موبايلي
Mobily

Gaining Momentum

Annual Report 2019

As we launch our new GAIN corporate strategy, designed to propel the Company for faster, more profitable growth over the coming years, we remain committed to delivering increasing value for Shareholders, customers and employees, while aligning with the Kingdom's Vision 2030 and ICT Strategy 2023.

2019 at a glance

A snapshot of Mobily's financial and operating highlights for a year of transformation and accelerating growth.

Vision

Empower the Digital Economy to Unlock Possibilities

Empower: our winning role in the envisioned future

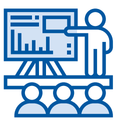
The Digital Economy: The long-term future that we envision

To Unlock Possibilities: the value we add to this envisioned future

Values

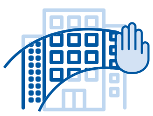
Agile

We are open, flexible, and make every second count.



Courageous

We are brave enough to take bold steps and determined to see them through.



Clear

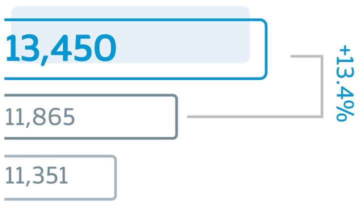
We keep things black and white.

Caring

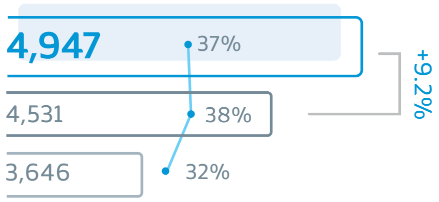
We treat you as an individual and value diversity in thought and perspective.

Financial highlights

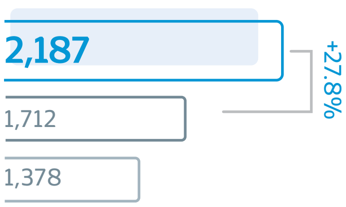
Revenues



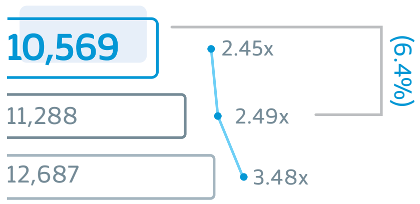
EBITDA and EBITDA margin



Operational Cash Flow (EBITDA-CAPEX)



Deleveraging (Net Debt and Net Debt/EBITDA)



Net profit/ (Loss)

(SAR million) 2019

(SAR million) 2018

(SAR million) 2017

Margin

Highest annual revenues in the last
4 years

Highest annual EBITDA in the last
6 years

First net profit in the last
5 years

Net debt to EBITDA ratio at under
2.45x

Operating highlights

Appointment of new Saudi national
CEO & CFO

+70%
Mobile Download Speeds for Hajj

SAR 7.6 billion
Murabaha Facility Refinancing

5G Network
Rollout Began

+ 17pt.
Employee Engagement Score

#1
in Social Media Response Time*

#1
Customer Care Ranking*

New Vision, Strategy and Corporate Values

*Source: CITC reports

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Overview

About Mobily

As the winning bidder for Saudi Arabia's second Global System for Mobile communications (GSM) license in 2004, Etihad Etisalat (Mobily) was established 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 (6.91%). The remaining shares are owned by institutional and retail investors.

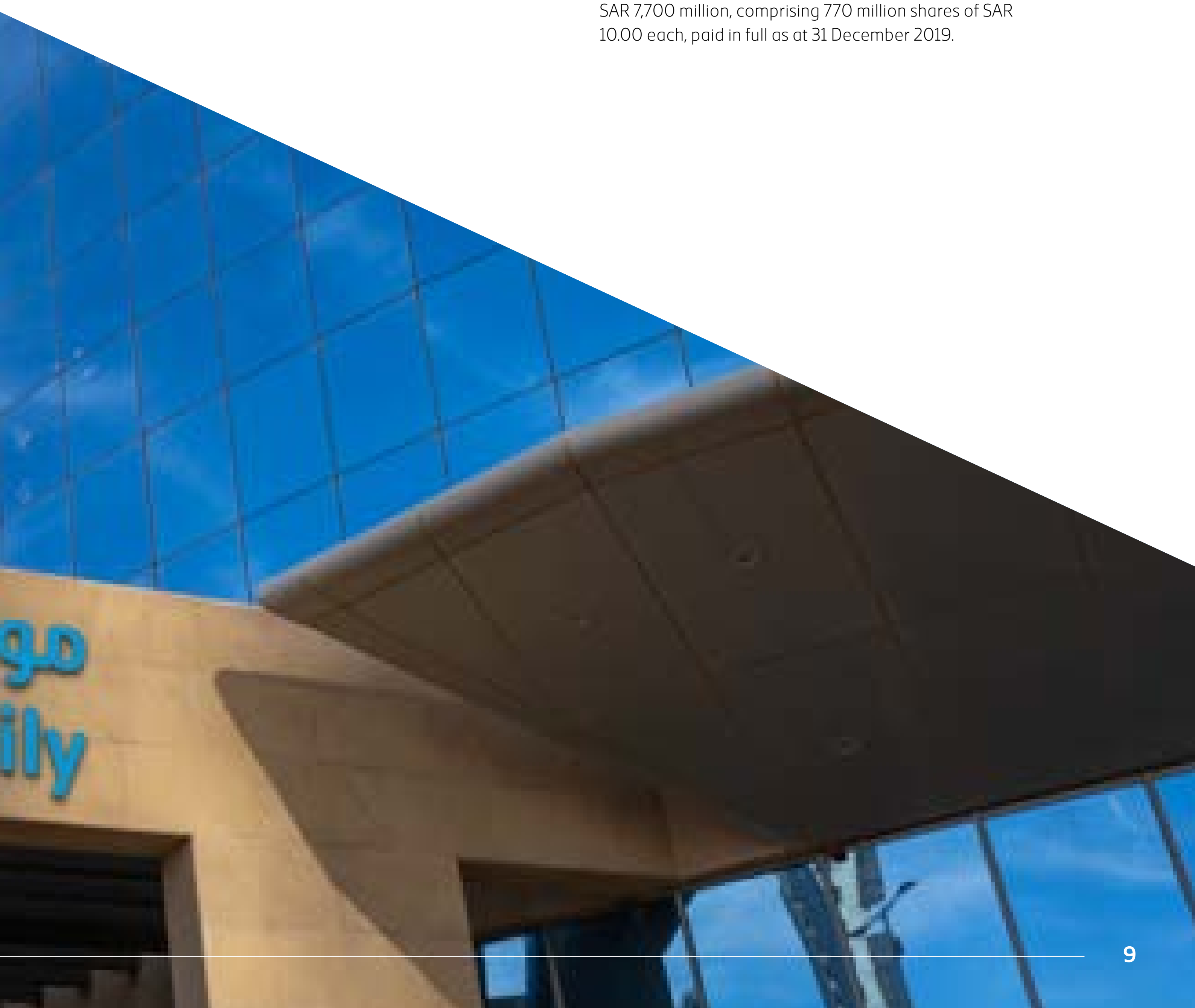
At launch, Mobily ended a monopoly in Saudi Arabia's wireless industry by providing mobile telecommunications services nationwide. Acquiring over one million subscribers in its first 90 days of operation in 2005, Mobily was named the Middle East and North Africa's fastest growing mobile operator in 2006, the same year it launched 3.5G services, with 4G services following in 2011.

Since its launch, Mobily has grown both organically and through 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, which enables Mobily to rely on strong backhauling capacity to offer its customers comprehensive communication, mobile and broadband services.

Mobily delivers integrated services for three customer groups: individuals, business, and carriers. It does so by leveraging its wireless network, which is among the largest by coverage in Saudi Arabia and the Middle East, as well as through one of the region's widest fiber-to-the-home (FTTH) networks and one of the largest data center systems worldwide.

The Company's network comprises its own infrastructure, complemented by 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.

Since its IPO in 2004, Mobily has been listed on Saudi Arabia's Tadawul stock exchange. 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 2019.



Year in review

24 January

Launch of first Joint ICT Academy in the Kingdom

Mobily and Huawei signed an agreement to create the first Joint ICT Academy in the Kingdom, which aims to develop 300 Huawei certified ICT specialists for Mobily before 2020. It will give college students who have demonstrated interest in the ICT sector an opportunity to become Huawei-certified ICT professionals, serving to minimize the gap between the availability of ICT industry talent and what will be needed to fulfil the Kingdom's Vision 2030.

28 April

Start of 5G Network Testing

Mobily successfully conducted 5G (fifth generation) site tests in cooperation with Ericsson, reaching speeds in excess of 1 Gbps (over 1,000 megabits per second). The tests are the first such tests in the Haram area of Makkah, which has one of the highest concentrations of mobile users in the world. Upon deployment, 5G will boost customer experience and spur a new round of growth and innovation.

24 February

Appointment of new CEO

Mobily announced the appointment of Eng. Salman Abdulaziz R. Al Badran to the position of CEO effective 1 April 2019, as part of promoting talented and experienced Saudi executives and consistent with Government vision. He takes over from Eng. Ahmed AbouDoma, who consistently made improvements in the operational and financial performance over the previous 2 years.

14 May

Approval of Bayanat Telecom Company Merger

Mobily shareholders approved the merger of Bayanat Telecom Company (the merged company) with its rights and obligations, including all intellectual rights represented in names, trademarks, all assets with their contents, all projects, contracts, and works that the merged company is a part of, and including all technical and administrative elements and licenses that Bayanat owns in Mobily (the merging company). This comes after Mobily's acquisition of the entire shares of the National Company for Business Solutions in Bayanat Telecom Company, which represent 1500 shares out of 150,000 shares, and converting Bayanat Telecom Company as one person partnership in accordance with all applicable procedures and in compliance with the request of Saudi Arabia's Communications and Information Technology Commission (CITC).

19 May

Appointment of new CFO

Mobily appointed Khaled Abanami as the Company's Chief Financial Officer (CFO), replacing Kais Ben Hamida, to empower national talent to lead the Company's key roles. Abanami has significant experience in leading finance functions with extensive knowledge of the telecom sector, financial restructuring, finance, cost reduction, IFRS implementation, and digital transformation, which will help the Company in its coming phase of growth and value creation.

19 November

Signing of Alinma Bank Financing agreement

Mobily signed a financing agreement with Alinma Bank for SAR 3 billion over 10 years to replace existing debt, and for general corporate purposes, including capital expenditure.

15 December

Signing of Refinancing Murabaha Facility agreement

Mobily signed a SAR 7.6 billion refinancing Murabaha Facility Agreement with a group of Saudi Banks, including Riyad Bank (Agent), Arab National Bank, Banque Saudi Fransi, Saudi British Bank and SAMBA Financial Group, with the purpose of replacing the existing syndicate financing and reducing the cost of financing with better financing Terms and Conditions.

Recognition of our achievements

During 2019, we were proud to receive a number of high-profile awards and recognitions, honoring the progress we've made in consistently delivering market leading service to our customers. These included:

- HRH Prince Khaled Al Faisal honoring Mobily for its strategic partnership in the campaign "Hajj is Worship and Civilized Behavior".
- The Minister of Communications and Information Technology honoring Mobily for its outstanding role in the Universal Service Fund (USF) project.
- The Communications Authority honoring Mobily for its contribution to the success of the operational plan for the Hajj season.
- The Saudi Minister of Labor and Social Development honoring Mobily for its contribution with Ekhaa program.
- MENA Search Awards honoring Mobily with the award for "Best Arabic PPC Campaign".

Geographic footprint

Headquartered in Riyadh, with an industry leading network that serves subscribers across the Kingdom of Saudi Arabia, Mobily provides 99.5% of the population with access to 2G, 98% to 3G and 89% to 4G. The Company's Metropolitan and FTTH network extends for 33,000 km, encompassing all major Saudi cities.

Mobily's state-of-the-art data centers are located in the Kingdom's major centers – Riyadh, Dammam and Jeddah – and it is the only Hosted Managed Services Provider in the Middle East to achieve Tier IV Certification for a Constructed Facility. This state-of-the art facility, located at Malga 2 in Riyadh, is one of only nine in this class globally, and the only such facility anywhere in Asia, Africa or the Middle East.

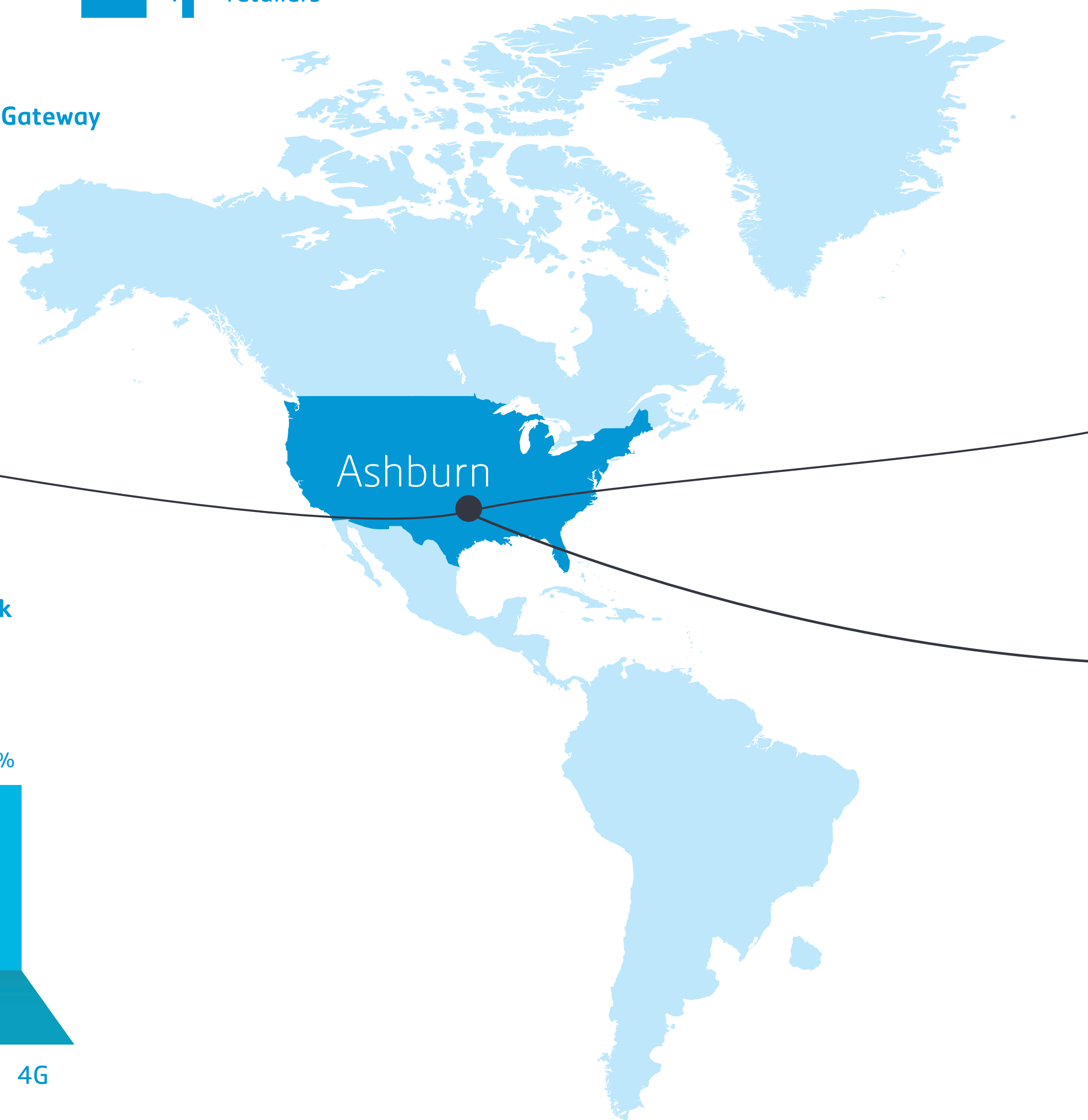
Mobily's total retail footprint comprises 662 outlets (72 flagship stores, 239 fully branded outlets and 351 modern trade outlets), as well as robust distribution network that includes more than 3,900 third-party retailers throughout Saudi Arabia.

Operated in partnership with a range of global partners, Mobily's International Gateway is 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.

