of employees' end of service benefits	(31,832)	5,604
Net total items that will not be reclassified subsequently to profit or loss	(31,832)	5,604
Total other comprehensive (loss) / income for the year	(47,701)	7,798
Total comprehensive loss for the year	(170,367)	(701,143)

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.

Etihad Etisalat Company (A Saudi Joint Stock Company)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Hedging reserve	Total shareholders' equity	Non-controlling interest	Total equity
As at 1 January 2017	7,700,000	2,648,971	4,615,120	(9,111)	-	14,954,980	1,500	14,956,480
Loss for the year	-	-	(708,941)	-	-	(708,941)	-	(708,941)
Other comprehensive income for the year	-	-	5,604	2,194	-	7,798	-	7,798
Total comprehensive (loss) / income for the year	-	-	(703,337)	2,194	-	(701,143)	-	(701,143)
Non-controlling interest	-	-	-	-	-	-	(1,500)	(1,500)
As at 31 December 2017	7,700,000	2,648,971	3,911,783	(6,917)	-	14,253,837	-	14,253,837
As at 1 January 2018	7,700,000	2,648,971	3,911,783	(6,917)	-	14,253,837	-	14,253,837
Adjustment on application of IFRS 15	-	-	62,345	-	-	62,345	-	62,345
Adjustment on application of IFRS 9	-	-	(276,499)	-	-	(276,499)	-	(276,499)
As at 1 January 2018 (adjusted)	7,700,000	2,648,971	3,697,629	(6,917)	-	14,039,683	-	14,039,683
Loss for the year	-	-	(122,666)	-	-	(122,666)	-	(122,666)
Other comprehensive loss for the year	-	-	(31,832)	(3,115)	(12,754)	(47,701)	-	(47,701)
Total comprehensive loss for the year	-	-	(154,498)	(3,115)	(12,754)	(170,367)	-	(170,367)
As at 31 December 2018	7,700,000	2,648,971	3,543,131	(10,032)	(12,754)	13,869,316	-	13,869,316

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.

Etihad Etisalat Company (A Saudi Joint Stock Company)

Consolidated Statement of Cash Flows

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	31 December 2018	31 December 2017
OPERATING ACTIVITIES			
Loss for the year		(122,666)	(708,941)
Adjustments for:			
Provision for inventory obsolescence		(47,056)	(7,267)
Depreciation	8	3,456,321	3,299,145
Amortization of intangible assets	9	353,157	327,210
Impairment loss on property and equipment	8	118,333	-
Provision for employees' end of service benefits	17	50,585	60,943
Impairment loss on accounts receivable	11	111,528	233,896
Provisions		(685,262)	38,912
Government grants		(19,231)	(19,231)
Zakat provision	22	(37,644)	61,410
Loss on sale of property and equipment		2,926	5,343
Share in results of joint venture		(755)	-
Finance expenses	31	799,239	678,443
Finance income		(35,282)	(11,641)
Changes in:			
Accounts receivable		(272,197)	(163,359)
Inventories		118,278	66,757
Contract assets		(22,040)	-
Prepaid expenses and other assets		(69,362)	93,110
Derivatives financial instruments		(9,600)	-
Accounts payable		446,410	496,365
Contract liabilities		(24,624)	-
Deferred revenue		(340,570)	168,473
Accrued expenses and other liabilities		565,078	(257,390)
Utilization of decommissioning provision		(995)	(791)
Due from related parties		(5,796)	17,149
Due to related parties		(45,191)	(45,830)
Cash generated from operating activities		4,283,584	4,332,706
End of service benefits paid	17	(35,755)	(18,669)
Finance expenses paid		(711,711)	(652,573)
Zakat paid	22	(43,722)	(67,050)
Net cash generated from operating activities		3,492,396	3,594,414
INVESTING ACTIVITIES			
Other financial assets		-	(650,000)
Finance income received		20,435	13,062
Purchase of property and equipment		(1,759,496)	(2,183,727)
Proceeds from sales of property and equipment		5,385	6
Acquisition of intangible assets		(31,275)	(156,967)
Net cash outflow from deconsolidation of subsidiary		(1,000)	-
Net cash used in investing activities		(1,765,951)	(2,977,626)
FINANCING ACTIVITIES			
Proceeds from loans and notes payable		614,305	9,270,506
Payment of loans and notes payable		(2,500,081)	(9,559,722)
Non-controlling interest		-	(1,500)
Net cash used in financing activities		(1,885,776)	(290,716)
Net changes in cash and cash equivalents		(159,331)	326,072
Cash and cash equivalents at 1 January		1,192,181	866,109
Cash and cash equivalents at 31 December	15	1,032,850	1,192,181
Supplementary non-cash information			
Property and equipment purchased credited to capital expenditure payable		310,819	(209,027)

The attached notes from 1 to 36 are an integral part of these consolidated financial statements.

Etihad Etisalat Company (A Saudi Joint Stock Company)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(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 I 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 II 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 follows:

Name	Country of incorporation	Ownership percentage				Initial investment
		31 December 2018		31 December 2017		
		Direct	Indirect	Direct	Indirect	
Mobily Ventures Holding S.P.C.	Bahrain	100.00%	-	100.00%	-	2,510
Mobily Infotech India Private Limited	India	99.99%	0.01%	99.99%	0.01%	1,836
Bayanat Al-Oula for Network Services Company	Saudi Arabia	99.00%	1.00%	99.00%	1.00%	1,500,000
Zajil International Network for Telecommunication Company	Saudi Arabia	96.00%	4.00%	96.00%	4.00%	80,000
National Company for Business Solutions	Saudi Arabia	95.00%	5.00%	95.00%	5.00%	9,500
Sehati for Information Service Company*	Saudi Arabia	25.00%	-	90.00%	10.00%	1,000
National Company for Business Solutions FZE	United Arab Emirates	-	100.00%	-	100.00%	184

*On 1 July 2018, the Company’s investment in Sehati for Information Service Company has diluted from 100% to 25%, consequently, has been classified as an investment in joint venture and is accounted for using the equity method.

The main activities of the subsidiaries are as follows:

- Development of technology software programs for the Group use, and to provide information technology support.
- Execution of contracts for the installation and maintenance of wire and wireless telecommunications networks and the installation of computer systems and data services.
- Wholesale and retail trade in equipment and machinery, electronic and electrical devices, wire and wireless telecommunications' equipment, smart building systems and import and export to third parties, in addition to marketing and distributing telecommunication services and providing consultation services in the telecommunication domain.
- Wholesale and retail trade in computers and electronic equipment, maintenance and operation of such equipment, and provision of related services.
- Establishment, management and operation of, and investment in service and industrial projects.
- Establishment, operating and maintenance of telecommunications networks, computer and its related works, and establishment, maintenance and operating of computer software, importing and exporting and sale of equipment, devices and programs of telecommunication systems and computer software.
- Establish and own companies specializing in commercial activities.
- Manage its affiliated companies or to participate in the management of other companies in which it owns shares, and to provide the necessary support for such companies.
- Invest funds in shares, bonds and other securities.
- Own real estate and other assets necessary for undertaking its activities within the limits pertained by law.
- Own or to lease intellectual property rights such as patents and trademarks, concessions and other intangible rights to exploit and lease or sub-lease them to its affiliates or to others.
- Have interest or participate in any manner in institutions which carry on similar activities or which

may assist the Company in realizing its own objectives in the Kingdom of Bahrain or abroad. The Company may acquire such entities or merge therewith.

- Perform all acts and services relating to the realization of the foregoing objects.

The consolidated financial statements of the Company include the financial information of the following subsidiaries (collectively hereafter referred as "Group"):

1.2.1 Mobily Ventures Holding S.P.C.

During 2014, the Company completed the legal formalities pertaining to the investment in a new subsidiary, Mobily Ventures Holding, Single Person Company (S.P.C.), located in the Kingdom of Bahrain owned 100% by the Company.

Mobily Ventures Holding S.P.C. owns participation in the following companies;

- Anghami LLC (Cayman Islands): 8.16% (2017: 8.16%)
- MENA 360 DWC LLC (United Arab Emirates): 2.48% (2017: 2.48%)
- Dokkan Afkar.com (British Virgin Islands): 4.2% (2017: 4.2%)

1.2.2 Mobily Infotech India Private Limited

During the year 2007, the Company invested in 99.99% of the share capital of a subsidiary company, Mobily Infotech India Private Limited incorporated in Bangalore, India which commenced its commercial activities during the year 2008. Early 2009, the remaining 0.01% of the subsidiary's share capital was acquired by National Company for Business Solutions, a subsidiary of the Company. The financial year end of the subsidiary is March 31 however, the Company uses the financial statements of the subsidiary for the same reporting period in preparing the Group's consolidated financial statements.

1.2.3 Bayanat Al-Oula for Network Services Company

During the year 2008, the Company acquired 99% of the partners' shares in Bayanat Al-Oula for Network Services Company, a Saudi limited liability company. The acquisition included Bayanat's rights, assets, obligations, commercial name as well as its current and future trademarks for a total price of Saudi Riyals 1.5 billion, resulting in goodwill of Saudi Riyals 1,467 million on the acquisition date. The remaining 1% is owned by National Company for Business Solutions, a subsidiary of the Company.

1.2.4 Zajil International Network for Telecommunication Company

During the year 2008, the Company acquired 96% of the partners' shares in Zajil International Network for Telecommunication Company ("Zajil"), a Saudi limited liability company. The acquisition included Zajil's rights, assets, obligations, commercial name as well as its current and future trademarks for a total price of Saudi Riyals 80 million, resulting in goodwill of Saudi Riyals 63 million on the acquisition date. The remaining 4% is owned by National Company for Business Solutions, a subsidiary of the Company. The goodwill has been fully impaired during the year ended 31 December 2014.

1.2.5 National Company for Business Solutions

During the year 2008, the Company invested in 95% of the share capital of National Company for Business Solutions, a Saudi limited liability company. The remaining 5% is owned by Bayanat, a subsidiary of the Company.