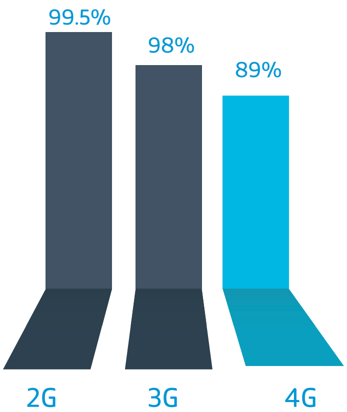
662
outlets

3,900+
retailers

Mobily's International Gateway



Mobily's Saudi Network population coverage



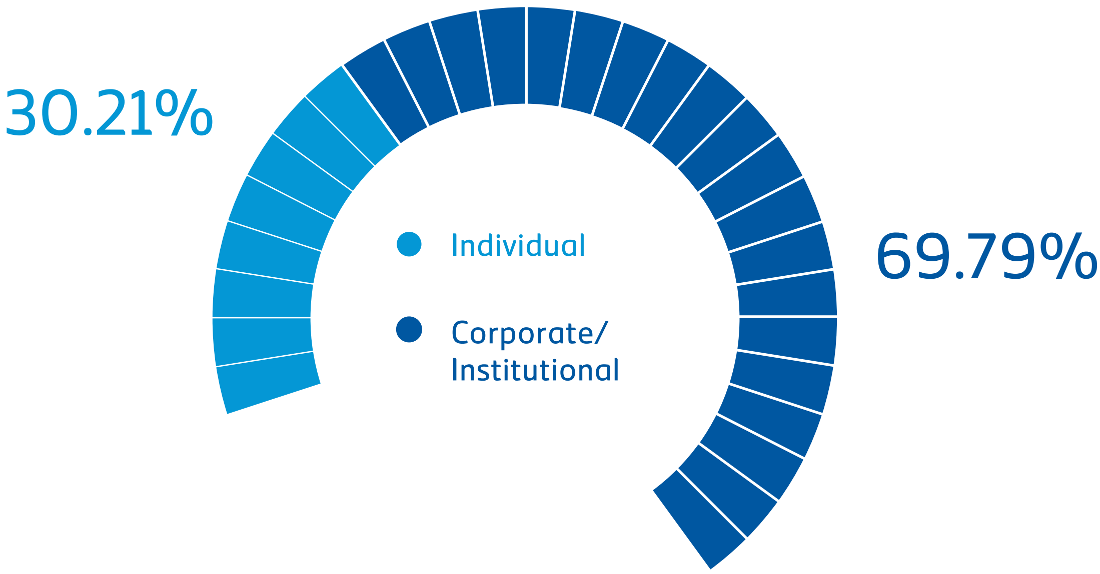
Mobily's Saudi Fiber Network

Key

- Fiber Network Rings
- FTTH Coverage
- Terrestrial Border POI

Shareholder information

Mobily shareholders by type



Major investors	No. of shares held	Ownership percentage
Emirates Telecom Corporation	215,541,832	27.99%
General Organization for Social Insurance	53,203,058	6.91%

Investor type	No. of investors	No. of shares held	Ownership percentage
Corporate/institutional	471	537,396,884	69.79%
Individual/retail	146,468	232,603,116	30.21%
Total	**146,939**	**770,000,000**	**100%**
Nationality			
Saudi	145,968	463,406,745	60.18%
GCC	134	230,624,940	29.95%
Other	837	75,968,315	9.87%
Total	**146,939**	**770,000,000**	**100%**

Top six international shareholders	No. of shares held
Vanguard Total International Stock Index Fund	4,560,606
Vanguard Emerging Markets Stock Index Fund	4,310,233
Government of the Republic of Singapore	4,155,461
iShare Core MSCI Emerging Markets ETF	3,502,164
Stichting Depositary APG EM Equity Pool	3,345,937
California Public Employees Retirement System	2,912,450

Size of ownership (no. of shares held)	No. of investors	Ownership percentage
More than 1,000,000	67	75.12%
500,000 – 999,999	52	4.71%
100,000 – 499,999	304	7.81%
50,000 – 99,999	283	2.44%
10,000 – 49,999	1,817	4.79%
5,000 – 9,999	1,495	1.31%
1,000 – 4,999	6,365	1.74%
Fewer than 1,000	136,556	1.81%
Total	**146,939**	**100%**

Strategic Review

Chairman's statement

In a year that saw Mobily successfully deliver its turnaround strategy and organically return to a growth trajectory, the widespread transformation of the telecom sector and the Saudi economy accelerated and yielded strong positive trends. Transforming for the future in order to deliver on our promises of positive performance, we are upgrading our network to remain at the forefront of a competitive and challenging landscape, and launching a new strategy to support our Government's Vision 2030 and achieve sustainable growth for our shareholders.

Appointment of new Saudi national

CEO & CFO

Charting a bold path

Saudi Vision 2030 is the dynamic and ambitious blueprint that is aligning Government and private sector organizations across the Kingdom for the good of all, paving the way for the country's future economic growth and diversity.

This year saw the Kingdom transforming faster than ever before, with accelerating economic recovery and improved oil prices fueling optimism amongst the people and companies of Saudi Arabia, as is evident by the rise in consumer spending and visitor numbers, which was supported by the launch of the new tourist visa.

In August, the Council of Ministers endorsed the "ICT Sector Strategy 2023", a 5 year strategy designed to "Build tomorrow's digital foundations for a connected and innovative Saudi Arabia". With 3 Strategic Themes, cascaded through 13 Strategic Priorities and 24 Strategic Objectives, it aims to accelerate growth in the information and communications technology (ICT) sector by 50% and raise the sector's contribution to the GDP by SAR 50 billion.

This great Government initiative, complemented by improving telecom infrastructure, download speeds and overall customer demand for advanced technologies and continuous innovation, provides a solid foundation for confidence moving forward.

RISE delivered

The end of 2019 saw the successful conclusion of our three-year RISE strategy, launched in 2017 to fix the foundations of the business, and build a strong platform for the next phase of growth and stakeholder value creation. I am pleased to inform you that we executed this strategy with great focus and dedication, and consequently that it has delivered the results we hoped for across the organization.

On the operational side, our sales and marketing functions are now digitized, and our network modernization made important strides that we will continue to build on moving forward. Meanwhile, our customer experience is much improved, reflected in our ranking as the Saudi telecom with the lowest ratio of customer complaints during the year.

Proudly Saudi

This year also saw the achievement of another significant milestone for our company, with the joining of our new CEO and CFO marking the first time Mobily has Saudi Nationals in these key leadership positions. Bringing a wealth of valuable knowledge and insights to the Company from their previous roles leading regional telecommunications, industrial and technology organizations, our incoming CEO, Eng. Salman Al Badran, and CFO, Mr. Khalid Abanami, rapidly put their mark on the Company.

In only a few short months under the new leadership, Mobily's new corporate vision, strategy and values were launched to accelerate the transformation program and put the Company on a growth trajectory.

Towards the end of the year, a SAR 7.6 billion Murabaha Facility Refinancing agreement was signed with a group of Saudi banks. With a lower cost of debt and more favorable terms and conditions, this agreement reflects the continuous improvement of the Company's credit profile and confirms the trust lenders have in Mobily's finances, capabilities and performance.

Making strides in our sustainability journey

This landmark agreement is part of Mobily's overall commitment to becoming a more sustainable company. It ensures that the Company remains fit and capable of fulfilling its duties towards all its valued stakeholders and contributing to Saudi's economic prosperity through the provision of world-class technology and connectivity. This commitment extends to the Company's sustained focus on effective corporate governance, robust risk management, and positive contributions to the wellbeing of our employees, communities and environment.

Our ongoing journey to become a more responsible corporate citizen delivered a wide range of achievements during the year, including a large jump in our employee engagement scores, the #EveryonesKingdom viral campaign that drove awareness about the power of inclusion of people with disabilities in Saudi society, our support for a wide range of Government programs and priorities, and providing Hajj pilgrims with the fastest ever download speeds, to name a few.

Acknowledgements

At the conclusion of this eventful year, I would like to acknowledge the important contributions and diligent efforts of my fellow Board Members. On their behalf, I would also like to express my appreciation for the great dedication and determination of our capable executive management and staff. Finally, I would like to thank our Government, strategic partners and shareholders for their continued trust and support, as we enter an exciting new period of growth and transformation for the Company.

Mr. Suliman Al Gwaiz
Chairman, Non-Executive Member

> "The end of 2019 saw the successful conclusion of our 3 year RISE strategy, launched in 2017 to fix the foundations of the business, and build a strong platform for the next phase of growth and stakeholder value creation"

Theme of the year

Gaining momentum

Through the effective execution of our RISE corporate strategy, Mobily has regained its position of strength and established a robust foundation for the next step in our evolution, which will see accelerated growth and transformation across all areas of our business.

Our new leadership team – truly of the Kingdom and for the Kingdom – is charting a new, more ambitious path to 'Empower the digital economy to unlock possibilities', building on the growth and return to profitability achieved in 2019.

As we launch our new GAIN corporate strategy, designed to boost the Company for faster, more profitable growth over the coming years, we remain committed to delivering increased value for shareholders, customers and employees, while aligning with the Kingdom's Vision 2030 and ICT Strategy 2023.

Through greater efficiency and service excellence, we will 'Grow Core Revenues', strengthening our brand and market proposition by creating value for our consumers and enterprise customers across both mobile and fixed.

We will complement this core growth with growth beyond the core, as we 'Accelerate Digital

Revenue Streams' and capabilities, applying the latest technologies in innovative ways to extend and deepen the relationships we have with millions of individuals and organizations across the Kingdom.

Our transformation journey will shift into high gear. Through our commitment to 'Implement and Optimize Efficient Delivery' at every level of the Company, we will create a more efficient, agile and focused organization to catalyze improved performance and results.

Through our commitment to 'Nurturing a Positive Experience for All', we will effectively serve our customers, engage our employees and support our partners, while boosting returns to our shareholders and delivering sustainable value to the people and government of Saudi Arabia.

Ultimately, this strategic transformation will benefit all our valued stakeholders – both within Mobily and across the communities we serve, as we take substantive steps on our journey to become a more sustainable business.

By continuing to innovate at every level and deliver on our promises to our stakeholders, Mobily is ideally positioned to build on the momentum of a successful year for a strong 2020 and an even brighter future beyond.

CEO's statement

2019 has been a great year in the history of Mobily. Following our successful turnaround, we have regained market strength and are capitalizing on opportunities for growth. With our new corporate strategy now in place, we will gain momentum as we continue to transform across our business, positioning the Company for sustainable profitability and progress in our journey to become a truly digital telcommunication.

11 hours to 11 minutes

Average time to solve customer issues

70%

Increase in download speeds

Return to growth and profitability

The successful delivery of our strategy returned Mobily to profitability in 2019. The company recorded full-year profit of SAR 31 million on gross profit of SAR 7.8 billion compared to last year's net loss of SAR 123 million and gross profit of SAR 6.6 billion. This was driven by strong top line growth across our business units, resulting in 13.4% overall revenue growth for the business to reach SAR 13.45 billion for the year.

Gaining momentum

With our new vision to 'Empower the digital economy to unlock possibilities', we have created a north star to guide every individual across our Company. As we set out on our journey to transform into the digital telco of the future, we must remain focused on our collective objectives and resilience in the face of the many challenges that we will surely encounter along the way.

Our new GAIN corporate strategy touches every aspect of our business, from our core and emerging revenue streams to the inner workings of our organization, while holding a magnifying glass to the manifold relationships that make our Company what it is today and hold the key to unlocking what it can become.

Ultimately, our success in navigating our ever-expanding role in the future of our nation and our partnerships with some of the most exciting local and international companies, as well as the way we engage with and create lasting value for our customers, employees and shareholders, will determine the destiny of Mobily.

A Year of firsts

The momentum gained as we enter the new decade is built on the strength of our performance and achievements during 2019. We have excelled in customer service, reducing the average time to solve customer issues from 11 hours to 11 minutes, and ranked #1 by CITC in its Customer Satisfaction Index*.

We made great strides in customer experience by placing it at the heart of our operations and embedding it within our employees' objectives. This helped us to achieve the #1 ranking in network quality for key cities across the Kingdom, while also improving our mobile app to become the #1 rated app among Saudi telecom operators during 2019.

It was our honor and duty to support pilgrims during Hajj season, facilitating and empowering them with the Kingdom's fastest download speeds, which were up 70% over last year. We allowed them to experience the future of connectivity by giving them access to Mobily's cutting-edge 5G network and download speeds greater than 1 Gbps, and were honored by HRH Prince Khalid Al Faisal, Governor of Makkah Province, for our strategic partnership in the successful "Hajj is Worship and Civilized Behavior" Hajj campaign.

Engaging and empowering our people

All the success we have achieved to date and everything we hope to achieve in the future is in the experienced and capable hands of the exceptional men and women across our Company. It is imperative that we give them all the guidance and support they need to feel happy, engaged and able to perform at their potential.

We remain committed to attracting, developing, engaging and empowering our talent, and have made measurable progress on multiple fronts in this respect during the year. We also improved our performance in our latest employee engagement survey, while continuing our commitment to Saudization and empowering women at all levels of our company.

The launch of our new corporate values will also enhance our employer brand and performance by bolstering the vibrant and diverse corporate culture that is central to the wellbeing of our people, and therefore our Company.

*Source: CITC Customer Complains Reports (Q1-Q3 2019)

Launching the future of connectivity

While our 3G and 4G networks now reach almost every corner of the Kingdom, we have been investing in and have already begun to rollout our network of the future. Our 5G network witnessed a number of key milestones during the year, including reaching download speeds in excess of 1 Gbps and testing of a range of exciting use cases across multiple sectors.

With each new technological cycle, the most revolutionary and innovative applications can only be fully realized once the network is launched. One thing that we know for sure though is that 5G will become a game-changing platform for innovation and customer experience. The Internet of Things (IoT), a growing web of over 7 billion interconnected devices creating and sharing data independently, looks set to drive automation and transform every aspect of our personal and professional lives. We can see this coming, but only as the number of devices and applications designed to take advantage of 5G's speed and flexibility hit the market in 2020 and beyond will its true potential truly manifest itself.

Acknowledgements

On a personal note, I am proud to return to the Kingdom to lead Mobily at such a critical period for the Company and our nation. I would like to take this opportunity to offer my sincere thanks to our Chairman and Board of Directors for their outstanding guidance and support during the year, as we worked closely to map out the future of the Company.

To our customers, large and small, across Saudi Arabia, I promise that your trust in Mobily will be rewarded through innovative offerings, faster speeds and superior service. And to the entire Mobily family, I recognize all your outstanding work in turning the Company around and look forward to continuing this transformational journey together in 2020 and beyond.

Salman Bin Abdulaziz Al Badran
Chief Executive Officer

> With our new vision to 'empower the digital economy to unlock possibilities', we have created a north star to guide every individual across our company

Market review

Transformation for a stronger Saudi Arabia and telecoms sector

The pace of transformation in the Kingdom accelerated in 2019, with new Government regulations and private sector innovation driving change across all sectors, including telecoms, which witnessed significant growth and modernization.

Acceleration of the Kingdom's economic recovery in 2019

- Improved oil prices
- Rise in consumer spending
- Inclusion of Tadawul All Share Index (TASI) in FTSE and MSCI Emerging Market Indices
- Saudi tourist visa launched
- Pressure on SIBOR and LIBOR continued
- Hajj pilgrims: 2.49m (+5% YOY)

A highly competitive but growing telecoms sector in 2019

Regulatory and Industry

- 5 year ICT Sector Strategy 2023 endorsed by the Council of Ministers
- IFRS16 implementation from beginning of the year
- CITC/MoI preliminary approval for eSIMs

Speed

- Mobile download speeds: 47.6 Mbps*

Voice

- Total mobile subscriptions: 41.45m*
- Voice penetration: 124.1%*
- Subscription rate: 63.4% prepaid vs. 36.6% postpaid*

Data

- Total data subscribers: 29.63m (88.7% penetration)*

Broadband

- Total fixed broadband subscriptions: 3.24 m*
- Fixed broadband services penetration: 29.2%*
- Number of subscriptions: 956k FTTH vs. 228k Fixed Wireless vs. 797k DSL*

*Source: CITC reports (Q2 2019)

Mobily is a key enabler for Saudi Vision 2030 and ICT Strategy 2023

By enabling both consumers and businesses to access the latest ICT technologies, Mobily is playing a critical role in helping the government achieve its ambitious goals for the future of the Kingdom.

Mobily supports Saudi Vision 2030

- Developing the ICT sector in the Kingdom
- Empowering small and medium businesses and end users
- Supporting the level of Government integration

Mobily's GAIN corporate strategy is aligned with the sector's ICT Strategy 2023

Launched in 2019, the Saudi ICT Strategy 2023 is focused on "Building tomorrow's digital foundations for a connected and innovative Saudi Arabia", supporting Saudi Vision 2030. It aims to achieve this through:

- 3 Strategic Themes
- 13 Strategic Priorities
- 24 Strategic Objectives

Saudi ICT Sector Strategy 2023 Highlights	Mobily's Commitment
Create more than 25,000 quality jobs in the Telecom/ICT sector	GAIN was designed as a growth-oriented strategy, so when Mobily grows through existing and new revenue streams, it will require a bigger team thus creating new employment opportunities.
Increase female participation in the Telecom/ICT sector by 50%	One of the focal points of GAIN is to attract and retain world class talent, particularly top female talent across all levels, including management.
Increase the size of ICT and Emerging Technologies market by 50%	As part of GAIN, Mobily will increase focus on innovative digital solutions for both consumers and businesses, improving their efficiency and productivity while creating new revenue streams for the Company, resulting in a bigger overall ICT sector in KSA.
Increase the level of Saudization in the Telecom/ICT sector to 50%	Mobily proudly stands in the platinum category for overall nationalization and at higher than the mandated level for management nationalization, and will continue to promote nationalization across all levels of the organization.
Increase the Telecom/ICT sector's contribution to GDP by SAR 50bn	Through the growth-oriented GAIN strategy, Mobily expects to grow at a faster pace than before, thus increasing its top line as well as the ICT sector's contribution to GDP.

CFO's review

Mobily witnessed 2019 as the year of phenomenal growth surpassing previous records. This year was a 'Transformation year' that demonstrated growth and profitability as we took first steps towards the realization of our 'Gain Strategy.'

Net income amounting to

SAR 31 million

I am pleased to report that with untiring efforts of management and the employees of Mobily, complimented with continued operational efficiency, cost optimization and process digitization, the Company has been able to achieve its major targets in terms of revenues growth and profitability.

This year, Mobily achieved net income amounting to SAR 31 million based on 13.4% growth in revenues, despite various market and regulatory challenges. While maintaining our ongoing efforts for cost efficiency and process automation, we will continue to channel management resources into realization of "Gain Strategy" and commit ourselves to ensuring continuous growth in the coming years. Further, we will continue to deploy our innovative skills and commercial dynamism while demonstrating that corporate and social responsibility is inherent in everything we do.

> "This year was a 'Transformation year' that demonstrated growth and profitability as we took first steps towards the realization of our 'Gain Strategy'"

Highlights	2019 SAR '000,000	2018 SAR '000,000	% change
Revenues	13,450	11,865	13.4%
EBITDA	4,947	4,531	9.2%
CAPEX	2,760	2,819	(2.1%)
Operational cash flow (EBITDA – CAPEX)	2,187	1,712	27.8%
Net debt	10,569	11,288	(6.4%)
Net profit/(loss)	**31**	**123**	**-**

Top line results jumped 13.4% from SAR 11.86 billion in 2018 to reach SAR 13.45 billion this year. This was driven by record performance in both the consumer – with a growing consumer base and strong data revenues – and business segments – the partner of choice for government and large enterprises in the Kingdom. Both units delivered better revenue performance during the year, and are well positioned to build on this success in 2020.

Other financial highlights of the year were a further deleveraging in net debt from SAR 11.29 billion to SAR 10.57 billion, resulting in an improved net debt to EBITDA ratio of 2.45x – its lowest level since 2016. EBITDA for 2019 increased by 9.2%, at a margin of 37% – the highest since 2013. This result was driven primarily by healthy top line performance, improvement in cost efficiency and better revenue mix. Investment in 5G infrastructure began in 2019 and will continue in a gradual pace in the coming year. Capex in 2019 decreased to reach SAR 2,760 million versus SAR 2,819 million in 2018, due to the capitalization of spectrum fees in 2018 with an amount of SAR 450 million. Excluding the spectrum fees, CAPEX intensity reflects our commitment to improve our infrastructure, and the continuous deployment of the network modernization project.

2019 was the year we returned to profitability, delivering a full-year net profit of SAR 31 million on gross profit of SAR 7.8 billion compared to last year's net loss of SAR 123 million and gross profit of SAR 6.6 billion. This is equivalent to earnings per share of SAR 0.04, versus a loss per share of SAR 0.16 in 2018. This strong trend is the result of the successful execution of our turnaround programme of the past few years. With all of our revenue lines delivering healthy growth during 2019, it provides a strong platform for continuous growth for the years to come.

As we move forward, we have commenced a series of initiatives focusing towards digitization (in line with Kingdom's 2030 vision), further improving internal controls, transforming finance function into a business partner and delivering excellence. We are aimed at transforming our business in line with industry dynamics and will continue to invest in our people and infrastructure to bring innovative solutions and technologies in the market, while keeping our customers at the heart of everything we do.

Mr. Khaled Abanami
Chief Financial Officer

Balance Sheet Highlights	2019 SAR '000	2018 SAR '000	% change
Total assets	39,262,461	38,562,018	2%
Total liabilities	25,511,111	24,692,702	3%
Total equity	13,751,350	13,869,316	(1%)
Income Statement Highlights			
Gross profit	7,799,987	6,582,203	19%
Operating profit	967,013	602,892	60%
Net income/(loss)	31,183	(122,666)	-
Cash Flow Statement Highlights			
Net cash generated from operating activities	3,509,106	3,533,230	(1%)
Net cash used in investing activities	(1,891,911)	(1,765,951)	7%
Net cash used in financing activities	(1,398,365)	(1,926,610)	(27%)
Cash and cash equivalents	1,251,680	1,032,850	21%

Business model

Mobily creates value by providing our customers a one-stop-shop of best-in-class telecom and ICT services, driven by innovative product development and supported by effective sales and optimal customer care.

Our customers fall into six distinct groups – prepaid (mobile), postpaid (mobile), mobile operators, businesses, small-to-medium enterprises (SMEs), and households – and we tailor a variety of bundled services to meet each group's unique requirements, including partnering with selected suppliers to complement and support the delivery of our services.

Our revenue streams come primarily from interconnection charges, as well as returns from ventures, device and accessory sales, and usage and subscription fees. We also generate revenue from a number of digital services, tailored to our business customers and consumers.

Meanwhile, our costs are comprised of sales and distribution costs, service delivery and network development, and operational expenditures.

Costs

- Services
- Sales
- Network

Marketing

- Channels
- Customer relationship

Services

- Mobile
- Connectivity

Revenue

- Sales
- Fees
- Returns from ventures

Network

Digital

Value

Customer support

Network

Services

Products and Sales

Customers

Consumers

Mobile operators

Businesses

Households

People

Partners

Strategy and KPIs

Following the effective delivery of our RISE corporate strategy, this year saw the introduction of our new corporate Vision:

Empowering the Digital Economy to Unlock Possibilities

This will be achieved through the execution of our new growth strategy, GAIN, which is comprised of four strategic tracks:

G Grow core revenues

A Accelerate digital revenue streams

I Implement and optimize efficient delivery

N Nurture a positive experience for all

Purpose
To be the Better Choice to Unlock Possibilities

How
By Empowering the Digital Economy

By Being
The Everyday Hero

GAIN Strategy 2020+ | Focus on growth and transformation

Grow the core by focusing more on high value segment

Engage with customers in a digital way

Enter into new business areas (e.g. Fintech)

Increase B2B share by focusing on prioritized verticals

Advanced Analytics	Improve decision making based on near real-time insights
Platform Play and Agile IT	Enable a large ecosystem of partners across the value chain
Integrated Gigabit Network	Provide seamless access with more focus on virtualization and network slicing
Digital Operating Model	Asset monetization, governance, culture, capability development etc.

We will work with purpose and passion to execute the GAIN strategy, through a commitment to 'Being the Everyday Hero' for our customers and employees, who will come together to create a culture of performance by adhering to our new Corporate Values:

Agile
We are open, flexible, and make every second count.

Clear
We keep things black and white.

Courageous
We are brave enough to take bold steps and determined to see them through.

Caring
We treat you as an individual and value diversity in thought and perspective.

Business review

In just three short years, RISE has delivered the promised turnaround, returning the Company to growth and profitability while delivering marked improvements in customer experience and digitization. However, this is only the beginning of our ambitious transformation journey, which will see the Company build on this year's record revenue growth, network speeds and customer satisfaction, continuously striving for excellence to grow our reputation, increase our market share and enhance the value we create for all our stakeholders.


موبايلي
مسبقة الدفع
على مودك
150
سوشال لا محدود
15GB إنترنت
اشترك الآن!
Lenovo

Consumer unit

"Mobily's Consumer Unit performed well in 2019, overcoming the challenges of a competitive and mature consumer landscape to deliver the highest growth in the Kingdom and establish a strong foundation for the future."

The Consumer Unit's improvement in revenues made it Saudi Arabia's best performer in its market category, further validating the strategic focus and execution of our RISE initiatives over the past 3 years.

During the year, Mobily became the first telecommunications company to provide direct e-shopping via social media platforms, launched a range of innovative new products to the market, and established several speed records for the business, including delivering the Kingdom's fastest download speeds during Hajj season, according to the Speed Checker report.

Building on that success to lay the groundwork for the future of telecommunications in the Kingdom was our launch of 5G technology to the market. Rollout will continue in the coming year, unlocking greater potential for the people and businesses of Saudi Arabia than any other previous advance in the telecoms sector.

Becoming more focused and efficient

Providing mobility, fixed line and roaming services to the Kingdom through numerous sales channels, Consumer's three functions – Marketing, Sales and Customer Care – operated as separate departments up to 2019.

This year saw the merger of these functions into one cohesive entity, designed for greater intra-departmental efficiency and a sharper commercial focus. Eng. Ismael Al Ghamdi was appointed as Mobily's Chief Consumer Officer (CCO), a new role created specifically to drive this important mandate forward.

The Fiber-to-the-home (FTTH) department was also integrated into Consumer, providing the right structure for the Company to design a comprehensive and diversified portfolio, targeting all connectivity and telecom needs for the families at home across the Kingdom.

RISE and GAIN: Driving the Unit's momentum

The impetus which RISE gave Mobily has borne fruit both internally and externally. Not only has the realignment of operational efficiencies increased shareholder value exponentially, but the renewed focus on relevant digital innovation in the Saudi market ensured Mobily regained lost ground.

The transformative process of our GAIN strategy will allow us to further accelerate our ambitions with the implementation of digital technology advances and a heightened awareness of the importance of customer service. This will drive further growth in core revenue, both mobile and fixed, while enhancing digital consumer revenue streams and service delivery efficiency.

The Company as a whole seeks to be amongst the most admired brands in the Kingdom, and the Consumer Unit is determined to be the engine that successfully powers Mobily towards this goal.

Market leading growth and speeds in 2019

As the Company returned to profit, the Consumer Unit recorded a year-end growth in our consumer base and revenue growth resulting from a range of innovative product launches.

These results were in sync with upload and download speeds increasing by close to 100%.

FTTH delivered outstanding results during 2019 compared to 2018, following growth of the FTTH active base and a decrease in the average monthly churn rate.

Especially significant during the year was our progress on the national Saudization agenda. We proudly hit the 50% mark in the marketing department on a merit-based model. The ramifications of this much-needed initiative stretched far beyond the numbers by contributing to the knowledge-based charter of Vision 2030, as we continue to measurably build the skills and capabilities of the Saudi people.

Technology in the service to our customers

In 2019, we introduced significant new innovations that further empower the people of the Kingdom.

We reconfigured how our customers can upgrade or migrate to their postpaid packages, simply by sending a code via SMS. We believe this was a great example of harnessing digital technology to create simplicity and convenience for our customers.

Our Mobily RAQI, already the most sought-after, exclusive and bespoke package in Saudi Arabia, received an upgrade of its own in 2019, delivering more rewards, enhanced options and greater accessibility.

Our most important year for new launches

2019 saw the introduction of a delivery system for devices (and lines) for postpaid plan holders. This is aligned to the Company's commitment to service excellence keeping pace with continuously changing technologies.

As we have written earlier, the impact of launching 5G is a game-changer for business and lifestyles. With speeds between 3 and 10 times faster than LTE and the introduction of Internet of Things (IoT), which already connects 7 billion machines, life is about to become simpler, easier and better in yet-to-be-imagined ways.

We also introduced greater personal data and voice capacity for our roaming bundles, which now puts them into the Upper Limit category, which is the best practice of the world's leading service providers.

Business unit

"The transformation of Mobily's Business Unit yielded record revenues for the year, delivering on the promise of our strategic focus on customer-centricity and the commensurate need for continuous innovation."

During 2019, the Business Unit enjoyed highest-ever revenues. It expedited the largest successful collection in our history.

Empirically, the Business Unit was also rated the best for business-to-business customer experience in the entire Kingdom. Whilst proud of this accolade, we also accept it as a target to surpass in 2020.

The partner of choice for the Kingdom's most important organizations

Mobily's Business Unit works closely with the Government of the Kingdom, mandated to develop the ICT infrastructure of strategically-critical government organizations, while also providing innovative products, services and solutions to the Kingdom's foremost large enterprises and focused solutions for the SME segment.

There were significant strides in 2019, particularly in the direction of internal value chain alignments, augmented by improved operational performance and a refined go-to-market strategy. This was, of course, manifested through the launch of new products and services into the business marketplace.

The RISE and GAIN of Mobily's Business Unit

The effective execution of our RISE corporate strategy provided an energetic catalyst for a number of transformative processes in the Unit. Our customer segmentation was overhauled to focus more efficiently on the needs and expectations of our customers; our delivery model was honed to be more agile and responsive; and our channel mix to the SME sector was optimized for greater customer satisfaction. The Unit's sales engine, too, was boosted appreciably by an efficiently coordinated marketing effort. Our collective efforts in 2019 generated a bigger return than we've ever recorded.

Returning to the fundamental structures of our core products for the SME segment, the Business Unit re-geared the relevant propositions to evolving needs, resulting in a simpler portfolio of plans and products. For both the Government and large enterprise segments, our digital services were expanded for greater operational efficiency. These efforts have cemented Mobily's growing reputation as a trusted and innovative ICT business partner.
GAIN, Mobily's concerted strategy to transfer the capabilities created by RISE into market-leading practice, has imbued even greater momentum in the Business Unit. By concentrating on improving our core revenues in both mobility and fixed services, we are vastly increasing our capabilities through digitization, resulting in a far greater efficiency of our delivery engine. Digitization will also enhance our capability to gather information, employ analytics and deliver data-driven decisions.

GAIN is placing Mobily's Business Unit in the pantheon of strategically important commercial partnerships in the Kingdom by fostering a value-focused culture that puts advanced expertise, capabilities and technologies into action to serve our customers.

Results as proof of unwavering commitment

In 2019, Mobily's Business Unit grew far surpassing the average growth of the Saudi Arabian business telecoms sector. This was achieved by highly efficient operational standards, quicker speed-to-market and a supreme focus on customer satisfaction, ultimately resulting in an increase in profit over last year.

Our wholesale business generated a higher revenue growth in 2019 compared to the previous year. This has been the highest percentage growth in Mobily's history, and has been accomplished through profitable transactions with previously untapped markets, a greater degree of customer satisfaction and an increase in tactical offerings.

Our commitment to nurturing local talent has resulted in outstanding progress for the Business Unit spurring an extraordinary period characterized by the business community's ever-increasing trust and reliance on our service-focused and innovation-driven ethos.

New products to serve a new era

The Business Unit launched two products this year, serving all segments of the business community.

Mobily Business Data Connect

Configured for both postpaid and prepaid packages, Business Data Connect is a competitive data plan with a vast range of GB connectivity from 5 to unlimited (900). Its major attraction is market-leading flexibility, which gives the plan the same appeal as a bespoke package.