National Company for Business Solution owns participation in Ecommerce Taxi Middle East (Luxembourg): 10% (2017: 10%).

1.2.6 Sehati for Information Service Company

During 2014, the Company completed the legal formalities pertaining to the investment of 90% in Sehati for Information Service Company. The remaining 10% was owned by Bayanat Al-Oula for Network Services Company, a subsidiary of the Company.

On 1 July 2018, the Company's investment in Sehati for Information Service Company has diluted from 100% to 25%, consequently, has been classified as an investment in joint venture and is accounted for using the equity method.

1.2.7 National Company for Business Solutions FZE

During 2014, National Company for Business Solutions (KSA) completed the legal formalities pertaining to the investment of 100% in National Company for Business Solutions FZE, a Company incorporated in the United Arab of Emirates.

2 BASIS OF ACCOUNTING

2.1 Statement of Compliance

These consolidated financial statements comprise the financial information of the Company and its subsidiaries (together referred to as the 'Group').

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants.

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all periods presented except for IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial Instruments" which have been applied for the first time (Note 6).

These consolidated financial statements have been approved for issuance on 18 February 2019 (corresponding to 13 Jumada II 1440H).

2.2 Basis of measurement

These consolidated 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 consolidated 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 BASIS OF CONSOLIDATION

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement in the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including the contractual arrangement(s) with the other vote holders of the investee, rights arising from other contractual arrangements and the Group’s voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies. All intra-group assets and liabilities, unrealized income and expenses and cash flows relating to transactions are eliminated in full on consolidation.

Non-controlling interest are measured at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- De-recognizes the assets (including goodwill) and liabilities of the subsidiary;
- De-recognizes the carrying amount of any non-controlling interest;
- De-recognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in consolidated statement of profit or loss;
- Reclassifies the Group’s share of components previously recognized in consolidated statement of other comprehensive income to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

4 NEW STANDARDS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

Standards and amendments issued but not yet applicable to the Group's consolidated financial statements are listed below. This listing of standards and amendments issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. Following are standards and amendments issued but not yet effective:

IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognizes a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The Group has started an initial assessment of the potential impact of IFRS 16 on its consolidated financial statements.

Other amendments

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- a) Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- b) Annual Improvements to IFRS Standards 2015-2017 Cycle – various standards.
- c) Amendments to References to Conceptual Framework in IFRS standards.

5 SIGNIFICANT ACCOUNTING POLICIES

5.1 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

5.2 Business combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each

business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred is recognized at fair value at the acquisition date. All contingent consideration (except that which is classified as equity) is remeasured at fair value at each reporting date with the changes in fair value recognized in consolidated statement of profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is from the acquisition date allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed off, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash generating unit retained.

5.3 Investment in an associate and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in consolidated statement of other comprehensive income of those investees is presented as part of the Group's consolidated statement of other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate and joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of consolidated statement of profit or loss of an associate and a joint venture is shown separately on the face of the consolidated statement of profit or loss.

The consolidated financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is any objective evidence that the investment

in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the loss as part of 'Share in results of an associate and a joint venture' in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of profit or loss.

5.4 Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents consist of cash on hand, bank current accounts and Murabaha facilities with original maturities of three month or less from acquisition date.

5.5 Financial instruments – initial recognition, subsequent measurement and derecognition

5.5.1 Financial assets

(a) Initial recognition and measurement

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

(b) Classification and subsequent measurement**Financial assets – Classification: Policy applicable from 1 January 2018**

On initial recognition, financial assets are classified as measured at: amortized cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit and Loss (FVTPL).

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

The subsequent measurement of financial assets depends on their classification, as described below:

Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in consolidated statement of profit or loss. Any gain or loss on derecognition is recognized in consolidated statement of profit or loss.
Financial assets at FVOCI - Debt investments	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in consolidated statement of profit or loss. Other net gains and losses are recognized in consolidated statement of other comprehensive income. On derecognition, gains and losses accumulated in consolidated statement of other comprehensive income are reclassified to consolidated statement of profit or loss.
Financial assets at FVOCI - Equity investments at	These assets are subsequently measured at fair value. Dividends are recognized as income in consolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in consolidated statement of other comprehensive income and are never reclassified to consolidated statement of profit or loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in consolidated statement of profit or loss.

Financial assets – Classification: Policy applicable before 1 January 2018

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
 - held for trading;
 - derivative hedging instruments; or
 - designated as at FVTPL.

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 1 January 2018

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income, were recognised in consolidated statement profit or loss.
Held-to-maturity financial assets	Measured at amortized cost using the effective interest method.
Loans and receivables	Measured at amortized cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in consolidated statement other comprehensive income and accumulated in the fair value reserve. When these assets were derecognized, the gain or loss accumulated in equity was reclassified to consolidated statement profit or loss.

(c) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - (i) the Group has transferred substantially all the risks and rewards of the asset, or
 - (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(d) Impairment of financial assets

Policy applicable from 1 January 2018

The Group recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI, accounts receivable and financial guarantee contracts. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Group applies the simplified approach to calculate impairment on accounts receivable and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rate based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognized when the credit risk on the financial instrument has not increased significantly since initial recognition.

The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available.

The Group considers the default in case of trade receivables occurs when a customer balance moves into the “Inactive” category based on its debt age analysis.

For all other financial assets, the Group considers the following as constituting an event of default as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay his dues.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if; i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the percentage of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information.

The Group recognizes an impairment loss or reversals in the consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in consolidated statement of comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

For financial assets not classified at fair value through profit or loss, the Group assesses at each reporting date whether there is any objective evidence that such financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has or have occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that debtors or a Group of debtors are experiencing significant financial difficulty, default or delinquency in principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in consolidated statement of profit or loss. Interest income (recorded as finance income in the consolidated statement of profit or loss) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to general and administrative in the consolidated statement of profit or loss.

(ii) Financial assets classified as available for sale

For available for sale (AFS) investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration or extent to which the fair value of an investment is less than its cost.

5.5.2 Financial liabilities

Recognition and measurement

Financial liabilities are classified, at initial recognition, as measured at amortized cost or financial liabilities at fair value through profit or loss. All financial liabilities other than financial liabilities at fair value through profit or loss are recognized initially at fair value net of directly attributable transaction costs. Financial liabilities at fair value through profit or loss are measured initially and subsequently at fair value, and any related transaction costs are recognised in consolidated statement of profit or loss as incurred.

5.5.3 Derivatives

Derivatives are initially measured at fair value. Subsequent to initial recognition, any change in fair value is generally recognized in Consolidated Statement of Profit or Loss.

The Group designates derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in profit rates.

Hedge effectiveness is determined at the inception of the hedge relationship and periodically to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item.

At the inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in Consolidated Statement of Other Comprehensive Income and accumulated in the hedging reserve shown within hedging reserve under equity. The effective portion of changes in the fair value of the derivative that is recognized in Consolidated Statement of Other Comprehensive Income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in Consolidated Statement of Profit or Loss. The amount accumulated in equity is reclassified to Consolidated Statement of profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, terminated or exercised, then hedge accounting is discontinued prospectively.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in equity are immediately reclassified to Consolidated Statement of Profit or Loss.

5.6 Property and equipment

Property and equipment are only measured at cost, less accumulated depreciation and any accumulated impairment losses. Cost comprises the cost of equipment and materials, including freight and insurance, charges from contractors for installation and building works, direct labor costs, capitalized borrowing costs and an estimate of the costs of dismantling and removing the equipment and restoring the site on which it is located. If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items of property and equipment.

Depreciation on property and equipment is charged to the consolidated statements of profit or loss using the straight line method over their estimated useful lives at the following annual depreciation rates.

	Estimates applied from 1 October 2018	Estimates applied as on 31 December 2017
Buildings	5%	5%
Leasehold improvements	10 %	10 %
Telecommunication network equipment	4% - 20%	4% - 20%
Computer equipment and software	10% - 33%	16% - 33%
Office equipment and furniture	14% - 33%	14% - 33%
Vehicles	20% - 25%	20% - 25%

Depreciation methods, rates and residual values are reviewed annually and revised if the current method, estimated useful life or residual value is different from that estimated previously. The effect of such changes is recognized in the consolidated statements of profit or loss prospectively.

Major renovations and improvements are capitalized if they increase the productivity or the operating useful life of the assets as well as direct labor and other direct costs. Repairs and maintenance are expensed when incurred. Gain or loss on disposal of property and equipment which represents the difference between the sale proceeds and the carrying amount of these assets, is recognized in the consolidated statement of profit or loss.

Capital work in progress is stated at cost until the construction on installation is complete. Upon the completion of construction or installation, the cost of such assets together with cost directly attributable to construction or installation, including capitalized borrowing cost, are transferred to the respective class of asset. No depreciation is charged on capital work in progress.

During the financial year ended 31 December 2018, the Group reviewed the estimated useful lives and residual value of property and equipment, which resulted in change in the

estimate of certain items. The carrying amounts of property and equipment categories that their estimated useful lives and residual value have been changed are depreciated over the remaining period of the new estimated useful lives.

5.7 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in the consolidated statement of profit or loss in the period in which the expenditure is incurred.

5.7.1 Licenses

Acquired telecommunication licenses are initially recorded at cost or, if part of a business combination, at fair value.

Licenses are amortized on a straight line basis over their estimated useful lives from when the related networks are available for use.

5.7.2 Goodwill

Goodwill is the amount that results when the fair value of consideration transferred for an acquired business exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. When the Group enters into a business combination, the acquisition method of accounting is used. Goodwill is assigned, as of the date of the business combination, to cash generating units that are expected to benefit from the business combination. Each cash generating unit represents the lowest level at which goodwill is monitored for internal management purposes and it is never larger than an operating segment.

5.7.3 Indefeasible rights of use “IRU”

IRUs correspond to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognized at cost as an intangible asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. They are amortized on a straight line basis over the shorter of the expected period of use and the life of the contract.