Mobily SIP Trunk

An affordable fixed line service, scalable from 10 to 300,000 lines with full usage control, free Closed User Group calls and, perhaps most important from an administration viewpoint, one summary invoice. As long as fixed line remains an important communication platform in the Kingdom, we will continue to service it with innovative thinking.

Recognition as a customer-focused market leader

In 2019, International Data Corporation (IDC) declared our Hosted Infrastructure Services as the leader in our market, by providing a superior communications platform for businesses. This sentiment was echoed by our Business clients, who enjoyed the innovative services and ease of use of the platform.

The Unit also returned the highest customer satisfaction score in the Kingdom's entire business-to-business sector, which is a testament to the wide range of customer experience initiatives in our RISE strategy and the great work of our entire workforce in putting our customers at the heart of everything we do.

Further innovation and growth in 2020

Transformation is a process which continuously unlocks opportunities and growth. Our digital services will continue to be enhanced and we will increase our earnings from IoT, delivered through 5G. The game-changing nature of this new digital era is already giving the business community an appetite to grow and become even more relevant to the markets they serve.

Success story: better technology for better health

The Saudi Ministry of Health (MOH) has a vision to improve the quality of care in the Kingdom by delivering initiatives aligned with both the National Transformation Program and Saudi Vision 2030.

MOH selected Mobily as a strategic partner to fulfill this vision and enable the success of its 2020 digital transformation initiative, focused on applying state-of-the-art technologies and innovation to drive improvements in data, healthcare and facilities.

Delivering technologies that save lives

Primary Healthcare Centers

- **Issue:** As MOH rapidly increases the number of Primary Healthcare Centers across the Kingdom, it needed the right technologies within each center, as well as a way to connect them to each other and MOH.
- **Solution:** Mobily delivered full IT infrastructure for the centers, including security and safety systems, along with an advanced network and connectivity for the centers to share best practices and patient information.

Health Information System

- **Issue:** The heart of MOH's digital transformation is its Health Information System (HIS), which will create a truly digital national healthcare system, requiring a level and mix of technologies that few operators can deliver.
- **Solution:** Mobily was chosen by MOH to apply its advanced infrastructure, connectivity coverage and Tier 4 data center, one of only nine in the Middle East and Asia, along with its user-friendly cloud environment to store electronic medical files for faster service and more efficient access and use by doctors, nurses and patients.

MOH Command Center

- **Issue:** MOH built a state-of-the-art command center to enhance monitoring and provide better visibility of hospitals' performance, with real-time engagement and response, which required connectivity through a fast and secure network.
- **Solution:** MOH selected Mobily to design, build and maintain this critical network, connecting hospitals to the Ministry through a range of advanced technologies.

Driving transformation for MOH and the people of Saudi Arabia

Through Mobily's deployment of advanced technological infrastructure and solutions, the people of Saudi Arabia now receive better, faster and safer healthcare services from government hospitals, while MOH has become a more efficient, effective and data-driven organization on its journey to uphold the highest standards of health and wellbeing in the Kingdom.

Technology and innovation

"2019 saw technology continue to be the engine driving innovation and superior customer experience across the Kingdom, particularly with the arrival of 5G that is set to deliver higher speeds, lower latency and broader connectivity."

Last year produced the longest list of technological innovations in Mobily's history. Huge increases in download and upload speeds, greater coverage, heightened security and development of market leading IT solutions were significant events in the story of Mobily's 2019.

The year was headlined by the introduction of 5G, which is set to deliver game-changing capabilities over the coming years. The Minister of Communications and Information Technology witnessed the first operation of Mobily's 5G network in the Holy areas, while the Company was also the first to test its 5G network in Al Haram area, achieving speeds of over 1 Gbps.

We also proudly delivered the best Hajj user experience, ranking #1 in Hajj Speed Test. This was the second year in a row Mobily was rated best in 3G and 4G networks.

Innovation that stays ahead of tomorrow's needs

Network

In 2019, Mobily's network was enlarged and modified across thousands of sites in the Kingdom. Both FDD (Frequency Division Duplex) and TDD (Time Division Duplex) systems were added to over 9,000 sites. These systems are highly advanced and efficiently receive and transmit technologies which deliver greater capacity and speed for our customers.

Over 2,600 sites were upgraded with U900 technology, which deploys a 3G band to deliver enhanced network performance and 580 new sites were added throughout the Kingdom, fully configured.

This modernization program has improved our network capacity and therefore enhanced Mobily customer experience. The Ookla speed test confirms a 67% advance in Mobily's 4G network speed – up from 28.7 Mbps to 47.8 Mbps.

Our Fixed Broadband network download speed increased to 102% as verified by CITC's Meqyas.

Cybersecurity

Cybersecurity has become the number one operating requirement of businesses throughout the region and the world, as evidenced by the sophistication of cyberattacks.

In 2019, Mobily was awarded ISO 270001 and CSA Star international accreditation through our efforts to protect our customers, in line with global best practice. Together with Mobily's initiative to heighten awareness of the issue with our staff, Mobily can report a level of improvement in attack prevention by 88%.

This performance stands above global telecommunications standards.

Partnerships

Mobily is committed to partnering with leading companies worldwide to push the boundaries of technology in the service of our customers, including:

- Mobily signed an agreement with Huawei to cooperate on network and operational transformation in order to improve the quality of Mobily's services and reduce the operational costs.
- Mobily completed live experiments to operate its networks using artificial intelligence technologies, in cooperation with Ericsson, demonstrating the readiness of Mobily's infrastructure for this type of advanced technology and its ability to manage its operations with the introduction of IoT and 5G technologies.

A year of achievements in transformation

In 2019, the Saudi Electric Company (SEC) awarded Mobily with a contract for Smart Meters. The significance of this win is that it places Mobily at the forefront of IoT implementation and gave us an almost immediate return on our investment in modernization.

During Hajj, Mobily successfully deployed 5G technology for drone use, and healthcare issues for pilgrims. Meanwhile, Jeddah became the site for our successful non stand-alone 5G launch, setting the stage for further launches in the coming years.

Mobily's increase of more than 2,500 access points give the WiFi network a bigger footprint resulting in an increase in traffic. The Business Unit launched SIP Trunk, creating a much more efficient and scalable fixed line solution. We also pushed nine value added services to the cloud, for greater customer experience.

Last year, we adopted the latest trends of application development to maximize flexibility and agility, whilst minimizing deployment failures, rollbacks and ensuring quicker recovery time. Our enhanced operational efficiency noticeably improved performance of service provisioning and reduced billing cycle duration.

We boosted mobile app performance and enabled payments via multiple digital channels, increasing user rating on various app stores to reach a 4.6 out of 5 rating while daily online payment increased by 38%.

Moreover, we launched fixed voice services for consumer and business with various services that enabled one platform with Data and Voice capabilities and single billing for FTTH and fixed voice service.

We were proud to attain ISO-IEC 20000-1:2011 certificate for IT Service Management System covering IT Operations, IT Support Services and Customer Relationship Management.

Business review (continued)

Digital transformation and customer care

"Transformation is the fuel that drives our growth. In 2019, we built on the solid foundation established over the past few years and accelerated our digital transformation process to position the Company for sustained excellence in organizational efficiency and customer experience."

To become the digital best-in-class service provider is central to Mobily's vision. So, 2019 triggered the most ambitious transformation process Mobily has ever undertaken, moving beyond the foundational fixes delivered by RISE to emerge by year-end with our reputation restored as the Kingdom's customer experience champion, with even greater ambitions for the future that will result from the successful execution of our GAIN corporate strategy.

During the year, we launched a pioneering WhatsApp channel for Customer Service, the first within Etisalat Group and Saudi Market, to better engage with our customers by providing them a channel on the world's most popular mobile chat platform. Additionally, we continued to excel in customer service via our social media channels, maintaining the #1 position in our sector in social media response time.

Ensuring the right talent to drive digital transformation

The capabilities needed to undergo the transformation we seek started with finding the right people, with the knowledge, skills and experience. In an endeavor to do this, coupled with the desire to comply with the Saudization requirements laid down by the Government, we brought in local 'digital gurus' to work closely with the experienced team of industry veterans. The balance instilled a new sense of purpose and provided exciting new opportunities to establish a strong digital foothold.

During the year, over 30 members of our Customer Care Management Team achieved COPC certification, the most prestigious recognition in the industry for any customer experience operation.

Building understanding through customer experience labs

The first masterstroke of this union was the creation of research laboratories populated by customers and Mobily team members. This was a first for the Kingdom. Here, scientific and practical issues were discussed to achieve three key objectives:

- Building and/or upgrading Mobily's digital channels and customer journeys based on real scientific data obtained by the customer.
- Establishing constant engagement with customers on the digital experience.
- Providing an environment whereby quality control is monitored and enhanced through continually advancing technologies.

Becoming more agile and quality focused

The capability to quickly recognize and act upon the need to transform is known as 'agility'. Mobily instilled this capability within our corporate culture by adapting globally-renowned collaborative practices, such as 'Scrum Master' and 'Design Thinking', as part of our new training program. This process truly galvanized our staff to instill a learning-friendly and scientific-based work ethic to design more customer-centric products and processes.

Meanwhile, the Company balanced this more agile corporate culture with enhanced management systems, certified by the highest international authorities. In 2019, Mobily obtained ISO certifications for:

- Business Continuity Management System;
- Quality Management System; and
- Complaint Handling Management System.

A powerful combination that delivers excellence

Science, technology, agility and homegrown Saudi talent: the perfect mix for an energized and focused corporate culture that is achieving remarkable success in enhancing customer experience through digital transformation.

While this is an ongoing journey that will continue to bear fruit over the coming years, 2019 saw a significant process in digitizing customer journeys, making them simpler and more rewarding, with the ultimate goal of consistently bringing our customers the best service and experience in the market. This is exemplified by some of our successes during the year, which included:

- The launch of Mobily's Mobile App 3.0 drove an unprecedented 400% rise in user numbers and was named 'Best in the Kingdom', validating the hard work that went into upgrading the app to deliver greater user engagement and satisfaction.
- Receiving recognition from TRIM, the global standard tool measuring customer experience, in the form of a superior rating that was in line with global and regional benchmarks and was appreciably higher than the incumbent.
- Digitalization of Mobily's "Payment/recharge" customer journeys not only increased customer satisfaction but also delivered millions of Saudi Riyals in savings to the Company.

The transformation journey will pick up pace in 2020

The success witnessed in 2019 in the Digital transformation and Customer Experience arenas will accelerate in 2020. We will launch a range of strategic initiatives and programs that will build further capabilities in our workforce, drive efficiencies across our organization and delight our customers, as we build a truly digital telecom fit for the future, including:

- Driving transformation from a 'Transactional Care' to an 'Interactional Care' model, providing more empathetic rather than purely responsive service;
- Increasing efficiency through robotics and automation; and
- Focusing on Business Intelligence (BI) for customer insights to further improve customer service.

Environmental, Social and Governance

ESG

"Compliance with external mandates to operate with greater community conscience is not enough. A deep commitment to our people, communities and environment must be part of our own DNA, our own conscience."

As Mobily's RISE strategy was delivered and GAIN was launched in 2019, the Company was given a blueprint to manifest specific actions to stimulate growth, profitability and a heightened level of commitment to the welfare of our planet, the wellbeing of our people and the ethical codes by which we operate to serve our community and nation.

At every level of our organization, Mobily remains an informed, caring and reliable leader in our community, which we seek to reaffirm and enhance each year through tangible action and impact in order to 'Nurture a positive experience for all'.

Environmental
Protecting our environment

In 2019, Mobily took measures to greatly improve the working conditions for employees and enhanced our performance across a range of key environmental issues.

Conserving energy and costs

In all Mobily flagship outlets, we have begun replacing conventional lighting with LED lighting. The benefits of this initiative are numerous, including a saving of up to 80% in replaced light, less heat (which also reduces air-conditioning costs), no maintenance and a longer lifespan for each lighting unit.

In our data centers, we installed an air containment system, separating cool and warmer air, which reflects in equipment performance and will offer a significant saving in energy costs by a reduction in consumption of up to 50 %.

Driving awareness and engagement on environmental issues

The greatest value of these initiatives can only be felt if employee engagement is consistent. As such, safety posters are displayed during monthly sessions with employees, plus a survey was conducted with the Hazard Identification and Risk Assessment protocol (HIRA) used as a reference guide. The survey, conducted with a cross section of employees from across the company, yielded the following results:

Continuous improvement in 2020

2020 will increase focus on environmental awareness and programs, building on the knowledge and foundation established this year. Our LED lighting installation program will be completed, and the rollout of the Building Management System will be implemented in specific locations. Discharged wastewater will undergo recycling treatment and a disposal policy for recyclable and non-recyclable items will also be enacted. Within the year, a No Smoking policy will also be enforced in all Mobily buildings.

Mobily's Facilities and Administration department will continue to target offices and buildings showing high energy consumption, to manage comprehensive energy saving across the Company.

95% now have a clear understanding of the need for an environment policy

95% understand they have a direct role in contributing to the policy

75% have identified a need for training about safety and environment as a necessary dimension to their roles within the company

Social

Investing in our people

Mobily currently employs 4,672 employees, which includes 2,453 employees and 2,219 outsourced personnel. Just as important as the numbers, is the fact we have an employee retention rate of 95%. This very rewarding statistic has as much to do with our recently adopted 'soft skill' values of being Passionate, Caring and Progressive as it has with our recruitment and development practices.

Making progress in employee engagement and Saudization

Telecommunications is a very demanding sector, requiring stringent criteria balanced with the national imperative of Saudization. However, Mobily has achieved Saudization levels of 100% at Level 1, 79% at Level 2, and overall a very strong 83%. All our staff enjoy learning opportunities and we have accomplished increased levels for the Employee Engagement Index and the Performance Excellence Index.

Engagement is measurable and, in 2019, Mobily leapt 17 points over the previous year in a survey conducted by Etisalat Group and Willis Towers Watson. The survey itself measured empowerment and trust, rewards and recognition, leadership, customer-centricity, work/life balance, job satisfaction, teamwork and others in the most comprehensive internal survey ever undertaken. We will take the feedback received during this process to drive further improvement in the coming year.

Committed to the health and safety of our people

Our Facilities and Administration department was awarded the ISO 45001:2018 certificate in 2019. This is a framework to eliminate workplace injuries and minimize ill health created by work conditions. It is an internationally recognized management system with proven effectiveness in workplaces around the world.

Focusing on development and culture in 2020

The impetus of GAIN will continue into 2020, as we maintain our talent development focus through programs covering critical skills for our business, such as digital, cybersecurity and customer experience. Our culture will continue to transform apace with the needs of the market, and we are determined to maintain or improve the exceptional employee retention rate achieved during 2019.

Serving our community and our Kingdom

If one were to find the simplest explanation of what Mobily does, it would be that we are the carriers of information. Such an explanation carries the privilege and responsibility of contributing to the welfare of both for those who live in the kingdom as well as its visitors.

Mobily has embraced this responsibility with energy and commitment, stepping up activities started in 2018 such as the blood donation, a special focus on the needs of pilgrims, and raising awareness about the Government's social programs through our platforms. We also created new lines of dialogue with the people of the Kingdom, further enhancing a well-earned reputation as a company placing the needs of Saudi people at the heart of everything we do.

Supporting inclusion for those with disabilities

Launched by Mobily on Twitter and YouTube, in the days leading up to National Day, the #EveryonesKingdom social campaign was conceived to highlight the social exclusion of disabled Saudi people, and why such exclusion disempowers the community.

The first part of the campaign showed an orchestra playing the national anthem. But it was incomplete, with various instruments missing and the result was unpleasant and fractured. The second part was a follow-up film featuring the same orchestra, but this time it was complete, with disabled musicians playing the instruments missing from part one.

Everyone's Kingdom gained massive awareness for this important issue, with over 16 million views and 23 earned articles, despite no media spend. It was a bold statement about inclusion which the Kingdom took to its heart.

Serving the needs of pilgrims during Hajj season

Mobily boosted download speeds by 70% compared to last year, making our network the fastest and best equipped to enable pilgrims to perform their rituals smoothly. In partnership with Ericsson, this initiative was the latest of many services provided to pilgrims over a period of 11 years.

It complemented an education program whose slogan 'Hajj is worship and civilized behavior', which became a focal point of Mobily's partnership in the National Media Awareness Campaign.

Of further service to pilgrims from across the nation and around the world was the launch of Mobily's 5G network, delivering advanced services during Hajj, with record speeds of over 1 Mbps to support their needs during their pilgrimage.

Educating Saudi's future ICT stars

Another significant collaboration in 2019 was the partnership with Huawei to create the first joint ICT Academy in the Kingdom. Vision 2030 demands a heightened level of talent and skill and this academy has been established to provide it, by training local talent to add 300 Huawei-certified ICT personnel by 2020.

Driving social awareness with our government partners

In 2019, 22 Government agencies received the support of Mobily by using our SMS and social media platforms to communicate with millions of subscribers. The awareness generated for the social responsibilities of these agencies was unprecedented, and firmly consolidated the perception of Mobily as an operator that places the community's interests before its own.

In support of the Ekhaa Foundation

Mobily was honored in 2019 by the Minister of Labor and Development for our support to this venerable institution. By assigning a unified number for people to make donations, Mobily ensured the charitable spirit of the Saudi people was given access to helping over 2,000 orphans around the Kingdom. The provision of support to charitable organizations, such as the Ekhaa Foundation, is a commitment that runs deep at every level of Mobily.

Increasing our social impact in 2020

We will continue to drive positive change in the communities we serve across the Kingdom in 2020, by launching new programs and building on the programs that we have already established.

We will launch our e-sport awareness campaign, as a service to the people of Saudi Arabia, reflecting our belief that sport plays a vital function in the lives of the Kingdom communities. We will also become an active partner in the ambitious Quality of Life program.

One of the most important prerogatives for 2020 is a continuation of the Pilgrim Awareness Campaign. The profound nature of Hajj is worthy of our closest consideration, as we innovate to provide the greatest possible experience for pilgrims by enabling their ability to perform their rituals. We regard this ongoing support as our greatest privilege.

Board of Directors

Board Members

Mr. Suliman bin Abdulrahman 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 Riyad Bank and Head of Corporate Services 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.

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) – Closed Joint Stock Company – an arm of the General Organization for Social Insurance
- NMC – Closed Joint Stock Company – an arm of the General Organization for Social Insurance
- Madad – closed joint stock company – an arm of the General Organization for Social Insurance
- Future Business Company – Closed Joint Stock company - an arm of the General Organization for Social Insurance

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

Eng. Abdullah Mohammed Al-Issa
Vice Chairman, Independent Member

Eng. Al-Issa is the Chairman of Assila Investments Company. He is also Chairman of Abdullah Mohammed Alissa Consulting Engineers Company and Chairman of Amias Holding Company. Previously, he was CEO of Assila Investment Company, and 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 Bachelor's degree in Industrial Engineering from Southern Methodist University (USA).

Current Board memberships

Within Saudi Arabia:
- Riyad 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
- Assila Investment Company – Closed Joint Stock Company
- Amias Holding Company – Limited Liability Company

Outside Saudi Arabia:
- Clarinet Company – Listed Joint Stock Company

Previous Board memberships

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

Outside Saudi Arabia:
- SABIC Capital – Limited Liability Company

Eng. Khalifa Al Shamsi
Managing Director, Executive Member

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

Current Board memberships

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

Eng. Homoud Abdullah Al Tuwaijri

Independent Member

Eng. Al Tuwaijri was Executive Vice President for strategic planning, finance, petrochemicals strategic business units coordination, supply chain management, and corporate governance and control at SABIC. He was a Board member in several banking, insurance and manufacturing companies. Al Tuwaijri 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).

Previous Board memberships

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

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 holds a Bachelor's degree in Economics and Administration Science from the Bogaziçi University in Istanbul (Turkey).

Current Board memberships

Outside Saudi Arabia:

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

Previous Board memberships

Outside Saudi Arabia

- Etisalat Nigeria – Limited Liability Company

Eng. Saleh Abdullah 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 Telecommunications and a Bachelor's degree in Electrical Engineering from the University of Colorado Boulder (USA).

Current Board memberships

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

Eng. Ali Abdulrahman Al Subaihin
Independent Member

Eng. Al Subaihin is a Founding Partner of Chedid Reinsurance Brokerage Ltd and a member of the Business Advisory Council at the College of Business Administration, Al Faisal University. 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, control 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).

Current Board memberships

Within Saudi Arabia:
- Astra Industrial Group – Listed Joint Stock Company
- Middle East Financial Investment Company (MIFC Capital) – Unlisted Joint Stock Company

Previous Board memberships

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
- Alyusr Leasing and Financing Company – Unlisted Joint Stock Company
- Best Rent A Car Company – Unlisted Joint Stock Company

Outside Saudi Arabia
- United Insurance Company (Bahrain) – Unlisted Joint Stock Company

Mr. Mohammed Hadi 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 and Development. Previously, he was Chief Executive Officer of Bright Start, and he 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).

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

Mr. Hussein bin Ali Alasmari
Independent Member

Mr. Alasmari is acting Governor's Assistant 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). Alasmari has experience in IT, Sales and Governance. He holds a Bachelor's degree in Computer Science from King Abdulaziz University (Saudi Arabia).

Eng. Moataz Qusai Al Azzawi
Independent Member

Eng. Moataz Al Azzawi is the Executive Director of Saudi Industrial Construction and Engineering Projects Company. Al Azzawi has experience in engineering, telecommunications and strategic planning. He holds a Bachelor's degree in Computer Engineering from King Saud University (Saudi Arabia).

Current Board memberships

Within Saudi Arabia:
- Riyad 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 and Engineering Project Company – Limited Liability Company
- Saudi Technology and Trade Company – Limited Liability Company
- Al–Wosata Development Company – Limited Liability Company

Outside Saudi Arabia
- Afia International Company – Unlisted Joint Stock Company
- United Sugar Company (Egypt) – Unlisted Joint Stock Company
- Alexandria Sugar Company – Unlisted Joint Stock Company
- Queen Foods – Unlisted Joint Stock Company
- El Farasha Food Industries – Unlisted Joint Stock Company
- Qatrana Cement – Unlisted Joint Stock Company
- Ready Mix Concrete and Construction Supplies (RMCC) – Listed Joint Stock Company

Previous Board memberships

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

Board of Directors' meetings and attendance

The Board of Directors held five meetings during 2019, as shown in the table below. The Board 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 current Board's session started on 1 December 2018 and will continue for 3 years. The following table illustrates the Board's meetings throughout 2019, as well as the attendance of the Board members:

No.	Name	Position/Membership type	18 February	21 April	1 July	31 October	15 December
1	Suliman bin Abdulrahman Al-Gwaiz	Chairman – Non-Executive Member	Present	Present	Present	Present	Absent
2	Abdullah Mohammed Al-Issa	Vice Chairman – Independent Member	Present	Present	Present*	Present	Present
3	Khalifa Hassan Al Shamsi	Managing Director – Executive Member	Present	Present	Present	Present	Present
4	Mohammed Hadi Al Hussaini	Independent Member	Present	Present	Present	Present	Present
5	Homoud Abdullah Al Tuwaijri	Independent Member	Present	Present	Present	Present	Present
6	Ali Abdulrahman Al Subaihin	Independent Member	Present	Present	Present	Present	Present
7	Serkan Okandan	Non-Executive Member	Present	Present	Present	Present	Present
8	Saleh Abdullah Al Abdooli	Non-Executive Member	Present	Present	Present	Present	Present
9	Hussein bin Ali Alasmari	Independent Member	Absent	Present	Present	Present	Present
10	Moataz Qusai Al Azzawi	Independent Member	Present	Present	Present	Present	Present*

* Joined via phone call

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 28 November 2018, for the current session commencing 1 December 2018 and will last until 30 November 2021.

The following are members of the Committee who are not members of the Board of Directors:

Mr. Jameel Almulhem

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

Mr. Jameel Almulhem 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 as well as member of many boards and board committees of joint stock and private companies within and outside Saudi Arabia. Almulhem has experience in banking, marketing, business, strategic and financial planning, governance and telecommunication; 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 Albarrak

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

Dr. Abdulrahman Albarrak 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. Albarrak 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 2019, the Audit Committee held five meetings. The meetings of the Audit Committee and the attendance of members are shown below:

Name	Position/Membership Type	17 February	20 April	21 July	20 October	22 December
Jameel Almulhem	Chairman of the Committee (non-Board member)	Present	Present	Present	Present	Present
Mohammed Hadi Al Hussaini	Independent Member	Present	Present	Present	Present	Present
Serkan Okandan	Non-Executive Member	Present	Present	Present	Present	Present*
Homoud Abdullah Al Tuwaijri	Independent Member	Present	Present	Present	Present	Present
Abdulrahman Albarrak	Member (non-Board member)	Present	Present	Present	Present	Present

*Joined via video call

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

1. Supervising the External Auditor's work 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, approach and his work
- Ensuring that the External Auditor does not provide any technical or administrative services that are beyond the scope of the Audit works, while offering the Committee's insights in this regard
- 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 CFO, any person assuming the CFO's duties, or the Company's Compliance Officer or Auditor
- Examining the accounting estimates in respect of significant matters that are contained in the financial reports
- 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 system
- Reviewing the Internal Audit reports and monitoring the modification and corrections in regard to the Audit observations in these reports
- Monitoring and overseeing the activities and performance 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. Ensuring compliance

- Reviewing the results of any reports or 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 contracts and proposed Related Party transactions, and providing its recommendations to the Board in connection therewith
- Reporting to the Board any issues in connection with what it deems necessary to take action on, and providing recommendations as to the steps that should be taken

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

Executive Committee

The Executive Committee was formed by the Board of Directors for the current session, commencing 1 December 2018 and will last until 30 November 2021.

Over the course of 2019, the Committee held two meetings. The meetings of the Executive Committee and the attendance of members are shown below:

Name	Position/Membership Type	17 February	24 June
Suliman bin Abdulrahman Al-Gwaiz	Chairman of the Committee – Non-Executive Member	Present	Present
Abdullah Mohammed Al-Issa	Independent Member	Present	Present*
Khalifa Hassan Al Shamsi	Executive Member	Present**	Present
Saleh Abdullah Al Abdooli	Non-Executive Member	Present**	Present**
Moataz Qusai Al Azzawi	Independent Member	Present	Present

* Joined via phone call
** Joined via video call

The duties and responsibilities of the Committee include:

1. 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 budget, except in accordance with the Company's delegation of authority
   - 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 cannot be delegated by the Board under the applicable regulations or the Company's Articles of Association

2. 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.
3. Acting as a guide for the Company's Management on emerging issues and investment opportunities.
4. Reviewing fundamental legal issues and emerging lawsuits.
5. Approving the appointment of advisory bodies in case the appointment exceeds Management's authority in approving such bodies.
6. Filing reports to the Board of Directors regarding decisions or procedures taken by the Committee or that require the approval of the Board.
7. Such other matter as assigned by the Company's Board of Directors.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee was formed by the Board of Directors, for the current session commencing 1 December 2018 and will last until 30 November 2021.

Over the course of 2019, the Committee held nine meetings. The meetings of the Nomination and Remuneration Committee and the attendance of members are shown below:

Name	Position/Membership Type	24 January	17 February	17 March	28 April	24 June	24 July	6 October	11 December	19 December
Ali Abdulrahman Al Subaihin	Chairman of the Committee - Independent Member	Present	Present	Present	Present	Present	Present	Present	Present	Present
Moataz Qusai Al Azzawi	Independent Member	Present	Present	Present	Present	Present	Present*	Present*	Present	Present
Serkan Okandan	Non-Executive Member	Present**	Present	Present**	Present**	Present**	Present**	Present**	Present**	Present**

* Joined via phone call
** Joined via video call

The duties and responsibilities of the Committee include:

1. 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.
2. Recommend the Board of Directors to nominate and re-nominate members of the Audit Committee.
3. 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.
4. 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.
5. 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.
6. Reviewing the Board of Directors' and Executive Management's structure and giving recommendations on proposed changes.
7. Determining the strengths and weaknesses of the Board of Directors and proposing solutions that align with the Company's best interests.

8. 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.
9. 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.
10. 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
11. Ensuring that there is an induction program for new members of the Board of Directors.
12. 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 current session, commencing 1 December 2018 and will last until 30 November 2021.

Over the course of 2019, the Committee held four meetings. The meetings of the Risk Management Committee and the attendance of members are shown below:

Name	Position/Membership Type	28 January	14 April	10 July	10 October
Homoud Abdullah Al Tuwaijri	Chairman of the Committee – Independent Member	Present	Present	Present	Present
Khalifa Hassan Al Shamsi	Executive Member	Present*	Present	Present*	Present
Serkan Okandan	Non-Executive Member	Present*	Present	Present*	Present
Hussein bin Ali Alasmari	Independent Member	Present	Present	Present	Present

* Joined via video call

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.

Interest, contractual securities or rights issue of the Board members and their relatives on shares or debt instruments of the Company or its affiliates

Etihad Etisalat Company (Mobily)

Name	No. of shares at start of 2019	No. of shares at end of 2019	Net change	Percentage change
Suliman bin Abdulrahman Al-Gwaiz	14,093	14,093	-	-
Abdullah Mohammed Al-Issa	34,600	34,600	-	-
Khalifa Hassan Al Shamsi	-	-	-	-
Homoud Abdullah Al Tuwaijri	208,084	208,084	-	-
Ali Abdulrahman Al Subaihin	21,600	21,600	-	-
Mohammed Hadi Al Hussaini	-	-	-	-
Serkan Okandan	-	-	-	-
Saleh Abdullah Al Abdooli	-	-	-	-
Hussein bin Ali Alasmari	-	-	-	-
Moataz Qusai Al Azzawi	500	500	-	-

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

Executive Management

Senior Executives

Eng. Salman Bin Abdulaziz Al Badran
Chief Executive Officer

Eng. Salman Bin Abdulaziz Al Badran was appointed Chief Executive Officer of Kuwait Telecom Company (VIVA) in January 2011 after previously working as the VIVA Chief Technical Officer, where he oversaw the technical and administrative aspects of its GSM network. Prior, he was the General Manager of the Al Jawal Network at the Saudi Telecom Company (STC), managing large scale telecommunication projects. Overall, Eng. Al Badran has more than 22 years of experience with a proven track record of delivering operational excellence. This experience includes 17 years of expertise in telecommunications and GSM cellular networks, specifically infrastructure implementation and operations management. He has a Bachelor's degree in Applied Electrical Engineering, with a specialization in the field of Telecommunications and Power from King Fahad University of Petroleum and Minerals (KSA).

Mr. Khalid Abdulrahman Abanami
Chief Financial Officer

Mr. Khaled Abanami has over 22 years of experience in academic and professional areas, and in the fields of financial and strategic management, accounting, operation management and telecom. He started his career as a Finance Lecturer at the College of Business Administration in King Saud University, then moved on to work in various sectors within Saudi Arabia and the wide Middle East region. He spent 10 years in the telecommunications sector (STC and VIVA), where he managed the finance, logistics, facility management and contract teams for VIVA, the Kuwait telecom subsidiary of Saudi Telecom Company (STC). He headed the reporting, planning and budgeting activities for STC. Formerly, he was Financial Controller at the National Water Company where he managed the consolidation, budgeting and planning of all company operations. Recently, he held the positions of Chief Financial Officer and Vice President (VP) of Shared Services at Saudi Railway Company until 2019. He sits on the Boards and Audit Committees of a number of companies and government entities, and spoke at many leadership and financing conferences and forums. Mr. Khaled Abanami holds a Bachelor's degree in Finance from King Saudi University, and an MBA from Sam M. Walton College of Business, University of Arkansas (USA).

Mr. Ismail Saeed Alghamdi
Chief Consumer Officer, Acting Chief Corporate Strategy Officer

In addition to his current position, Mr. Alghamdi is Board Chairman of Sehaty and National Company for Business Solutions (NCBS). Mr. Alghamdi 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. Alghamdi 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. Majed Abdulaziz Alotaibi
Chief Business and 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 that, 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).