5.7.4 Computer Software

Computer software licenses purchased from third parties are initially recorded at cost. Costs directly associated with the production of internally developed software, where it is probable that the software will generate future economic benefits, are recognized as intangible assets.

5.8 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where surplus funds are available for a short term from money borrowed specifically to

finance a project, the income generated from the temporary investment of such amounts is deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using an applicable weighted average rates.

All other borrowing costs are expensed in the period in which they incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

5.9 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Goodwill is tested annually for impairment and any impairment loss in respect of goodwill is not reversed.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the

individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the consolidated statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit or loss.

5.10 Zakat and income tax

The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Provision for zakat for the Group and zakat related to the Group's ownership in the Saudi Arabian subsidiaries is charged to the consolidated statement of profit or loss. Foreign shareholders in the consolidated Saudi Arabian subsidiaries are subject to income taxes. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Group and its Saudi Arabian subsidiaries withhold taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Foreign subsidiaries are subject to income taxes in their respective countries of domicile. Such income taxes are charged to the consolidated statement of profit or loss.

5.11 Employee termination benefits

The Group operates a defined benefit plan for employees in accordance with Saudi Labor and Workman Law as defined by the conditions stated in the laws of the Kingdom of Saudi Arabia. The cost of providing the benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements for actuarial gains and losses are recognized in the consolidated statement of financial position with a corresponding credit to retained earnings through consolidated statement of other comprehensive income in the period in which they occur.

Remeasurements are not reclassified to consolidated statement of profit or loss in subsequent periods.

Past service cost are recognized in consolidated statement of profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date the Group recognizes related restructuring costs.

5.12 Revenues

Policy applicable from 1 January 2018

The Group is in the business of providing mobile telecommunication services. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

(a) Service

Revenue from services comprises airtime usage, text messaging, data service (fixed and mobile internet) and other telecom services. The Group offers services in fixed term contracts and short term arrangement. Revenue from service is recognized when obligation is performed or services are rendered. When services include multiple performance obligations, the Group allocates transaction

price to each distinct performance obligation based on respective standalone selling price. The standalone selling price is the observable price for which the good or service is sold by the Group in similar circumstances to similar customers. If performance obligations are not distinct, revenue is recognized over the contract term. In arrangements, where Group is acting as agent, revenue from service is at net off amount transferred to third party. Revenue from additional consumption is recognized when services are rendered.

(b) Sale of devices

Revenue from sale of devices is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the devices, the amount invoiced is recognized as revenue. Devices sales may be separate from or bundled with a service offering. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated based on respective standalone selling price. When devices sale is bundled with service offering and identified as distinct performance obligation, the amount allocated to devices is recognized as revenue at the point in time when control of the asset is transferred to the customer. When devices sale is bundled with service offering and identified as combined performance obligation, revenue is recognized over contract term.

(c) Installation and activation services

Revenue from sale of SIM is recognized at the point in time upon activation when end customer takes control of the SIM.

The Group provides installation services that are bundled together with the sale of devices to a customer.

Contracts for bundled sales of devices and installation services are comprised of one performance obligations because the promises to transfer devices and provide installation services are not capable of being distinct. Accordingly, the Group recognizes revenue from bundled sales of devices and installation services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

(d) Loyalty points program

Customer loyalty scheme give rise to a separate performance obligation because it generally provides a material right to the customer. The Group allocates a portion of the transaction price to the loyalty scheme liability based on relative standalone selling price of loyalty point and liability is recognized as revenue when points are redeemed or expired.

(e) Service offering to carrier (wholesale)

Interconnect revenue is recognized on the basis of the gross value of invoices raised on other operators for termination charges based on the airtime usage, text messaging and the provision of other mobile telecommunications services for the billing period as per the agreed rate.

Roaming revenue is recognized on the basis of the gross value of invoices raised on other roaming partners based on actual traffic delivered during the billing period.

Revenue from other wholesales service is recognized on the basis of gross value over contract term.

(f) Determination of Transaction Price

In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(ii) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for

the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less. If the Group receives long-term advances from customers, the transaction price for such contracts is discounted, using the rate that would be reflected in a separate financing transaction between the Group and its customers at contract inception, to take into consideration the significant financing component.

(iii) Non-cash consideration

The fair value of such non-cash consideration received from the customer is included in the transaction price and measured when the Group obtains control of the devices.

(iv) Consideration payable to the customer

Consideration payable to the customer includes cash amount that the Group pays or expect to pay to the customers and is accounted for as reduction of transaction price.

When contract include contractual clause covering commercial discount or free offers, the Group defers these discounts or free offers over the contract term.

Policy applicable before 1 January 2018

Revenue comprises the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Group's activities. Revenue is stated net of trade discounts, incentives and volume rebates and after eliminating revenue within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities, as described below.

The Group's revenue comprises revenue from mobile telecommunications services as summarized below:

- (a) Revenue from mobile telecommunications comprises amounts charged to customers in respect of connection or activation, airtime usage, text messaging, the provision of other mobile telecommunications services including data services, and fees for connecting users of other fixed line and mobile networks to the Group's network.
- (b) Airtime, text messaging and data usage by customers is invoiced and recorded as part of a periodic billing cycle and recognized as revenue over the related access period. Unbilled revenue resulting from services already provided from the billing cycle date to the end of each accounting period is accrued and unearned revenue from services provided in periods after each accounting period is deferred and recognized as the customer uses the airtime.
- (c) Connection or activation fees, are non-refundable, one-off, fees charged to customers when they connect to the network and are recognized in full as revenue in the period in which the underlying obligation is fulfilled. The fees to the Group are not contingent upon resale or payment by the end user as the Group has no further obligations related to bringing about resale or delivery, and all other revenue recognition criteria have been met.
- (d) Subscription fees are monthly access fees that do not vary according to usage and are recognized as revenue on a straight-line basis over the service period.
- (e) Interconnect revenue is recognized on the basis of the gross value of invoices raised on other operators for termination charges based on the airtime usage, text messaging, and the provision of other mobile telecommunications services for the billing period as per the agreed rate.
- (f) Roaming revenue is recognized on the basis of the gross value of invoices raised on other roaming partners based on actual traffic delivered during the billing period.
- (g) Revenue from sale of handsets and replaced sim cards is recognized upon delivery of the products to the customers in the period during which the sale transaction took place.
- (h) In arrangements involving the delivery of bundled products and services, those bundled products and services are separated into individual elements, each with its own separate revenue contribution, evaluated from the perspective of the customer. Total arrangement consideration is allocated to each deliverable based on the relative fair value of the individual element. The Group generally determines the fair value of individual elements based on an objective and reliable assessment of the prices at which the deliverable is regularly sold on a standalone basis.

- (i) An exchange of good or services of similar nature is not regarded as a transaction that generates revenue. However, exchange of dissimilar items is regarded as generating revenue.

Loyalty program

The Group operates a loyalty program that provides a variety of benefits for customers. Loyalty award credits are based on a customer's telecommunications usage. The Group accounts for the loyalty award credits as a separately identifiable component of the sale transaction in which they are granted.

The consideration in respect of the initial sale is allocated to award credits based on their fair value and is accounted for as a liability in the consolidated statement of financial position until the awards are utilized. The fair value is determined using estimation techniques that take into account the fair value of the benefits for which the awards could be redeemed and is net of awards credit which are expected to expire (breakage). The Group also sells award credits to third parties for use in promotional activities. The revenue from such sales is recognized when the awards are ultimately utilized.

5.13 Contract balances

Policy applicable from 1 January 2018

(i) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

(ii) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. If a customer pays

consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Group performs under the contract.

5.14 Costs and expenses

(a) Cost of services and sales

Represent the cost of services and sales incurred during the period which include the costs of goods sold, inventory obsolescence, direct labor, governmental charges, interconnection costs and other overheads related to the revenues recognized.

i. Governmental charges

Governmental charges represent government contribution fees in trade earnings, license fees, frequency waves' fees and costs charged to the Group against the rights to use telecommunications and data services in the Kingdom of Saudi Arabia as stipulated in the license agreements. These fees are recorded in the related periods during which these fees are incurred and included under cost of services in the consolidated statement of profit or loss.

ii. Interconnection costs

Interconnection costs represent connection charges to national and international telecommunication networks. Interconnection costs are recorded in the period when relevant calls are made and are included in the cost of services caption in the consolidated statement of profit or loss.

(b) Selling and marketing expenses

Represent expenses resulting from the Group's management efforts with regard to the marketing function or the selling and distribution function. Selling and marketing expenses include direct and indirect costs not specifically part of cost of revenues. Allocations between selling and marketing expenses and cost of revenues, when required, are made on a consistent basis.

(c) General and administrative expenses

Represent expenses relating to the administration and not to the revenue earning function or the selling and distribution functions. General and administrative expenses include direct and indirect costs not specifically part of cost of revenues. Allocations between general and administrative expenses and cost of revenues, when required, are made on a consistent basis.

(d) Contract cost**Policy applicable from 1 January 2018****i. Cost to obtain a contract**

Cost to obtain a contract represents incremental cost and directly related to obtain a contract or groups of contracts and would not be paid in the absence of the contract. The Group capitalized such costs of obtaining a contract on the consolidated statement of financial position as a contract acquisition cost when incurred to the extent of recoverability and the related liability is recorded.

ii. Costs to fulfill a contract

The Group capitalizes costs to fulfill a contract when:

- (a) The costs relate directly to a specific contract;
- (b) The costs generate or enhance resources of the Group that will be used in satisfying performance obligations in the future; and
- (c) The costs are expected to be recovered.

Cost related to performance obligations that have been satisfied are included in the consolidated statement of profit or loss.

iii. Amortization

Assets recognized in respect of: (i) the costs to obtain a contract and (ii) the costs to fulfill a contract, is amortized in line with the pattern of revenue recognition.

5.15 Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are approved by the shareholders of the Company.