Eng. Alaa Malki
Chief Technology Officer

Prior to joining Mobily, Eng. Alaa Malki was team leader at Saudi Telecom Company (STC), then network development Manager at Nokia. Eng. Alaa Malki joined the telecommunications sector at the beginning of 2000, and worked at many companies before he joined Mobily in 2005 as Planning and Development Manager. He then progressed through the ranks to become Chief Network Officer in 2015, before being appointed Chief Technology Officer. He has over 20 years of experience in the telecommunications sector. During his 14-year career in the Company, he has gained strategic and operational experience in managing network design projects, and has contributed to the commercial success of the Company while operating within challenging regulatory conditions. He has a Bachelor's degree in Electrical engineering from King Fahd University of Petroleum and Minerals (KSA) and a Master of Business

Administration from the University of Leicester (UK). Eng. Alaa Malki has also completed a Leadership Development Program at Harvard Business School (USA).

Mr. Majed Abdullah AlShabana
Chief Legal Affairs and Corporate Governance

Prior to joining Mobily, Mr. Majed Abdullah AlShabana was the General Manager of Legal Affairs at Saudi Telecoms Company (STC), where he was responsible for overseeing multiple legal practice areas such as litigation, legal advisory, corporate issues, investigation, compliance, digitalization and corporate governance. Previously at STC, he also held the positions of Legal Services Director and Legal Advisor. Overall, Mr. AlShabana has more than 17 years of excellent legal and governance experience in the Information and Telecommunications Technology (ICT) industry. He has a Bachelor's degree in Islamic Studies from Imam Muhammad ibn Saud Islamic University (KSA).

Eng. Waleed 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 joining Mobily, he worked as Senior Vice President for Human Capital and Support Services and Business Excellence. Before that, he also held the positions of Vice President of Public Relations and Corporate Communications, and Vice President of Marketing at Integrated Telecom Company. Eng. Al-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 (KSA), an MBA from Detroit Mercy University (USA), a Higher Diploma in Telecommunication and Network Technology from the University of California (USA).

Mr. Omar Saud Alrasheed
Chief Digital and Customer Experience Officer

Mr. Alrasheed has held a number of senior positions at various telecommunications companies prior to his appointment as 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).

Interest, contractual securities or rights issue of the Senior Executives and their relatives on shares or debt instruments of the Company or its affiliates:

Etihad Etisalat Company (Mobily)

Name	Position	No. of shares at start of 2019	No. of shares at end of 2019	Net change	Percentage change
Eng. Salman Bin Abdulaziz Al Badran	Chief Executive Officer	-	-	-	-
Mr. Khalid A. Abanami	Chief Financial Officer	-	-	-	-
Mr. Ismail Saeed Alghamdi	Chief Consumer Officer, Acting Chief Corporate Strategy Officer	-	-	-	-
Eng. Alaa Malki	Chief Technology Officer	-	-	-	-
Mr. Majed Abdullah AlShabana	Chief Legal Affairs and Corporate Governance	-	-	-	-
Eng. Waleed Mohammed Al-Abdulsalam	Acting Chief Human Resources Officer	126	126	-	-
Eng. Majed Abdulaziz Alotaibi	Chief Business and Wholesale Officer	-	-	-	-
Mr. Omar Saud Alrasheed	Chief Digital and Customer Experience Officer	-	-	-	-

It is worth noting that there is no interest, contractual securities and rights issue for the Senior Executives and their relatives in the shares or debt instruments of the affiliates.

Related party transactions

On 12 December 2019, Mobily signed a SAR 7.6 billion refinancing Murabaha Facility Agreement for 7 years with a group of Saudi Banks, including Riyad Bank (Agent), Arab National Bank, Banque Saudi Fransi, Saudi British Bank and SAMBA Financial Group, with the purpose of replacing the existing syndicate financing and reducing the cost of financing with better financing Terms and Conditions and it is Un-secured. The refinancing agreement will significantly reduce the company's cost of debt over the coming few years and is part of Mobily's continuous efforts to improve liquidity and improve terms and conditions. It is worth noting that Board member Eng. Abdullah Al-Issa is Chairman of Riyad Bank's Board of Director, while Board member Moataz Al Azzawi is also a member in Riyad Bank's Board of Director.

During 2019, several related party transactions were conducted by the Company with Emirates Telecommunication Group Company and its subsidiaries, a founding and main shareholder in Mobily, and there is an indirect interest for the Board members, namely: Saleh Al Abdooli, Khalifa Al Shamsi and Serkan Okandan.

Entity	Relationship
Emirates Telecommunication Group Company PJSC	Founding shareholder
Emirates Data Clearing House	Affiliate to Founding shareholder
Etisalat Misr S.A.E.	Affiliate - Subsidiary to Founding shareholder
Etisalat Afghanistan	Affiliate - Subsidiary to Founding shareholder
Etisalat Al Maghrib S.A (Maroc Telecom)	Affiliate - Subsidiary to Founding shareholder
Pakistan Telecommunication Company Limited	Affiliate - Subsidiary to Founding shareholder
Emirates Cable TV and Multimedia LLC	Affiliate - Subsidiary to Founding shareholder
Sehati for Information Service Company	Joint venture

Services provided to related parties comprise 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 comprise 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 Corporation. The balances due from and to related parties are unsecured and will be settled in cash. Details of related party transactions during the financial year ended 31 December 2019 are as follows:

Related party transactions 2019 (SAR '000)

	2019	2018
Interconnection services and roaming services rendered		
Founding shareholder	96,344	112,681
Affiliates	8,526	6,863
Interconnection services and roaming services received		
Founding shareholder	280,358	261,758
Affiliates	108,957	103,945
Management fees - Founding shareholder	112,517	-
Other management - Founding shareholder	5,696	29,673
Other telecommunication services - Affiliates	6,939	4,079
Related party balances		
Due from related parties		
Founding shareholder	77,676	49,547
Affiliates	4,424	4,008
Joint venture	8,166	8,166
	90,266	**61,721**
Due to related parties		
Founding shareholder	233,214	132,277
Affiliates	31,551	31,108
	264,765	**163,385**

Compensation and remuneration

Compensation policy, and method of determining remunerations of Board Members and Senior Management:

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. Consider any new appointments in coordination with the Compensation 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 Compensation 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 after distributing a profit to the Shareholders, not less than (5%) of the Company's paid-up 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 Compensation and Remuneration Committee shall, upon consideration of the proposed remuneration of the Board and its Committees on an annual basis, verify the annual objectives set for the Company, the objectives achieved and the efforts made by 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 five Senior Executives who received the highest remuneration from the Company, including the Chief Executive Officer and Chief Financial Officer:

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

	Fixed remuneration							Variable remuneration								
	Specific amount	Allowance for attending Board meetings	Total Allowance for attending Committee meetings	In-kind benefits	Remunerations for technical, managerial and consultative work	Remunerations of the Chairman, Managing Director or Secretary, if a Member	Total	Percentage of profits	Periodic remuneration	Short-term incentive plans	Long-term incentive plans	Granted shares	Total	End-of-service award	Aggregate amount	Expense allowance
First: Independent Directors																
Abdullah Mohammed Al-Issa	0	15	3	6	0	0	24	0	200	0	0	0	200	0	224	35
Homoud Abdullah Al Tuwaijri	0	18	30	7	0	0	55	0	200	0	0	0	200	0	255	15
Ali Abdulrahman Al Subaihin	0	15	27	6	0	0	48	0	200	0	0	0	200	0	248	0
Mohamed Al Hussaini	0	18	21	6	0	0	45	0	200	0	0	0	200	0	245	72
Hussein bin Ali Alasmari	0	12	9	4	0	0	25	0	17	0	0	0	17	0	42	0
Moataz Qusai Al Azzawi	0	15	30	7	0	0	52	0	17	0	0	0	17	0	69	0
Total	**0**	**93**	**120**	**36**	**0**	**0**	**249**	**0**	**834**	**0**	**0**	**0**	**834**	**0**	**1083**	**122**
Second: Executive Directors																
Khalifa Al Shamsi	0	15	12	0	0	0	27	0	200	0	0	0	200	0	227	42
Total	**0**	**15**	**12**	**0**	**0**	**0**	**27**	**0**	**200**	**0**	**0**	**0**	**200**	**0**	**227**	**42**
Third: Non-Executive Directors																
Suliman bin Abdulrahman Al-Gwaiz	0	9	3	4	0	0	16	0	0	0	0	0	0	0	16	0
Serkan Okandan	0	18	60	0	0	0	78	0	200	0	0	0	200	0	278	72
Saleh Abdullah Al Abdooli	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**0**	**27**	**63**	**4**	**0**	**0**	**94**	**0**	**200**	**0**	**0**	**0**	**200**	**0**	**294**	**72**

Board Members Remunerations are recorded on a cash basis and include payments for the previous year.

The above mentioned amounts reflect cash received in 2019, where annual remunerations are recorded for performance in 2018 and paid in 2019. Eng. Saleh Al Abdooli has waived his meeting attendance allowance for 2019, as well as his annual remuneration for 2018. Suliman bin Abdulrahman Al-Gwaiz has waived his annual remuneration for 2018.

Committees Members' compensation and remuneration (SAR '000)

	Fixed remuneration (except attendance allowance)	Attendance of meetings allowance	Total
Audit Committee			
Jameel Almulhem	120	21	141
Homoud Abdullah Al Tuwaijri	100	21	121
Serkan Okandan	100	21	121
Abdulrahman Albarrak	120	15	135
Mohamed Hadi Al Hussaini	100	21	121
Total	**540**	**99**	**639**
Executive Committee			
Suliman bin Abdulrahman Al-Gwaiz	0	3	3
Abdullah Mohammed Al-Issa	0	3	3
Khalifa Al Shamsi	0	3	3
Serkan Okandan*	0	3	3
Moataz Qusai Al Azzawi	0	3	3
Saleh Abdullah Al Abdooli	0	0	0
Total	**0**	**15**	**15**
Nomination and Remuneration Committee			
Khalifa Al Shamsi**	45	0	45
Ali Al Subaihin	0	27	27
Moataz Qusai Al Azzawi	0	27	27
Serkan Okandan	0	27	27
Total	**45**	**81**	**126**
Risk Management Committee			
Homoud Abdullah Al Tuwaijri	0	9	9
Khalifa Al Shamsi	0	9	9
Serkan Okandan	0	9	9
Hussein bin Ali Alasmari	0	9	9
Total	**0**	**36**	**36**

Committee members remunerations are recorded on a cash basis, and include payments for the previous year.

* Attendance allowance for the previous session
** Remuneration for the previous session

Senior Executives compensation and remuneration (SAR '000)

Senior Executives' compensation and remuneration details		Five Senior Executives receiving the highest remuneration from the Company (including CEO and CFO)
Fixed remuneration	Salaries	8,228
	Allowances	5,312
	In-kind benefits	27
	Total	**13,567**
Variable remuneration	Periodic bonuses	20,627
	Earnings	-
	Short-term incentive plans	-
	Long-term incentive plans	-
	Shares awarded (value is entered)	-
	Total	**20,627**
End-of-service benefits		4,344
Total Executives' compensation and remuneration for the Board, if any		-
Total		**38,538**

Senior Executives Remunerations are recorded on a cash basis, and include payments for the previous year.

About Mobily

Organization and activity

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 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.

Pursuant to the Communications and Information Technology Commission resolution number 5125 dated 21 February 2017 (corresponding to Jumada I 24, 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 the Kingdom of Saudi Arabia. The Company began its commercial operations on 25 May 2005 (corresponding to Rabi'II 17, 1426H). Details of the breakdown of 2019 results contributions (SAR million) are as follows:

	Consumer	Business	Wholesale	Outsourcing	Total
Usage	7,905	497	945	-	**9,347**
Activation and subscription fees	1,880	428	-	-	**2,308**
Others	774	683	158	180	**1,795**
Total	**10,559**	**1,608**	**1,103**	**180**	**13,450**

The main activities of the subsidiaries are as follows:

- IT and application services, billing, testing, product marketing, operation management and support services, as well as call center services
- Contracting for the establishment and maintenance of wire telecom networks, as well as other related works, installation and maintenance of computers, third party import and marketing services
- Installation and maintenance of wire and wireless telecom networks, importing, exporting and sale of equipment, devices and programs of telecom systems and smart building systems, as well as marketing and distributing telecom services, managing centers providing such services. In addition to providing computer services along with relevant software and equipment. Provision of consultation services in the fields of communication, computer and technical production
- Wholesale and retail trade in computers and electronic equipment, maintenance and operation of such equipment, and provision of related services
- 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 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

Subsidiaries

Below is a summary of the Company's subsidiaries and ownership percentages as at 31 December 2019 and 31 December 2018:

Name	Country of incorporation	Country of operation	Capital	Ownership percentage				Initial investment
				31 December 2019		31 December 2018		
				Direct	Indirect	Direct	Indirect	
Mobily Infotech India Private Company	India	India/ Saudi Arabia	INR 20 million	99.99%	0.01%	99.99%	0.01%	1,836
Bayanat Al-Oula for Network Services Company*	Saudi Arabia	Saudi Arabia	SAR 150 million	100%	-	99%	1%	1,500,000
Zajil International Network for Telecommunication Company	Saudi Arabia	Saudi Arabia	SAR 10 million	96%	4%	96%	4%	80,000
National Company for Business Solutions	Saudi Arabia	Saudi Arabia	SAR 10 million	95%	5%	95%	5%	9,500
National Company for Business Solutions FZE	United Arab Emirates	United Arab Emirates	AED 180,000	-	100%	-	100%	184
Mobily Ventures Holding SPC	Bahrain	Bahrain/ GCC/ MENA	BD 250,000	100%	-	100%	-	2,510

* During the year 2019, the Company acquired the remaining 1% owned by National Company for Business Solutions.

Mobily Infotech India Private Limited - LLC

The main activities of the Company include providing IT services, applications, billing, support testing, product marketing, management process, support services and call centers for its group companies.

Bayanat Al-Oula for Network Services Company - LLC

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 2.540 billion.

During the year 2019, the Company acquired the remaining 1% owned by National Company for Business Solutions.

Zajil International Network for Telecommunication Company - LLC

The main activities of the Company include 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 LLC

The main activities of the Company include installation and maintenance of wire and wireless 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 telecommunications, computer, software and technical production. The contribution of this Company to Mobily's revenues amounted to SAR 180 million.

National Company for Business Solution owns participation in Ecommerce Taxi Middle East (Luxembourg): 10% (2018: 10%)

National Company for Business Solutions FZE-LLC

The main activity of the Company is the trade, import and export of computer systems.

Mobily Ventures Holding SPC

It acts as a holding company for the Commercial and Industrial Services Group.

Mobily Ventures Holding has an investment in the following companies:

- Anghami LLC (Cayman Islands): 7.94% (2018: 8.16%)
- MENA 360 DWC LLC (United Arab Emirates): 2.33% (2018: 2.48%)
- DokkanAfkar.com (British Virgin Islands): 3.28% (2018: 4.2%)

Important events

Structural changes in Executive Management

Mobily's Executive Management saw a number of key changes during 2019, aimed at improving operational efficiency and optimizing its organizational structure:

- Appointment of Salman Bin Abdulaziz Al Badran as CEO, effective 1 April 2019. He succeeds former CEO Eng. Ahmed Abou Doma
- Appointment of Eng. Alaa Malki as Chief Technology Officer, effective 1 April 2019
- Appointment of Mr. Khaled Abdulrahman Abanami as CFO, effective 19 May 2019. He succeeds Mr. Kais Ben Hamida who previously held this position
- Appointment of Mr. Majed bin Abdullah AlShabana as Chief Legal Affairs and Corporate Governance, effective 11 November 2019
- Appointment of Mr. Omar Saud Alrasheed as Acting Chief Strategy Officer, effective 22 December 2019

The Company also established its Consumer Unit, which reports directly to the CEO and comprises of the following units: Consumer Marketing Unit, Consumer Sales Unit and Consumer Customer Service Unit. Eng. Ismail bin Saeed Alghamdi was appointed Chief Consumer Officer, effective 28 November 2019.

Signing of Alinma Bank Financing Agreement

As part of the Mobily's management efforts to improve liquidity, cut finance costs, and have better terms and conditions, the Company announced that it has, on 19 November 2019, signed a SAR 3 billion financing agreement with Alinma Bank to replace an existing facility. The ten-year credit is unsecured, and is aimed at replacing the existing facility with an alternative one to be used for general corporate purposes, including capital expenditure. Nonetheless, it provides the Company with additional credit flexibly, and not compulsory to the Company to utilize the total facility amount. The success of this transaction reflects the continuous improvement of the Company credit rating and confirms the trust the lenders have in Mobily's capabilities and the recognition of its achievements.

Signing of SAR 7.6 billion Refinancing Murabaha Facility Agreement with a group of Saudi banks

On 12 December 2019, Mobily signed a SAR 7.6 billion refinancing Murabaha Facility Agreement with a group of Saudi Banks for 7 years, including Riyad Bank (Agent), Arab National Bank, Banque Saudi Fransi, Saudi British Bank and SAMBA Financial Group, with the purpose of replacing the existing syndicate financing and reducing the cost of financing with better financing Terms and Conditions. The unsecured refinancing agreement will significantly reduce the Company's cost of debt over the coming few years and is part of Mobily's continuous efforts to improve liquidity and have better terms and conditions. The Company's achievements enabled Mobily to obtain this new refinancing Murabaha facility with lower cost of debt and more favorable terms and conditions which reflects the continuous improvement of the Company credit rating and confirms the trust the lenders have in Mobily's capabilities and the recognition of its achievements. It is worth noting that Board member Eng. Abdullah Al Issa is Chairman of Riyad Bank's Board of Directors, while Board member Mutaz Al Azawi is also a member in Riyad Bank's Board of Directors.

Forward-looking statements

The Government's commitment to Vision 2030 is the driving force towards a new, growing and sustainable economy. The year 2020 will provide Mobily's Business Unit with more prospects for growth, and consolidate our position as an innovative leader in the enterprise and ICT market. Under the direction of its Board of Directors, Mobily has updated its strategy, to be in line with Vision 2030 objectives for the ICT sector, and to support the empowerment of Saudi economy.

The most profound change in the digital landscape of Saudi Arabia (and the world) is, without doubt, the arrival of 5G. 2020 provides us with the opportunity to competitively leverage this new platform for the Kingdom's evolving needs.

Working on the (FTTH Open Access) initiative will be a major objective during 2020, enabling Mobily to sell FTTH service using other operators' infrastructure. Bundling FTTH with other telecom products (i.e. GSM, handsets, Smart Home, Content) will also be a focus area to provide a better portfolio to families at home. We will continue to lead the way to even more personalized service, digitizing and simplifying products, services and touchpoints to deliver increasingly quicker and more integrated technological experiences for consumers.

Mobily will continue to invest across a wide range of areas to apply the latest technologies to deliver continuous improvement across our business and drive positive change in what we can offer to our customers. In 2020, our focus will include increasing data speed and improving network performance, deployment of 5G through the Kingdom, exploring the limitless potential of IoT, and applying more robotics and AI to further automate Mobily's operations.

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

Sponsoring the National Media Awareness Campaign for Pilgrims

As part of its social responsibilities and its continuous strive to serve pilgrims to the holy sites in Saudi Arabia, Mobily has sponsored the National Media Awareness Campaign which targeted pilgrims. Through this sponsorship, Mobily seeks to promote the national campaign goals and deliver its noble message through the companies' locations in Makkah and Holy Places, its social networks, and SMS sent to its subscribers. In addition, Mobily has harnessed all its services and human and technical resources to put into practice the theme of the campaign "the Hajj is worship and civilized behavior," which helped enhance the pilgrims' experience.

Driving awareness through social media and SMS

In a move that aims to harness the spread of social media use in the community, acknowledging its role in the transfer of information, Mobily has dedicated its social media accounts, as well as SMS, to its own support awareness campaigns, as well as those organized by public and private sector entities, playing a key role in supporting the goals of these campaigns.

Sponsorship of social events

As part of its support to the objectives of Quality of Life Program 2020, which mainly targets making KSA the best living destination for nationals and expatriates, Mobily sponsored a number of social and entertainment events including Fawanees Makkah, Alhara Alarabia, Women Show 12, Coffee and Chocolate Show, Saudi Women show, as well as the Italian Super Cup.

Everyone's Kingdom campaign

As part of celebrations of the National Day, Mobily launched a campaign that aimed to start a conversation about social inclusion and the need to break the stereotypes surrounding people with disabilities, in order to empower this segment and allow them to explore and achieve their potential.

The #EveryonesKingdom campaign is in line with Saudi Vision 2030, which includes "Rewarding Opportunities" as one of its key objectives, aiming to offer equal opportunities to all people with disabilities.

Launch of Saudi Arabia's first ICT Academy

Mobily signed an agreement with Huwaei, in order to establish the first joint ICT academy of its kind in KSA. The Academy aims to add 300 Huawei-certified ICT personnel by 2020, in line with Vision 2030 which aims to minimize the gap in the availability of ICT industry talent. The agreement also aims to provide training opportunities for college and university students who have an interest in the field, to receive the Academy's training and certification.

Participation in career exhibitions

As part of its efforts to support and recruit national talent, Mobily took part in a number of career shows held in Saudi Arabia, provided by Glowork, ICT College, King Fahd University of Petroleum and Minerals, Princess Nora University, and Misk Academy. This embodies the Company's support and contribution towards the Vision 2030 objective of empowering Saudi youth in the area of ICT.

Sponsorship of Bug Bounty Platform

Mobily signed an agreement with the Saudi Federation for Cybersecurity, Programming and Drones, to participate in the Bug Bounty Platform, which aims to harness the skills of cybersecurity researchers in order to detect vulnerabilities in tech products and websites. The platform's role is to support collaboration between experienced cybersecurity researchers and organizations, as well as managing the transactional processes in a secured trusted environment.

Shareholders

General Assembly of Shareholders

During 2019, the Extraordinary General Assembly of Shareholders met on 14 May. The Board of Directors' attendance was as follows:

No.	Name	Position	14 May
1	Suliman bin Abdulrahman Al-Gwaiz	Chairman	Present
2	Abdullah Mohammed Al-Issaa	Vice Chairman	Present
3	Khalifa Al Shamsi	Managing Director	Present
4	Hussein bin Ali Alasmari	Member	Present
5	Mohamed Hadi Al Hussaini	Member	Absent
6	Moataz Qusai Al Azzawi	Member	Present
7	Homoud Abdullah Al Tuwaijri	Member	Present
8	Ali Abdulrahman Al Subaihin	Member	Present
9	Serkan Okandan	Member	Absent
10	Saleh Abdullah Al Abdooli	Member	Absent

During the Extraordinary General Assembly meeting on 14 May, the Shareholders voted to approve all items on the agenda. Below are the items of the agenda:

1. Approval on the Company financial statements for the fiscal year ending 31 December 2018.
2. Approval on the auditor report for the fiscal year ending 31 December 2018.
3. Approval on the Board of Directors report for the fiscal year ending 31 December 2018.
4. Approval on releasing the members of the Board of Directors from their liabilities for the fiscal year ending 31 December 2018.
5. Approval on appointing of KPMG Al Fozan and Partners to review and audit the Company annual and quarterly financial statements from the third quarter of the fiscal year of 2019 till the end of the second quarter of the fiscal year of 2020 and determine their fees.
6. Approval on the businesses and contracts that were made with Emirates Telecommunications Group Company (a main shareholder in Mobily) and represented in the amended technical services and support agreement, noting that the businesses and contracts that were made between the Company and Emirates Telecommunications Group Company during 2018 with respect to interconnection and roaming services rendered of (119,544) thousand SAR, interconnection and roaming services received of (365,703) thousand SAR, other administrative expenses of (29,673) thousand SAR, and telecommunications services of (4,079) thousand SAR, and obtain the approval for the next year without preferential conditions, due to an indirect interest for the Board members, namely: Eng. Saleh Al Abdooli, Eng. Khalifa Al Shamsi, and Mr. Serkan Okandan.
7. Approval on the merging of Bayanat Telecom company (the merged company) with its rights and obligations, including all intellectual rights like names, trademarks, all assets with their contents, all projects, contracts and works that the merged company is a party of, in addition to all technical, administrative elements and licenses that it owns in Etihad Etisalat Mobily (the acquired company). This is after Etihad Etisalat ,Mobily Company, completed the acquisition " buying" of the entire shares of the National Company for Business Solutions in Bayanat Telecom Company, which are above 1500 shares out of 150,000 shares, and converting Bayanat Telecom Company as one person partnership in accordance with the procedures followed by the system and due to CITC request.

Shareholders' proposals

Mobily's Investor Relations department maintains regular communication with the Company's Sareholders through various 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 2019, the Company requested the shareholders register six times from the Securities Depository Center (Edaa). The dates and reasons for such requests are listed below:

No. of requests	Request date	Reason
1	13 January	For the Company's internal reporting purposes
2	3 March	For the Company's internal reporting purposes
1	10 March	For the Company's internal reporting purposes
1	29 May	For the Company's internal reporting purposes
1	10 June	For the Company's internal reporting purposes

Dividend policy

First: dividend entitlement

1. Shareholders are entitled to receive their share of dividends as per the decision of the General Assembly in respect of the distribution of dividends to Shareholders or the Board resolution on distributing interim dividends. The resolution shall specify the record date and the distribution date, where registered Shareholders are entitled to receive the dividends by the end of the eligibility date, provided that the resolution shall be executed as per the Regulatory Rules and Procedures issued pursuant to the Companies Law related to Listed Joint Stock Companies.
2. If the statutory reserve exceeded 30% of paid-up capital, the General Assembly may decide to distribute the surplus to the Shareholders, during such years when the Company does not achieve enough net profit to distribute the dividends assigned to them in its Articles of Association.
3. In the case of not distributing any profits for any fiscal year, it is not permissible to distribute profits for the following years but after paying the percentage referred to in Article (9) of the Company's Articles of Association, to the holders of preferred shares for said year. if the Company fails to pay this percentage of the profits for three consecutive years, it is permissible for the special Assembly – for the owners of these shares – held in accordance with the provisions of Article (89) of the Companies Law to decide either they may attend the meetings of the General Assembly of the Company and participate in the vote or appoint representatives in the Board of the Company with full payment of priority profits allocated to the owners of these shares for the previous years.

Second: distribution of dividends

The Board of Directors shall recommend the announcement and payment of any dividends, before such dividends are approved by the General Assembly of Shareholders. Such a recommendation is linked to a number of factors, including the amount of current and projected profits, as well as cash flows, market data and economic factors, in addition to statutory considerations (such as limitations as set out in the Company's Articles of Association, the Companies Law and Corporate Governance Regulations). The Company's net profits are distributed as follows:

1. 10% of the net profit is 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.
2. The Ordinary General Assembly may, upon the recommendation of the Board of Directors, set aside 5% from the net profit to form a provisional reserve to be allocated for certain purpose or purposes.
3. 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.
4. A dividend representing a minimum of 5% of the Company's paid-up capital will be distributed from the residuum to the Shareholders.
5. Subject to relevant provisions of the Company's Articles of Association and the Companies Law, 10% of the residuum shall be allocated as remuneration to the Board of Directors. Entitlement to such remuneration shall be proportional to the number of meetings attended by the Director. The remaining part shall afterwards be distributed to Shareholders as an additional portion of the profits.

Third: timing of payment of dividends

The Board must implement the General Assembly resolution with respect to dividend distribution to the Registered Shareholders within 15 working days from the date they become entitled to such dividends as determined in such resolution, or the Board's resolution for the distribution of interim dividends.

Fourth: interim dividend distribution

The Company may, if so provided and permitted in its bylaws, distribute interim dividends to its Shareholders on a biannual or quarterly basis after fulfilling the following requirements:

1. The issuance of a resolution by the General Assembly renewed annually authorizing the Board to distribute interim dividends.
2. The Company shall enjoy regular positive profitability.
3. The Company shall enjoy reasonable liquidity, and is able to reasonably foresee the scale of its profits.
4. The Company shall have distributable profits from one or more previous years – according to the latest audited annual financial statements – sufficient to cover the proposed dividend distribution, after deducting the amounts distributed and capitalized of the profits after the date of the these financial statements.

- The Board must include in its annual report submitted to the General Assembly of the Company the portion of dividends distributed to Shareholders during different periods of the financial years in addition to the portion of dividends proposed for distribution at the end of the financial year, and the aggregate dividend amounts
- Dividend distributions must be recorded to the cumulative retained earnings account of preceding

years, or the contractual reserves, or both. The Company must take a sequential and consistent approach in determining the manner and percentage of dividend distributions in light of the Company's capabilities and available liquidity. The Board must disclose and announce the portion of regular interim dividends approved for distribution to the Shareholders on the specified dates.

- The Company must, upon resolving to distribute interim dividends, disclose and announce such resolution immediately, and provide the Authority with a copy thereof immediately

In 2019, no dividends were distributed to Shareholders.

Risks

Mobily operates in an environment characterized by constant changes driven by evolving technologies, markets and regulations. Management regularly reviews and updates the Board Risk Management Committee on its existing and emerging risks. Furthermore, Management reports to the Committee on how to mitigate these risks to acceptable risk appetite level in accordance with ISO 31000 standards and in line with governing rules, regulations and in compliance with Corporate Governance Regulations issued by the Capital Market Authority (CMA). Mobily has a dedicated unit responsible for managing all activities related to Enterprise Risk Management and Resilience. The Board Risk Management Committee (BRMC) meets quarterly to oversee the outcomes of all enterprise risk management and resilience activities. The Committee provides additional advice and guidance concerning the top risks affecting the Company together with the mitigation strategies to control such risks. Following are some of the key risks that management regularly reviews and updates the Board Risk Management Committee on during 2019:

Cyber security risks

Advance and persistent cyber-attacks on infrastructure is one of the top risks that could disrupt operations/services. Furthermore, it could impact company's reputation along collateral damage. Mobily has always been striving to enhance its internal controls through implementing strategic and effective mitigation actions required to deal with such threats. In addition, deploying state of the art technology as well as implementing international standards and best practices through a dedicated "Security and Privacy" unit. This unit is in charge of safeguarding the Company's information assets around the clock.

Business continuity plans & disaster recovery

Mobily as a Critical Services Provider in the Kingdom is extremely keen on ensuring its operational resiliency and business continuity due to any incidents/disaster that may affect its operations. The Company has adopted international standards ISO 22301 as the basis for its Business Continuity and Disaster Recovery management. Moreover, in recognition of its efforts in the field of BC and DR, the Company has won several global and regional awards from leading standard setting institutes.

Regulatory risks

Changes to the Regulatory environment in Saudi Arabia can pose certain risk to Mobily. The Company strives to ensure that it has focused its effort to improve compliance with telecommunication regulations and maintain its responsible corporate citizenship standing.

Market conditions risks

Mobily has to deal with competition and changing market conditions as voice revenues continues to decline due to increased adoption and preference for new data dependent technologies. Mobily is working on new revenue streams, attractive products, partnerships and value creation pricing strategy to overcome these risks. These measures led to company growth and an increase in revenues in 2019.

Technological risks

Not being able to meet or deliver future demand in IT capabilities or proper digital experience could have some effect on the ability to grow digitally. Mobily has embarked on an IT and digital transformation journey to address these risks as part of its new GAIN strategy.

During the year the noticeable improvements and achievements, were made to the enterprise risk management methodology, policy, process, charter, and systems. Crisis management awareness workshops and simulation exercises were conducted with the Crises Management Team.
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 the 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.

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 related parties, 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 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 loss on accounts receivable. The Group applies the simplified approach to calculate impairment loss 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 19% of total accounts receivable as at 31 December 2019 (31 December 2018: 34%). The rest of the balances do not have significant concentration of credit risk, with exposure spread over large number of counterparties and customers.

The age analysis of net accounts receivable is as follows (SAR million):

	31 December 2019	31 December 2018
Current	670	642
Within two months	465	610
From two months to three months	121	149
More than three months	1,778	2,170
	3,034	**3,571**

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 (SAR million):

	Less than one year	1 to 5 years	More than 5 years	Total contractual cash flows	Carrying amount
At 31 December 2019					
Loans and notes payable	1,371	7,246	6,158	14,775	12,385
Lease liabilities	770	1,537	564	2,871	2,509
Accounts payable	5,092	-	-	5,092	5,093
Due to related parties	265	-	-	265	265
Other financial liabilities	-	155	193	348	275
Derivatives financial instruments	56	-	-	56	56
	7,554	**8,938**	**6,915**	**23,407**	**20,583**
At 31 December 2018					
Loans and notes payable	1,698	10,481	3,434	15,613	13,022
Accounts payable	5,155	-	-	5,155	5,155
Due to related parties	163	-	-	163	163
Other financial liabilities	-	155	232	387	300
Derivatives financial instruments	11	-	-	11	11
	7,027	**10,636**	**3,666**	**21,329**	**18,651**

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 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.