5.16 Foreign currency transactions**(a) Reporting currency and functional currency**

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated statement of profit or loss reflects the amount that arises from using this method.

(b) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in consolidated statement of other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is classified to consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in consolidated statement of other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognized in consolidated statement of other comprehensive income or consolidated statement of profit or loss are also recognized in consolidated statement of other comprehensive income or consolidated statement of profit or loss, respectively).

(c) Group companies

The results and financial position of foreign subsidiaries and associates, not operating in a hyper-inflationary economy, having reporting currencies other than Saudi Riyals are translated into Saudi Riyals as follows:

- i. assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that consolidated statement of financial position;
- ii. Income and expenses for each the consolidated statement of profit or loss are translated at average exchange rates; and
- iii. Components of the shareholders' equity accounts are translated at the exchange rates in effect at the dates the related items originated.

Cumulative adjustments resulting from the translations of the financial statements of foreign subsidiaries and associates into Saudi Riyals are reported as a separate component of shareholders' equity. The exchange differences arising on translation for consolidation are recognized in consolidated statement of other comprehensive income. On disposal of a foreign operation, the component of consolidated statement of other comprehensive income relating to that particular foreign operation is recognized in consolidated statement of profit or loss.

5.17 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

(a) Group as a lessee

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

(b) Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

5.18 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed by the Group's Chief Operating Decision Maker "CODM" to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see note 34).

5.19 Provisions

(a) General

A provision is recognized in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount thereof can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of liability is recognised as finance cost in the consolidated statement of profit or loss.

(b) Asset retirement obligation

The provision for asset retirement obligation arose on construction of the networking sites. A corresponding asset is recognized in property and equipment. Asset retirement obligation is provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre tax rate that reflects the risks specific to the site restoration liability. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

5.20 Contingent liabilities

A contingent liability is a possible obligation which may arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. If the amount of the obligation cannot be measured with sufficient reliability, then the Group does not recognize the contingent liability but discloses it in the consolidated financial statements.

5.21 Inventories

Inventories comprise of mobile phones (handsets) and other customer-premise equipment (CPE), SIM cards, pre-paid vouchers and scratch cards. Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined by using the weighted average method. The Group provides for slow-moving and obsolete inventories in the cost of sales in the consolidated statement of profit or loss.

5.22 Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to consolidated statement of profit or loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset by equal annual installments. When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favorable interest is regarded as a government grants.

6 CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

A. IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 using the cumulative effect method with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's revenue are set out below.

Type of products / service	Nature, timing of satisfaction of performance obligation, significant payment terms	Nature of the changes in accounting policy
FTTH revenue	<p>The Group offers free months (in addition to the contract term) of services to its prepaid FTTH customers as part of the promotional campaign.</p> <p>In this context, the Group's performance obligation extends to the provision of services across whole period including additional months.</p>	<p>Previously, the Group recognized revenue over the original contract term (i.e. excluding the free month entitlement).</p> <p>Under IFRS 15, revenue relating to such prepaid FTTH contracts is recognized across the complete term of the contract.</p>
Installation and set-up fee revenue	<p>The enterprise segment contracts entered into by the Group has one-time installation and set-up fee elements that is invoiced to the customer at the inception of the contract.</p> <p>The Group identifies that one-time installation and set-up fees as incidental to the provision of services under the contract and that the customer cannot benefit from the installation and set-up alone.</p>	<p>Previously, setup and installation fees were recognized as revenue, as and when they were invoiced to the customer.</p> <p>Under IFRS 15 such installation and set-up fee will be recognized as revenue over the contract term.</p>
Identification of performance obligations on GSM bundled products - Postpaid	<p>The Telecom services of the Group generate revenue from providing telecommunication services, such as access to the network, airtime usage, messaging and internet services, as well as from sales of mobile devices.</p> <p>Products and services may be sold separately or in bundled packages. Accordingly, the timing of satisfaction of performance obligations within a bundled package may vary; i.e. performance obligations relating to device sales may get satisfied when a customer takes possession of the device. This usually occurs when the customer signs a new contract and payments are made based on the contractual terms.</p>	<p>Previously, device revenue was recognized based on their fair value net of discounts.</p> <p>Under IFRS 15, the consideration will be allocated between separate products and services in a bundle (i.e. separate performance obligations) based on their stand-alone selling prices. The stand-alone selling prices are determined based on the list prices at which the Group ordinarily sells these products and services.</p>

Type of products / service	Nature, timing of satisfaction of performance obligation, significant payment terms	Nature of the changes in accounting policy
Customer loyalty program	<p>The Group operates a loyalty program that provides a variety of benefits for customers. Loyalty award credits are based on a customer's telecommunications usage. The Group allocates the consideration received for mobile telecommunication services to loyalty points that are redeemable against any future purchases based on respective standalone selling price. The Group also sells award credits to third parties for use in promotional activities.</p>	<p>Previously, the Group allocated award credits to its customers based on the respective transaction values and the resultant cost was recognized against the revenue from the underlying transactions.</p> <p>Under IFRS 15, the consideration to be allocated between separate products and services in a bundle including loyalty points (i.e. separate performance obligations) based on their stand-alone selling prices.</p>
Customers' unexercised rights	<p>In the context of prepaid voice and data contracts, customers may not utilize all of their rights to receive goods or services (breakage), due to the expiration of the credit term or due to the expiration of the prepaid contract term.</p>	<p>Previously, the Group recognized breakage revenue at the lapse of the rights of the customer to receive services, typically along with the expiry of the credit / prepaid contract term.</p> <p>Under IFRS 15, such breakages to be estimated at the contract inception and the revenue to be recognized over the period. Breakage rates are predicted when there is sufficient history to accurately determine historic breakage rates and that history is expected to be predictive of future breakage.</p>
Costs to obtain contracts / Costs to fulfill contracts	<p>The Group incurs costs that are solely incremental to</p> <ul style="list-style-type: none"> • obtaining contracts with customers (i.e. commission, sales incentives etc) • fulfilling the obligations under the contracts with customers (i.e. cost of devices, sub-contractor costs) and would not otherwise be incurred. 	<p>Previously, certain costs that were incurred in obtaining contracts (i.e. commission, sales incentives etc;) / fulfilling performance obligations under contracts with customers (i.e. cost of devices, sub-contractor costs) were charged to the consolidated statement of profit or loss as and when they were incurred.</p> <p>Under IFRS 15, all such costs that is incremental and incurred directly as a result of obtaining a contract or groups of contracts / fulfilling obligations under a contract with a customer to be capitalized and amortized over the contract term, to the extent that the Group intends to recover such balances.</p>

B. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement

The details of new significant accounting policies are set out below.

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit and Loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in consolidated statement of profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in consolidated statement of profit or loss. Any gain or loss on derecognition is recognized in consolidated statement of profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in consolidated statement of profit or loss. Other net gains and losses are recognized in consolidated statement of other comprehensive income. On derecognition, gains and losses accumulated in consolidated statement of other comprehensive income are reclassified to consolidated statement of profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in consolidated statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in consolidated statement of other comprehensive income and are never reclassified to consolidated statement of profit or loss.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the class of the Group's financial assets as at 1 January 2018.

Financial Assets	Original Classification under IAS 39	New classification under IFRS 9
Equity Investment	Available for Sale	Equity investments at FVOCI
Debt Investment	Held to maturity	Amortized cost
Trade Receivables	Loans and Receivables	Amortized cost
Cash and cash equivalents	Loans and Receivables	Amortized cost

ii. Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost or at FVOCI, accounts receivable and financial guarantee contracts. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Group applies the simplified approach to calculate impairment on accounts receivable and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rate based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognized when the credit risk on the financial instrument has not increased significantly since initial recognition.

The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if; i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information.

The Group recognizes an impairment loss or reversals in the consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in consolidated statement of comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

iii. Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - (i) the Group has transferred substantially all the risks and rewards of the asset, or
 - (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The following table summarizes the impact of adopting IFRS 15 and IFRS 9 on the Group's consolidated financial statements for the year ended 31 December 2018.

Impact on the consolidated statement of financial position

	As reported	Adjustment IFRS 15	Adjustment IFRS 9	Amounts without adoption of IFRS 15 & 9
Assets				
Non-current assets				
Property and equipment	22,183,775	-	-	22,183,775
Intangible assets	8,818,165	-	-	8,818,165
Capital advances	450,250	-	-	450,250
Investment in joint venture	1,483	-	-	1,483
Financial assets	7,271	-	-	7,271
Total non-current assets	31,460,944	-	-	31,460,944
Current assets				
Inventories	69,360	-	-	69,360
Contract assets	89,180	(89,180)	-	-
Accounts receivable	3,566,718	-	348,545	3,915,263
Due from related parties	58,215	-	-	58,215
Prepaid expenses and other assets	1,279,507	(73,115)	-	1,206,392
Other financial assets	1,000,000	-	-	1,000,000
Derivatives financial instruments	8,095	-	-	8,095
Cash and cash equivalents	1,032,850	-	-	1,032,850
Total current assets	7,103,925	(162,295)	348,545	7,290,175
Total assets	38,564,869	(162,295)	348,545	38,751,119
Equity and liabilities				
Equity				
Share capital	7,700,000	-	-	7,700,000
Statutory reserve	2,648,971	-	-	2,648,971
Retained earnings	3,543,131	(127,766)	348,545	3,763,910
Hedging reserve	(12,754)	-	-	(12,754)
Foreign currency translation reserve	(10,032)	-	-	(10,032)
Total shareholders' equity	13,869,316	(127,766)	348,545	14,090,095
Non-current liabilities				
Loans and notes payable	11,987,788	-	-	11,987,788
Provision for employees' end of service benefits	426,074	-	-	426,074
Deferred revenue	44,582	-	-	44,582
Deferred government grants income	141,604	-	-	141,604
Other financial liabilities	299,640	-	-	299,640
Provision for decommissioning liability	239,654	-	-	239,654
Total non-current liabilities	13,139,342	-	-	13,139,342
Current liabilities				
Loans and notes payable	1,033,891	-	-	1,033,891
Accounts payable	5,154,712	-	-	5,154,712
Contract liabilities	151,259	(151,259)	-	-
Due to related parties	47,399	-	-	47,399
Deferred revenue	1,270,979	118,407	-	1,389,386
Accrued expenses and other liabilities	3,369,261	-	-	3,369,261
Derivatives financial instruments	11,249	-	-	11,249
Provisions	433,455	-	-	433,455
Zakat provision	64,775	(1,677)	-	63,098
Deferred government grants income	19,231	-	-	19,231
Total current liabilities	11,556,211	(34,529)	-	11,521,682
Total liabilities	24,695,553	(34,529)	-	24,661,024
Total equity and liabilities	38,564,869	(162,295)	348,545	38,751,119

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

	As reported	Adjustment IFRS 15	Adjustment IFRS 9	Amounts without adoption of IFRS 15 & 9
Revenue	11,864,912	3,893	-	11,868,805
Cost of sales	(5,282,709)	(19,211)	-	(5,301,920)
Gross profit	6,582,203	(15,318)	-	6,566,885
Selling and marketing expenses	(1,286,397)	(49,851)	-	(1,336,248)
General and administrative expenses	(747,384)	-	-	(747,384)
Impairment loss on accounts receivable	(111,528)	-	72,046	(39,482)
Depreciation and amortization	(3,809,478)	-	-	(3,809,478)
Impairment loss on property and equipment	(118,333)	-	-	(118,333)
Other income	93,809	(1,929)	-	91,880
Operating profit / (loss)	602,892	(67,098)	72,046	607,840
Share in results of joint venture	755	-	-	755
Finance expenses	(799,239)	-	-	(799,239)
Finance income	35,282	-	-	35,282
(Loss) / profit before zakat	(160,310)	(67,098)	72,046	(155,362)
Zakat	37,644	1,677	-	39,321
(Loss) / profit for the year	(122,666)	(65,421)	72,046	(116,041)
Total comprehensive (loss) / income for the year	(170,367)	(65,421)	72,046	(163,742)

7 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The estimates used by the Group to present these amounts in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA reflect conditions at the reporting date.

The preparation of the Group's consolidated 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 key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

7.1 Provisions

(a) Impairment of accounts receivable

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

(b) Asset retirement obligation

In the course of the Group's activities, network and other assets are utilized on leased premises which are expected to have costs associated with decommissioning these assets and restoring the location where these assets are situated upon ceasing their use on those premises. The associated cash outflows, which are long-term in nature, are generally expected to occur at the dates of exit of the assets to which they relate. These decommissioning and restoration costs are calculated on the basis of the identified costs for the current financial year, extrapolated into the future based on management's best estimates of future trends in prices, inflation, and other factors, and are discounted to present value at a risk-adjusted rate specifically applicable to the liability. Forecasts of estimated future provisions are revised in light of future changes in business conditions or technological requirements.

The Group records these decommissioning and restoration costs as property and equipment and subsequently allocates them to expense using a systematic and rational method over the asset's useful life, and records the accretion of the liability as a charge to finance costs.

7.2 Financial risk management and financial instruments

The fair value of derivative instruments, investments in publicly traded and private companies, and equity instruments is determined on the basis of either prices in regulated markets or quoted prices provided by financial counterparties, or using valuation models which also take into account subjective measurements such as, cash flow estimates or expected volatility of prices.

7.3 Defined benefit obligations

The cost of defined benefit and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and are based on expected future inflation rates for the respective countries.

7.4 Impairment of goodwill

The impairment test on CGUs is carried out by comparing the carrying amount of CGUs and their recoverable amount. The recoverable amount of a CGU is the higher of its fair value, less costs to sell and its value in use. This complex valuation process used to determine fair value less costs to sell and/or value in use entails the use of methods such as the discounted cash flow method which uses assumptions to estimate cash flows. The recoverable amount depends significantly on the discount rate used in the discounted cash flow model as well as the expected future cash flows.

7.5 Property and equipment

(a) Useful lives of property and equipment

The useful life of each of the Group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation, experience with similar assets and application of judgment as to when the assets become available for use and the commencement of the depreciation charge.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease non-current assets.

(b) Allocation of costs

The Group enters into arrangements with certain of its key suppliers which may include the provision of multiple products and services including property and equipment, inventories and maintenance and other services across a number of reporting periods. Such arrangements may include the provision of free of charge assets and incentives which enable the Group to obtain further products and services at discounted values. Management aggregates, where appropriate, such arrangements and allocates the net cost of such an aggregation between the multiple products and services based on its best estimate of the fair value of the individual components. The cost of such components is capitalized or expensed according to the relevant accounting policy.

7.6 Zakat assessments

Provision for zakat and withholding taxes is determined by the Group in accordance with the requirements of the General Authority of Zakat and Tax ("GAZT") and is subject to change based on final assessments received from the GAZT. The Group recognizes liabilities for any anticipated zakat and withholding tax based on management's best estimates of whether additional zakat/taxes will be due. The final outcome of any additional amount assessed by the GAZT is dependent on the eventual outcome of the appeal process which the Group is entitled to. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences could impact the consolidated statement of profit or loss in the period in which such final determination is made.

7.7 Contingencies

The Group is currently involved in various legal proceedings. Estimates of the probable costs for the resolution of these claims, if any, have been developed in consultation with internal and external counsels handling the Group's defense in these matters and are based upon the probability of potential results. The Group's management currently believes that these proceedings will not have a material effect on the consolidated financial statements. It is

possible, however, that future results of operations could be materially affected depending on the final outcome of the proceedings.

7.8 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 consolidated 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 consolidated 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.

7.9 Revenue

(a) Identifying performance obligations in a bundled sale of devices and services

The Group analyses whether devices and services are capable of being distinct or not. The Group provides services that are either sold separately or bundled together with the sale of devices to a customer.

(b) Gross versus net presentation

When the Group sells goods or services as principal, revenue and related costs are reported on a gross basis in revenue and operating cost. If the Group sells goods or services as an agent, revenue and related costs are recorded in revenue on a net basis, representing the margin earned.

Whether the Group is principal or agent, depends on whether the control of goods or services is transferred to customers, and it has the ability to direct the use of the devices or obtain benefits from the devices or service. Below is the key criteria to determine whether the Group is acting as a principal:

- The Group has the primary responsibility for providing the goods or services to the customer or for fulfilling the order, for example by being responsible for the acceptability of the products or services ordered or purchased by the customer;
- The Group has inventory risk before or after the customer order, during shipping or on return; and
- The Group has latitude in establishing prices, either directly or indirectly, for example by providing additional goods or services.

(c) Consideration of significant financing component in a contract

The Group analyses significant financing component in a contract where payment terms are exceeding more than one year for the date of services rendered. In determining the interest to be applied to the amount of consideration, the Group uses discount rate as appropriate in the circumstances.

(d) Determining whether the loyalty points provide material rights to customers

The Group assessed whether the loyalty points provide a material right to the customer that needs to be accounted for as a separate performance obligation. The Group determined that the loyalty points provide a material right that the customer would not receive without entering into

the contract. The free products or services the customer would receive by exercising the loyalty points do not reflect the stand-alone selling price that a customer without an existing relationship with the Group would pay for those products or services.

8 PROPERTY AND EQUIPMENT

	Land	Buildings	Leasehold improve- ments	Telecom- munication network equipment	Computer equipment and software	Office equipment and furniture	Vehicles	Capital work in progress	Total
Cost:									
At 1 January 2018	274,710	1,177,409	839,589	37,692,535	5,149,327	503,489	3,046	746,077	46,386,182
Additions	-	1,357	26,603	2,000,761	309,361	8,247	-	2,638	2,348,967
Adjustments	-	-	-	-	-	-	-	(10,568)	(10,568)
Reclassification	-	(3,559)	-	-	2,794	765	-	-	-
Transfers	-	60,401	9,405	593,453	71,191	-	-	(734,450)	-
Disposals	(1,518)	(52)	(39,199)	(52,647)	(19,060)	(75,281)	-	(148)	(187,905)
At 31 December 2018	273,192	1,235,556	836,398	40,234,102	5,513,613	437,220	3,046	3,549	48,536,676
Depreciation and impairment:									
At 1 January 2018	-	237,709	666,733	17,944,559	3,631,585	474,849	2,406	-	22,957,841
Charge for the year	-	66,428	41,970	2,739,237	585,398	23,056	232	-	3,456,321
Impairment	-	-	-	113,482	4,851	-	-	-	118,333
Reclassification	-	(427)	-	-	(338)	765	-	-	-
Disposals	-	(22)	(35,463)	(50,408)	(18,420)	(75,281)	-	-	(179,594)
At 31 December 2018	-	303,688	673,240	20,746,870	4,203,076	423,389	2,638	-	26,352,901
Net book value:									
At 31 December 2018	273,192	931,868	163,158	19,487,232	1,310,537	13,831	408	3,549	22,183,775
At 31 December 2017	274,710	939,700	172,856	19,747,976	1,517,742	28,640	640	746,077	23,428,341

The Group has capitalized borrowing costs during the year ended 31 December 2018 amounting to SR 10 million (31 December 2017: SR 106 million) and internal technical salaries amounting to SR 176 million (31 December 2017: SR 169 million).

The Group has reviewed the estimated useful lives and residual value of property and equipment during the year ended 31 December 2018, which resulted in change in the estimate of certain items. The effect of these changes on actual and expected depreciation expense, was as follows:

	2018	2019	2020	2021	2022	Later
Increase / (Decrease) in depreciation expense (SR million)	107	(146)	(134)	(66)	(50)	289

9 INTANGIBLE ASSETS

	Telecommunication services licenses	Goodwill	Indefeasible Right of Use (IRU)	Others	Total
Cost:					
1 January 2018	13,083,795	1,466,865	1,120,745	97,689	15,769,094
Additions	450,305	-	30,470	-	480,775
31 December 2018	13,534,100	1,466,865	1,151,215	97,689	16,249,869
Amortization:					
1 January 2018	6,541,997	-	438,861	97,689	7,078,547
Charge for the year	270,175	-	82,982	-	353,157
31 December 2018	6,812,172	-	521,843	97,689	7,431,704
Net book value:					
At 31 December 2018	6,721,928	1,466,865	629,372	-	8,818,165
At 31 December 2017	6,541,798	1,466,865	681,884	-	8,690,547

9.1 GOODWILL

Goodwill acquired through business combinations is allocated as follows:

	31 December 2018	31 December 2017
Bayanat Al-Oula for Network Services Company	1,466,865	1,466,865

The Group has tested separately recognized goodwill for impairment. The recoverable amount has been determined based on value-in-use, using discounted cash flow analysis. The cash flow projections are based on approved budget. The discount rate used is 10% and terminal value growth rate of 1.5%.

The recoverable amount of the CGU as at 31 December 2018 amounted to SR 13.8 billion (31 December 2017: SR 17.4 billion) has been determined based on a value-in-

use calculation using cash flow projections from financial budgets covering a five years period. The pre-tax discount rate applied to cash flow projections is 10% (31 December 2017: 10%) and cash flows beyond the 5 years period are extrapolated using a 1.5% growth rate (31 December 2017: 1.5%). It was concluded that the carrying value of the goodwill has not exceeded the value-in-use. As a result of this analysis, management has not recognized any impairment loss.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for telecommunications and network equipment are most sensitive to the following assumptions:

- Discount rate
- Terminal growth rate

Discount rate

Discount rate represents the current market assessment of the risks specific to each cash generating unit and calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service and segment-specific risk is incorporated. The pre-tax discount rate used is 10% (31 December 2017: 10%).

Terminal growth rate

The growth rate used does not exceed the long term average growth rates of the entity. This rate assumed 1.5% (31 December 2017: 1.5%).

Sensitivity to changes in assumptions

The implications of the key assumptions for the recoverable amount are discussed below:

Discount rate

A rise in the pre-tax discount rate beyond 23% (i.e., +13 %) (31 December 2017: 32% (i.e., +22 %)) in the CGU would result in an impairment loss.

Terminal growth rate

Management recognizes that the speed of technological changes and the possibility of new entrants can have a significant impact on terminal growth rate assumptions. The effect of new entrants is not expected to have an adverse impact on the forecasts, but could yield a reasonably possible alternative to the estimated long-term growth rate of 1.5%. A reduction to 0% (31 December 2017: 0%) in the long-term growth rate would not result in an impairment loss.

10 INVENTORIES

	31 December 2018	31 December 2017
Handsets and Customer premises equipment	259,434	377,648
SIM cards	32,772	38,159
Prepaid vouchers and scratch cards	9,886	7,569
	302,092	423,376
Less: provision for inventory obsolescence	(232,732)	(282,794)
	69,360	140,582

The movement of the provision for inventory obsolescence is as follows:

	31 December 2018	31 December 2017
Balance at the beginning of the year	(282,794)	(324,793)
Reversal during the year	47,056	8,942
Written off during the year	3,006	33,057
Balance at the end of the year	(232,732)	(282,794)

11 ACCOUNTS RECEIVABLE

	31 December 2018	31 December 2017
Accounts receivable	5,591,274	5,319,077
Less: provisions for doubtful debts	(2,024,556)	(1,636,529)
	3,566,718	3,682,548

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

	31 December 2018	31 December 2017
Balance at the beginning of the year	(1,636,529)	(2,710,913)
Adjustment on application of IFRS 9	(276,499)	-
Balance at the beginning of the year (adjusted)	(1,913,028)	(2,710,913)
Charge for the year	(111,528)	(233,896)
Written off during the year	-	1,308,280
Balance at the end of the year	(2,024,556)	(1,636,529)

12 RELATED PARTIES TRANSACTIONS AND BALANCES

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

Party	Relationship
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:

	31 December 2018	31 December 2017
Interconnection services and roaming services rendered	119,544	102,338
Interconnection services and roaming services received	365,703	147,491
Management fees	-	22,524
Other management expenses	29,673	28,670
Telecommunication services	4,079	4,224
Other services	-	2,512

Balances with related parties	31 December 2018	31 December 2017
Balance due from	58,215	52,419
Balance due to	47,399	92,590

Compensation and benefits to key management personnel

	31 December 2018	31 December 2017
Short term employee benefits	66,974	54,155
Post-employment benefits	2,428	1,884
Total compensation and benefits to key management personnel	69,402	56,039

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.

13 PREPAID EXPENSES AND OTHER ASSETS

	31 December 2018	31 December 2017
Prepaid expenses	303,689	342,782
Accrued revenues	177,324	218,660
Deferred costs	389,372	227,634
Advance payments to trade suppliers	92,809	78,430
Others	316,313	558,553
	1,279,507	1,426,059

14 OTHER FINANCIAL ASSETS

Financial asset at amortized cost represents placements in banks at different profit rates and with maturities between three months to one year. Interest income arising from

these held to maturity investments are reported under finance income in the consolidated statement of profit or loss.

15 CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash on hand	728	1,033
Cash at banks	582,122	1,191,148
Short-term deposits	450,000	-
	1,032,850	1,192,181

16 LOANS AND NOTES PAYABLE

	31 December 2018	31 December 2017
Long-term loans	13,021,679	14,879,672
Less: current portion	(1,033,891)	(1,410,638)
Non-current	11,987,788	13,469,034

a) Maturity profile of loans and notes payable:

	31 December 2018	31 December 2017
Less than one year	1,033,891	1,410,638
Between one to five years	8,704,052	8,380,034
Over five years	3,283,736	5,089,000

b) The details of loans and notes payable as at 31 December 2018 are as follows:

Lender	Borrowing Company	Loan nature	Borrowing Purpose	Date issue	Currency	Principal amount
Local banks Syndicated	Mobily	Long-term refinancing facility agreement Sharia' compliant	Refinancing the maturing obligations under Airtime and Bayanat Facilities	Q1, 2017	Saudi Riyals	Saudi Riyals 7,889 million
Export Credit Agency of Finland (Finnvera)	Mobily	Long-term financing agreement Sharia' compliant	Acquiring network equipment from Nokia Siemens Networks (NSN) and Ericsson to upgrade and enhance the infrastructure capabilities, introduce new technologies, and strengthen the Company's competitiveness in the business segment	Q3, 2013, Q1, 2014 and Q4, 2018,	USD Dollars	USD 725 million (Saudi Riyals 2,719 million)
Swedish Export Credit Corporation (EKN)	Mobily	Long-term financing agreement Sharia' compliant	Acquiring network equipment from Nokia Siemens Networks (NSN) and Ericsson to upgrade and enhance the infrastructure capabilities, introduce new technologies, and strengthen the Company's competitiveness in the business segment	Q3, 2013, Q1, 2014 and Q4, 2018,	USD Dollars	USD 653 million (Saudi Riyals 2,447 million)
Saudi Investment Bank	Mobily	Long-term financing agreement Sharia' compliant	Financing the Company's working capital requirements	Q1, 2014	Saudi Riyals	Saudi Riyals 1,500 million
CISCO Systems International	Mobily	Vendor financing agreement	Acquiring CISCO network equipment and software solutions	Q3, 2016	US Dollars	USD 135 million (Saudi Riyals 506.8 million)
Export Development of Canada (EDC)	Mobily	Long-term financing agreement Sharia' compliant	Acquiring a telecommunication devices and equipment from Alcatel-Lucent	Q2, 2014	US Dollars	USD 122 million (Saudi Riyals 458 million)
Other debts (promissory notes and discounted invoices)	Mobily	Vendor Financing	Vendor financing	-	Saudi Riyals	Saudi Riyals 1,090 million
Al-Rajhi Bank	Mobily	Mid-term financing agreement Sharia' compliant	Financing its capital expenditures and working capital requirements	Q1, 2016	Saudi Riyals	Saudi Riyals 400 million
Alinma Bank	Mobily	Long-term financing agreement Sharia' compliant	Financing its capital expenditures and working capital requirements	Q4, 2016	Saudi Riyals	Saudi Riyals 2,000 million
Total						

Utilized amount	Profit rate	Payment terms	Period	Current portion	Long-term portion	Total	Other terms
Saudi Riyals 7,889 million	Murabaha rate is based on SIBOR plus a fixed profit margin	Semi-annual repayments	7 years	Saudi Riyals 180 million	Saudi Riyals 7,623 million	Saudi Riyals 7,803 million	Utilization period of 2 years, repayment period of 5 years
USD 595 million (Saudi Riyals 2,229 million)	Fixed rate per annum	Semi-annual repayments	10 years	Saudi Riyals 280 million	Saudi Riyals 1,152 million	Saudi Riyals 1,432 million	Utilization period of 1.5 years, repayment period of 8.5 years
USD 584 million (Saudi Riyals 2,190 million)	Fixed rate per annum	Semi-annual repayments	10 years	Saudi Riyals 238 million	Saudi Riyals 1,044 million	Saudi Riyals 1,282 million	Utilization period of 1.5 years, repayment period of 8.5 years
Saudi Riyals 1,500 million	Murabaha rate is based on SIBOR plus a fixed profit margin.	Semi-annual repayments	7.5 years	Saudi Riyals -5 million	Saudi Riyals 668 million	Saudi Riyals 663 million	Utilization period of 6 months, repayment period of 7 years
USD 131.90 million (Saudi Riyals 495.15 million)	Fixed rate	Semi-annual repayments	3 years	Saudi Riyals 5 million	Saudi Riyals 10 million	Saudi Riyals 15 million	Utilization period of 6 months, repayment period of 3 years
USD 101 million (Saudi Riyals 377 million)	Fixed rate per annum	Semi-annual repayments	10.5 years	Saudi Riyals 41 million	Saudi Riyals 206 million	Saudi Riyals 247 million	Utilization period of 2 years, repayment period of 8.5 years
Saudi Riyals 1,090 million	-	Sporadic payments	3 years	Saudi Riyals 96 million	-	Saudi Riyals 96 million	Various repayment tenors
Saudi Riyals 400 million	Murabaha rate is based on SIBOR plus a fixed profit margin	Annual repayment	3.5 years	Saudi Riyals 200 million	-	Saudi Riyals 200 million	Repayment period of 3.5 years
Saudi Riyals 1,300 million	Murabaha rate is based on SIBOR plus a fixed profit margin	Semi-annual repayments	10 years	Saudi Riyals -2 million	Saudi Riyals 1,286 million	Saudi Riyals 1,284 million	Utilization period of 4 years, repayment period of 6 years
				Saudi Riyals 1,033 million	Saudi Riyals 11,989 million	Saudi Riyals 13,022 million	

c) Reconciliation of movement of liabilities to cash flows arising from financing activities;

	Loans and notes payable	Non-controlling interest	Total
Balance as 1 January 2018	14,879,672	-	14,879,672
Changes from financing activities			
Proceeds from loans and notes payable	614,305	-	614,305
Payment of loans and notes payable	(2,500,081)	-	(2,500,081)
Total changes from financing activities	(1,885,776)	-	(1,885,776)
Other changes			
Finance expenses	799,239	-	799,239
Unwind of discount	(28,279)	-	(28,279)
Finance expenses paid	(711,711)	-	(711,711)
Capitalized borrowing cost	10,167	-	10,167
Payment of upfront fees	(40,834)	-	(40,834)
Accrued interest payable movement	(799)	-	(799)
Total liability related to other changes	27,783	-	27,783
Balance as 31 December 2018	13,021,679	-	13,021,679

	Loans and notes payable	Non-controlling interest	Total
Balance as 1 January 2017	15,208,753	1,500	15,210,253
Changes from financing activities			
Proceeds from loans and notes payable	9,270,506	-	9,270,506
Payment of loans and notes payable	(9,559,722)	-	(9,559,722)
Non-controlling interest	-	(1,500)	(1,500)
Total changes from financing activities	(289,216)	(1,500)	(290,716)
Other changes			
Finance expenses	678,443	-	678,443
Unwind of discount	(9,905)	-	(9,905)
Finance expenses paid	(652,573)	-	(652,573)
Capitalized borrowing cost	105,560	-	105,560
Payment of upfront fees	(145,480)	-	(145,480)
Accrued interest payable movement	(15,910)	-	(15,910)
Total liability related to other changes	(39,865)	-	(39,865)
Balance as 31 December 2017	14,879,672	-	14,879,672

17 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

The Group has a post-employment defined benefit plan. The benefits are required by Saudi Labor and Workman Law. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The following table summarizes the components of the net benefit expense recognized in the consolidated statement of profit or loss and consolidated statement of comprehensive income and amounts recognized in the consolidated statement of financial position.

Net expense recognized in consolidated statement of profit or loss:

	31 December 2018	31 December 2017
Service cost	35,288	47,482
Interest cost	15,297	13,461
	50,585	60,943

Movement of provision for employees' end of service benefits recognized in the consolidated statement of financial position is as follows:

	31 December 2018	31 December 2017
Balance at the beginning of the year	379,412	342,742
Charge recognized in consolidated statement of profit or loss	50,585	60,943
Actuarial loss /(gain) recognized in the consolidated statement of comprehensive income	31,832	(5,604)
Benefits paid	(35,755)	(18,669)
Balance at the end of the year	426,074	379,412

Significant assumptions used in determining the provision for employees' end of service benefits includes the following (weighted average):

	31 December 2018	31 December 2017
Discount rate	4.7%	4.3%
Future salary increase rate	2.3%	2%
Death while in service	0%	0%
Withdrawal before normal retirement life	3.5%	5%

Reasonably possible change to one of the relevant actuarial assumptions holding other assumptions constant would have affected the provision for employees' end of service benefits by the following amounts:

Sensitivity Level	31 December 2018		31 December 2017	
	Increase of 1%	Decrease of 1%	Increase of 1%	Decrease of 1%
Discount rate	(47,347)	54,602	(39,878)	47,948
Future salary increase rate	57,918	(45,830)	3,593	(3,206)

The sensitivity analysis above may not be representative of an actual change in provision for employees' end of service benefits as it is unlikely that changes in assumptions would occur in isolation of one another.

At 31 December 2018, the weighted-average duration of the defined benefit plan was 13.01 years (2017: 13.95 years).

18 DEFERRED GOVERNMENT GRANTS INCOME

The Group benefited from certain subsidies by Communication and Information Technology Commission under Universal Service Fund service agreement. These subsidies were conditional on implementation of network services in the mandatory service locations. They were initially recognized as deferred government grants income and are being amortized over the useful life of the underlying network assets.

19 PROVISION FOR DECOMMISSIONING LIABILITY

	31 December 2018	31 December 2017
Balance at the beginning of the year	221,518	209,374
Additions during the year	6,735	3,030
Unwind of discount	12,396	9,905
Utilization during the year	(995)	(791)
Balance at the end of the year	239,654	221,518

20 ACCOUNTS PAYABLE

	31 December 2018	31 December 2017
Capital expenditure payable	1,895,825	1,882,783
Trade accounts payable	3,258,887	2,812,719
	5,154,712	4,695,502

21 ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2018	31 December 2017
Accrued telecommunication expenses	1,365,069	856,049
Accrued services and maintenance expenses	412,165	327,160
Accrued selling and marketing expenses	368,302	435,043
Others	1,223,725	1,108,020
	3,369,261	2,726,272

22 ZAKAT PROVISION

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. The Group has received zakat assessments for the years 2007 through 2011 that showed additional zakat and withholding tax assessments of SR 317 million and SR 237 million respectively, which have been appealed 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.

22.1 CALCULATION OF ADJUSTED NET LOSS

	31 December 2018	31 December 2017
Loss before zakat	(160,310)	(647,531)
Provisions	(656,262)	(1,028,657)
Adjusted net loss for the year	(816,572)	(1,676,188)

22.2 ZAKAT BASE CALCULATION

The significant components of the zakat base under zakat regulations are principally comprised of the following:

	Note	31 December 2018	31 December 2017
Adjusted net loss for the year	22.1	(816,572)	(1,676,188)
Shareholder's equity at beginning of the year		14,260,754	14,964,091
Provisions at beginning of the year		4,012,732	4,763,820
Loans and notes payable		13,021,679	14,879,672
Other additions		2,337,068	1,995,283
Property and equipment and intangible assets		(31,001,940)	(32,118,888)
Other deductions		(457,521)	(867,175)
Total zakat base		1,356,200	1,940,615

Zakat is payable at 2.5 percent of zakat base.

22.3 PROVISION FOR ZAKAT

	31 December 2018	31 December 2017
Balance at the beginning of the year	48,878	54,518
Charge during the year *	59,619	61,410
Payments during the year	(43,722)	(67,050)
Balance at the end of the year	64,775	48,878

* Zakat charge for the year 2018 includes an amount of SR 97.2 million, which represents remaining reversal of the excess zakat paid to GAZT as a result of the restatement of consolidated financial statements for the years 2013 and 2014. The Company has submitted revised zakat returns for the said years during 2016.

23 CONTRACT BALANCES

	31 December 2018	1 January 2018*
Contract assets	89,180	67,140
Contract liabilities	(151,259)	(175,883)
	(62,079)	(108,743)

* The Group has adopted IFRS 15 using the cumulative effect method with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 January 2018).

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

The contract liabilities primarily relate to the unredeemed customer loyalty points and the advance consideration received from customers for which revenue is recognized over time.

Significant change in the contract assets and contract liabilities balances during the period are as follows:

	2018	
	contract assets	contract liabilities
Revenue recognized that was included in the contract liability balance at the beginning of the period	-	173,028
Increase due to cash received, excluding amounts recognized as revenue during the period	-	(148,404)
Transfer from contact assets recognized at the beginning of the period	(67,140)	-
Increase as a result of change in the measure of the progress	89,180	-
	22,040	24,624

24 FINANCIAL ASSETS AND LIABILITIES

24.1 FINANCIAL ASSETS

	31 December 2018	31 December 2017
Financial assets at fair value:		
Financial assets - fair value through other comprehensive income *	7,271	7,271
Derivatives financial instruments**	8,095	-
Total financial assets at fair value	15,366	7,271
Financial assets at amortized cost:		
Accounts receivables	3,566,718	3,682,548
Due from related parties	58,215	52,419
Other financial assets	1,000,000	1,000,000
Cash and cash equivalents	1,032,850	1,192,181
Total financial assets at amortized cost	5,657,783	5,927,148
Total financial assets	5,673,149	5,934,419
Current financial assets	5,665,878	5,927,148
Non-current financial assets	7,271	7,271
Total financial assets	5,673,149	5,934,419

* 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.

24.2 FINANCIAL LIABILITIES

	31 December 2018	31 December 2017
Financial liabilities at fair value:		
Derivatives financial instruments*	11,249	-
Total financial liabilities at fair value	11,249	-
Financial liabilities at amortized cost:		
Loans and notes payable	13,021,679	14,879,672
Accounts payable	5,154,712	4,695,502
Due to related parties	47,399	92,590
Other financial liabilities	299,640	-
Total financial liabilities at amortized cost	18,523,430	19,667,764
Total financial liabilities	18,534,679	19,667,764
Current financial liabilities	6,247,251	6,198,730
Non-current financial liabilities	12,287,428	13,469,034
Total financial liabilities	18,534,679	19,667,764

* 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.

At 31 December 2018, the Group had financial derivatives that were designated as cash flow hedge instruments to cover cash flow fluctuations arising from profit rates that are subject to market price fluctuations.

At 31 December 2018, the Group had profit rate swap and profit rate CAP agreements in place with a total notional amount of SAR 2,000 million.

Level 2 derivative financial instruments, these derivatives are valued using widely recognized valuation models. The Group relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparties include the use of forward pricing standard models using present value calculations and mid-market

valuations. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices.

24.3 RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and hedges when appropriate, financial risks in close co-operation with the Group's operating units.

24.3.1 CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk principally from Cash and cash equivalents, accounts receivable, due from a related party, other financial assets and derivative financial instruments.

The carrying amount of financial assets represents the maximum credit exposure.

Cash and cash equivalents and other financial assets

Cash and cash equivalents and other financial asset are held with counterparties with sound credit ratings. The Group regularly updates its cash flow and, where appropriate, places any excess cash on short-term investments with reputable financial institutions.

Accounts receivable

The Group has established a credit policy under which credit assessment is being made to check the credit worthiness of major customers prior to signing the contracts/accepting their purchase orders.

The receivables are shown net of allowance for impairment of trade receivables. The Group applies the simplified approach to calculate impairment on accounts receivable and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rate based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Credit and Collection Operations provide inputs on the aging of financial assets on a periodic basis.

The Group has two major customers representing 34% of total accounts receivable as at 31 December 2018 (31 December 2017: 29%). The rest of the balances do not have significant concentration of credit risk, with exposure spread over large number of counterparties and customers.

As at 31 December, the age analysis of net accounts receivable is as follows:

	31 December 2018	31 December 2017
Current	641,897	607,636
Within two months	610,391	553,916
From two months to three months	149,297	169,226
More than three months	2,165,133	2,351,770
	3,566,718	3,682,548

24.3.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Group's reputation.

The management closely and continuously monitors the liquidity risk by performing regular review of available funds, present and future commitments, operating and capital expenditure. Moreover, the Group monitors the actual cash flows and seeks to match the maturity dates of its financial assets and its financial liabilities.

The Group seeks continuously to comply with its legal obligations, including any, relating to its financing agreements.

The following represents the maturities of financial liabilities at the reporting date based on undiscounted contractual cash flows:

	Less than one year	1 to 5 years	More than 5 years	Total contractual cash flows	Carrying amount
At 31 December 2018					
Loans and notes payable	1,697,387	10,480,937	3,434,230	15,612,554	13,021,679
Accounts payable	5,154,712	-	-	5,154,712	5,154,712
Due to related parties	47,399	-	-	47,399	47,399
Other financial liabilities	-	194,193	192,499	386,692	299,640
Derivatives financial instruments	11,249	-	-	11,249	11,249
	6,910,747	10,675,130	3,626,729	21,212,606	18,534,679
At 31 December 2017					
Loans and notes payable	2,201,319	10,321,059	5,799,298	18,321,676	14,879,672
Accounts payable	4,695,502	-	-	4,695,502	4,695,502
Due to related parties	92,590	-	-	92,590	92,590
	6,989,411	10,321,059	5,799,298	23,109,768	19,667,764

24.3.3 MARKET RISK

Market risk is the risk that changes in market prices such as foreign exchange rates, profit rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. The Saudi Riyal is pegged to the US Dollar.

The management closely and continuously monitors the exchange rate fluctuations. Based on its experience and market feedback, the management does not believe it is

necessary to hedge the effect of foreign exchange risks as most of the transactions of foreign currency risk is relatively limited in the medium term.

Profit rates risk

Profit rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market profit rates. The Group's exposure to market risk for changes in profit rates relates primarily to the Group's borrowings which were acquired to finance working capital requirements and capital expenditure. These borrowings are re-priced on a periodic basis and expose the Group to profit rate risk. The Group's practice is to manage its financing cost through optimizing available cash and minimizing borrowings.

The Group seeks to ensure that on the medium term a significant portion of its borrowings is at a fixed rate. This is achieved partly by entering into fixed rate instruments and

partly by borrowing at a floating rate and using profit rate swaps and profit rate caps as hedges of the variability in cash flows attributable to movements in profit rates.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference profit rates, tenors, re-pricing dates, maturities and the notional amounts.

25 CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group monitors its capital base using a ratio of Net debt to Equity. Net debt is calculated as loans and notes payable and other financial liabilities less cash and cash equivalents and other financial assets.

The Group's Net debt to Equity ratio at the end of the year is as follows:

	31 December 2018	31 December 2017
Loans and notes payable and other financial liabilities	13,321,319	14,879,672
Less: Cash and cash equivalents and other financial assets	(2,032,850)	(2,192,181)
Net debt	11,288,469	12,687,491
Total equity	13,869,316	14,253,837
Net debt to Equity	0.81	0.89

26 STATUTORY RESERVE

In accordance with the Company's By-Laws, the Company establishes at every financial year end a statutory reserve by

the appropriation of 10% of the annual net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

27 REVENUE

	Consumer	Business	Wholesale	Outsourcing	Total
31 December 2018					
Usage	6,936,485	581,108	707,493	-	8,225,086
Activation and subscription fees	2,066,868	352,262	-	-	2,419,130
Others	580,742	404,894	108,768	126,292	1,220,696
	9,584,095	1,338,264	816,261	126,292	11,864,912
31 December 2017					
Usage	7,319,945	575,045	562,430	-	8,457,420
Activation and subscription fees	1,716,305	399,105	-	-	2,115,410
Others	423,638	150,473	114,552	89,808	778,471
	9,459,888	1,124,623	676,982	89,808	11,351,301

28 COST OF SALES

	31 December 2018	31 December 2017
Network access charges	1,344,506	1,666,480
Rental and maintenance of network equipment expenses	1,388,208	1,333,061
Cost of utilized inventories	769,367	626,430
Government contribution fees in trade earnings	1,016,608	679,395
Frequency wave fees	176,390	154,019
National transmission and interconnection costs	102,254	110,277
License fees	102,165	49,339
Provision for inventory obsolescence	(50,062)	(8,942)
Others	433,273	210,935
	5,282,709	4,820,994

29 SELLING AND MARKETING EXPENSES

	31 December 2018	31 December 2017
Advertisement, promotion and sales commissions	585,883	466,500
Salaries, wages and employee benefits	613,079	687,573
Flagships rental expenses	87,435	80,030
	1,286,397	1,234,103

30 GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2018	31 December 2017
Salaries, wages and employees' benefits	769,793	638,354
Maintenance	279,041	333,722
Rentals	84,902	86,701
Consulting and professional services	139,175	79,753
Management fees	(22,524)	22,524
Travel and transportation	18,774	16,318
Board of Directors' remunerations and allowances	3,121	5,050
Others	(524,898)	267,450
	747,384	1,449,872

31 FINANCE EXPENSES

	31 December 2018	31 December 2017
Financing cost	770,960	668,538
Unwind of discount	28,279	9,905
	799,239	678,443

32 BASIC AND DILUTED LOSS PER SHARE

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

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

	31 December 2018	31 December 2017
Loss for the year	(122,666)	(708,941)
Weighted average number of shares	770,000	770,000
Basic and diluted loss per share (in SR)	(0.16)	(0.92)

33 COMMITMENTS AND CONTINGENCIES

33.1 Commitments

Operating lease commitments – Group as lessee

The Group has entered into various commercial leases. Future minimum rentals payable are as follows:

	31 December 2018	31 December 2017
Within one year	326,956	361,138
After one year but not more than five years	1,336,229	901,771
More than five years	636,757	243,752

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 consolidated statement of financial position date in the amount of SR 1.2 billion as at 31 December 2018 (31 December 2017: SR 1.97 billion).

33.2 Contingent liabilities

The Group had contingent liabilities in the form of letters of guarantee and letters of credit amounting to SR 769 million as at 31 December 2018 (31 December 2017: SR 717 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 (800) lawsuits filed by the Group against CITC amounting to SR 708 million as of 31 December 2018.
- The Board of Grievance has issued (223) verdicts in favor of the Group voiding (223) resolutions of the CITC's violation committee with a total penalties amounting to SR 477 million as of 31 December 2018.
- Some of these preliminary verdicts have become conclusive (after they were affirmed by the appeal court) cancelling penalties with a total amounting to SR 472 million as of 31 December 2018.

Management and the Board of Directors believe that, based on the status of these lawsuits as of 31 December 2018, adequate and sufficient provisions have been recorded.

The Group had (11) legal cases filed against CITC in relation to the mechanism of calculating the governmental fees. On 15 December 2018, the Group entered into an agreement with the Ministry of Finance, the Ministry of Telecommunications and Information Technology and CITC to settle all the old disputes in connection with governmental fees up to 31 December 2017 and to define a new investment framework for the development of its telecommunication infrastructure. As a result of this settlement, all provisions related to the legal cases in connection with the mechanism of calculating the governmental fees have been reversed.

Furthermore, there are 179 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 (149) final verdicts in its favor and (11) dismissals while (2) cases have been abandoned and (12) cases are on-going as of 31 December 2018.

34 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.

	31 December 2018	31 December 2017
Consumer revenues	9,584,095	9,459,888
Business revenues	1,338,264	1,124,623
Wholesale revenues	816,261	676,982
Outsourcing revenues	126,292	89,808
Total revenue	11,864,912	11,351,301
Total cost of sales	(5,282,709)	(4,820,994)
Total operating expense	(2,051,500)	(2,884,681)
Depreciation and amortization	(3,809,478)	(3,626,355)
Impairment loss on property and equipment	(118,333)	-
Total non-operating expense	(763,202)	(666,802)
Capital expenditures	2,819,174	2,268,293

35 COMPARATIVE FIGURES

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

band 2600 MHz spectrum for a period of 15 years starting from 1 January 2020, to be paid in an equal installment during 15 years starting from 1 January 2020.

36 SUBSEQUENT EVENT

On 22 January 2019 (corresponding to 16 Jumada I 1440 H) the Company acquired 100 MHz bandwidth in the

IMPRINT

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Tadawul code:

7020 (Etihad Etisalat)

Bloomberg code:

EEC AB

RIC (Reuters Instrument Code):

7020.SE

Concept and text:

Instinctif Partners
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