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 the Kingdom of 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 16 "Leases," which have been applied for the first time. The Consolidated Financial Statements were authorized for issuance by the Board of Directors on 17 February 2020 (corresponding to 23 Jumada II 1441H).

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 2019, 2018, 2017, 2016 and 2015:

Summary of consolidated balance sheet (SAR million)

	2019	2018	2017	2016	2015
Current assets	6,558	7,101	7,494	6,886	7,359
Non-current assets	32,704	31,461	32,993	34,385	35,042
Total Assets	**39,262**	**38,562**	**40,487**	**41,271**	**42,401**
Current liabilities	11,413	11,554	11,936	17,893	18,094
Non-current liabilities	14,098	13,139	14,297	8,422	9,133
Total liabilities	**25,511**	**24,693**	**26,233**	**26,315**	**27,227**
Shareholders' equity	13,751	13,869	14,254	14,956	15,174
Total liabilities and equity	**39,262**	**38,562**	**40,487**	**41,271**	**42,401**

As at 31 December 2019, total assets amounted to SAR 39,262 million, while total liabilities amounted to SAR 25,511 million and Shareholders' equity amounted to SAR 13,751 million.

Property and equipment represented the majority of assets, amounting to a net book value of SAR 21,651 million, while the majority of liabilities consisted of loans and notes payable totaling SAR 12,385 million. These have been used towards general purposes, including capital expenses, upgrades and improvements to the Company's infrastructure, in addition to working capital requirements. Employees' end-of-service provisions amounted to SAR 438 million at 31 December 2019.

Summary of consolidated operating income (SAR million)

	2019	2018	2017	2016	2015
Usage	9,347	8,225	8,457	9,875	11,550
Activation and subscription Fees	2,308	2,419	2,115	1,868	1,893
Other	1,795	1,221	779	826	981
Total revenues	**13,450**	**11,865**	**11,351**	**12,569**	**14,424**

Summary of consolidated statement of income (SAR million)

	2019	2018	2017	2016	2015	Change value 18/19	Change % 18/19
Revenue	13,450	11,865	11,351	12,569	14,424	1,585	13.36%
Cost of sales	(5,650)	(5,283)	(4,821)	(5,144)	(6,466)	(367)	6.95%
Gross profit	**7,800**	**6,582**	**6,530**	**7,425**	**7,958**	**1,218**	**18.51%**
Selling and marketing expenses	(1,237)	(1,286)	(1,234)	(1,270)	(1,442)	49	(3.81%)
General and administrative expenses	(1,549)	(747)	(1,450)	(2,138)	(3,575)	(802)	107.36%
Depreciation and amortization	(3,917)	(3,809)	(3,626)	(3,782)	(3,625)	(108)	2.84%
Profit/(loss) from operations	**967**	**603**	**19**	**287**	**(684)**	**364**	**60.36%**
Finance expenses	(929)	(799)	(678)	(566)	(361)	(130)	16.27%
Finance income	45	35	12	23	121	10	28.57%
Zakat	(49)	38	(61)	43	(169)	(87)	-
Net profit/(loss)	**31**	**(123)**	**(709)**	**(214)**	**(1,093)**	**154**	**-**

- Net profits for 2019 totaled SAR 31 million, compared to a net loss of SAR 123 million in 2018. This improvement is mainly due to the growth of revenues and the improvement in operational performance
- Gross profit in 2019 totaled SAR 7,800 million, compared to SAR 6,582 million in 2018, with the increase of 18.5% resulting mainly from improved revenues and the impact of implementing IFRS16
- Revenues in 2019 were SAR 13,450 million, compared to SAR 11,865 million in 2018, amounting to an increase of 13.4%. This was mainly due to the increase and improvement of Mobily's customer base, growth of data sales and growth of business sector sales
- The earnings before interest, tax, depreciation and amortization (EBITDA) margin amounted to 37% in 2019, compared to 38% in 2018
- Operating income in 2019 was SAR 967 million, compared to SAR 603 million in 2018, reflecting an increase of 60.4%. This was mainly due to the improvement in earnings before interest, tax, depreciation and amortization (EBITDA), through increased revenue, improved operating performance and the impact of implementing IFRS16

Loans

Loans and notes payable (SAR million)

	31 December 2019	31 December 2018
Long term loans and notes payable	12,385	13,022
Less: current portion	(1,157)	(1,034)
Non-current portion	**11,228**	**11,988**

a. Maturity profile of loans and notes payable

	31 December 2019	31 December 2018
Less than 1 year	1,157	1,034
1-5 years	5,330	8,704
Over 5 years	5,898	3,284

b. Details of loans and notes payable as at 31 December 2019 are as follows. It should be noted that the amounts that have been paid during 2019 amount to SAR 928 million.

Lender	Borrowing company	Loan nature	Borrowing purpose	Issue date	Currency	Principal amount
Local banks syndicated	Mobily	Long-term refinancing facility agreement Sharia' compliant	Replace the 2017 syndicate financing	Q4, 2019	Saudi Riyals	Saudi Riyals 7,619 million
Export Credit Agency of Finland (Finnvera)	Mobily	Long-term financing agreement Sharia' compliant	Acquiring network equipment from Nokia 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	US Dollars	USD 720 million (Saudi Riyals 2,700 million)
Export Credit Agency of Sweden (EKN)	Mobily	Long-term financing agreement Sharia' compliant	Acquiring network equipment from 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	US Dollars	USD 652 million (Saudi Riyals 2,444 million)
Saudi Investment Bank	Mobily	Long-term financing agreement Sharia' compliant	Financing the Company's working capital requirements	Q4, 2013	Saudi Riyals	Saudi Riyals 1,500 million
CISCO Systems International	Mobily	Vendor financing agreement	Acquiring CISCO network equipment and software solutions	Q2, 2015, Q3, 2016, Q1, 2017	US Dollars	USD 173.79 million (Saudi Riyals 652.4 million)
Export Development of Canada (EDC)	Mobily	Long-term financing agreement Sharia' compliant	Acquiring telecommunication devices and equipment from Alcatel-Lucent	Q2, 2014	US Dollars	USD 122 million (Saudi Riyals 458 million)
Alinma Bank	Mobily	Long-term financing agreement Sharia' compliant	Replace the December 2016 financing with Alinma Bank and for the general corporate purposes including capital expenditure	Q4, 2019	Saudi Riyals	Saudi Riyals 3,000 million
		Total				

Utilized amount	Profit rate	Payment terms	Period	Current portion	Non- Current portion	Total (remaining due amount)	Other terms	Paid-up amount
Saudi Riyals 7,619 million	SIBOR plus profit margin	Semi-annual repayments	7 years	Saudi Riyals 181 million	Saudi Riyals 7,374 million	Saudi Riyals 7,555 million	Repayment period of 7 years	SAR 270 million
USD 665 million (Saudi Riyals 2,494 million)	Fixed rate per annum	Semi-annual repayments	10 years	Saudi Riyals 315 million	Saudi Riyals 1,058 million	Saudi Riyals 1,373 million	Utilization period of 1.5 years, repayment period of 8.5 years	USD 88 million (SAR 330 million)
USD 629 million (Saudi Riyals 2,358 million)	Fixed rate per annum	Semi-annual repayments	10 years	Saudi Riyals 268 million	Saudi Riyals 1,009 million	Saudi Riyals 1,277 million	Utilization period of 1.5 years, repayment period of 8.5 years	USD 74 million (SAR 279 million
Saudi Riyals 1,500 million	SIBOR plus profit margin	Semi-annual repayments	7.5 years	Saudi Riyals 347 million	Saudi Riyals 319 million	Saudi Riyals 666 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 - 5 years	Saudi Riyals 5 million	Saudi Riyals 5 million	Saudi Riyals 10 million	Utilization period of 6 months, repayment period of 3 years	USD 1.3 million (SAR 5 million
USD 101 million (Saudi Riyals 377 million)	Fixed rate per annum	Semi-annual repayments	10.5 years	Saudi Riyals 41 million	Saudi Riyals 165 million	Saudi Riyals 206 million	Utilization period of 2 years, repayment period of 8.5 years	USD 11.8 million (SAR 44 million)
Saudi Riyals 1,300 million	SIBOR plus profit margin	Semi-annual repayments	10 years	-	Saudi Riyals 1,298 million	Saudi Riyals 1,298 million	Payable over a period of 10 years with 3 years grace period	--
				Saudi Riyals 1,157 million	**Saudi Riyals 11,228 million**	**Saudi Riyals 12,385 million**		**SAR 928 million**

Statutory payments

Paid and due statutory payments (SAR million)

Item	Payable to	Paid (2019)	Due for the end of the fiscal year, not paid (2019)	Short description and reason
Zakat	General Authority of Zakat and Tax	38	76	In accordance with the relevant laws and regulations
Tax	General Authority of Zakat and Tax	360	26	In accordance with the relevant laws and regulations
GOSI fees	General Organization for Social Insurance	93	-	In accordance with the relevant laws and regulations
Visa and Passport costs	Ministry of Interiors	1	-	In accordance with the relevant laws and regulations
Labor office fees	Ministry of Labor	2	-	In accordance with the relevant laws and regulations

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 31 December 2009 and thereafter, where it includes the Company and its subsidiaries due to the fact that the Group is one economic entity wholly owned and managed by the Company.

The Group has filed its zakat returns with GAZT for the years through 2018 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 for the years up to 2008. The Group has received zakat and withholding tax assessments for the years 2009, 2010 and 2011 that showed additional zakat and withholding tax liabilities of SAR 226 million and SAR 159 million respectively, which have been appealed against by the Group at the Preliminary and Higher Appeal Committees. Recently, the Higher Appeal Committee has issued certain rulings in favor of the Company related to zakat and withholding tax disputes. Management believes that it has sufficient grounds to contest the matters included in the assessments and the eventual outcome of the appeal process will not result in any significant liability.

Zakat Provision (SAR million)

	31 December 2019
Balance at the beginning of the year	65
Charge during the year *	49
Payments during the year	(38)
Balance at the end of the year	76

Lawsuits and penalties

The CITC's Violation Committee has issued several penalty resolutions against the Company, which the Company has opposed to in accordance with the Telecom Status and its implementing regulations. The reasons for issuing these resolutions vary between the manner followed in issuing prepaid SIM Cards and providing promotions that have not been approved by CITC 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 over the past years to prevent such recurrences in the future.

Additionally, multiple lawsuits were filed by the Company against CITC at the Board of Grievances in order to oppose to such resolutions of the CITC's Violation Committee, as follows:

1. There are (831) lawsuits filed by the Company against CITC amounting to SAR 710 million as of 31 December 2019.
2. The Board of Grievance has issued (192) verdicts in favor of the Company voiding (192) resolutions of the CITC's Violation Committee with a total penalties. amounting to SAR 506 million as of 31 December 2019
3. Some of these preliminary verdicts have become conclusive (after they were affirmed by the appeal court) cancelling penalties with a total amounting to SAR 505 million as of 31 December 2019.

There are 182 lawsuits filed by some of the shareholders against the Company before the Committee for the Resolutions of Security Disputes and still being adjudicated by the said Committee. As of 31 December 2019, the Company has received (3) preliminary verdicts and (153) final verdicts in its favor, whereas (11) cases have been dismissed, (1) case is maintained, (2) cases are abandoned and (12) cases remain on-going .

Annual review of the effectiveness of internal control procedures

The formulation of the Audit Committee (referred to below as the "Committee") in Mobily took into consideration the requirements of corporate governance in terms of its composition and direct association with the Board of Directors (Referred to below "BoD") of the Company. The Committee's main contribution was on reviewing the financial statements and accounting policies and the supervision of the work of internal audit, external auditors and compliance. The Committee held five meetings during the year 2019.

The Committee's main contribution during the year 2019:

The Committee during the year 2019 carried out various activities within its scope of responsibilities; of which the main activities are the following:

- Review and approve internal audit plan for the year 2019. The Committee made its recommendation to the BoD for approving internal audit's budget for the year and ensured that sufficient resources are provided to internal audit in a manner that maintains its effectiveness. The Committee also reviewed and approved the Chief Audit Executive performance and objectives for the years 2019 / 2020 respectively
- Oversee the internal audit department and follow up on the execution of its plan, including overseeing two important projects; one for internal control framework implementation over financial reporting and another for deployment of continuous auditing
- Review and discuss internal audit reports issued during the year 2019 and the progress made in the implementation of internal audit recommendations by respective departments
- Supervise the work of external auditors and meet them periodically
- Review annual financial statements as at 31 December 2019 as well as quarterly financials and submit its recommendations to the Board of Directors
- Review of the "management letter" on internal controls issued by the external auditors and the implementation of its recommendations
- Review bids received for external audit services and recommend the appointment of External Auditors for the fiscal year ended 31 December 2019, first and second quarters of 2020
- Review reports from Company's management on legal and regulatory compliance requirements and follow up on the implementation of pertinent recommendations
- Review the necessary arrangements for enabling employees a mechanism to communicate their concerns in a confidential manner
- Monitor the implementation of new international financial reporting standards (IFRS) and review impact on financial reporting, if any
- Inform the Board of Directors periodically, through minutes of its meetings, and reporting at Board meetings on the Committee's activities

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 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 impacts on the achievement of Company's goals. The internal control system also, as well, plays an important role in preventing fraud and protecting 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 that are provided periodically by internal and external auditors and by different departments having internal control roles within the Company. The outcomes of annual reviews over internal control system of the Company showed reasonable improvements over the year, and under Committee's supervision, the Company will continue its periodic assessment and reviews of the system of internal control to ensure the achievement of the set objectives of internal control system to improve the efficiency and effectiveness of the operations and compliance with all applicable laws and relevant regulations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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
Article 32 – Paragraph B	The Board shall convene no less than four meetings per year, and no less than one meeting every three months.
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 three years.
Article 46 – Paragraph 3	Without prejudice to Article (72) of the Companies Law and other relevant provisions in these regulations, if a member of the Board desires to engage in a business that may compete with the Company or any of its activities, the following shall be taken into account: 3) the Chairman of the Board informing the Ordinary General Assembly, once convened, of the competing businesses that the member of the Board is engaged in, after the Board assesses the Board member's competition with the Company's business or if he/she is in competition with one of the branch activities that it conducts in accordance with the standards issued by the General Assembly upon a proposal from the Board and published on the Company's website, provided that such businesses are assessed on annual basis.
Article 54 – Paragraph B	The Chairman of the Audit Committee shall be an Independent Director.
Article 85 – Paragraph 3	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: 3- Establishing social organizations for the benefit of the Company's employees.
Article 87	The Ordinary General Assembly, based on the Board recommendation, 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.
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.
Article 90 – Paragraph 19	The Board's report shall include the Board's operations during the last fiscal year and all factors that affect the company's businesses, such report shall include the following: 19. Geographical analysis of the Company's and its affiliates' revenues.
Article 93 – Paragraph A-4-B	Disclosure of the remuneration of five Senior Executives pursuant to the schedule appended to the Corporate Governance Regulations.
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 Said Committee shall oversee any matters relating to the implementation of governance, and shall provide the Board with its reports and recommendations at least annually.

Reasons for non-application

It is a guiding paragraph.
The Board of Directors convened five meetings in 2019, but the interval between all the meetings was not three months. This has not affected the Board's performance

It is a guiding article.
The Board conducts an internal assessment via regular surveys that are examined and conducted under the supervision of the Nomination and Remuneration Committee

The CMA Board's resolution to amend the Corporate Governance Regulations was issued on 20 May 2019 which includes amending this paragraph by issuing standards by the General Assembly, and since the Company held its Annual Assembly before this date, the Company was not able to add it as one of the items of the Assembly.

Therefore, these standards will be presented to the next General Assembly of the Company.

It is a guiding paragraph.
The Chairman of the Audit Committee is a Non-Director who is completely independent.

It is a guiding article.
The Company establishes other programs for developing and encouraging the participation and performance of the Company's employees.

It is a guiding article.
The Company continuously participates in various social activities that aim to achieve sustainability and achieve set objectives, while improving the community's social and economic conditions at the same time

It is a guiding article.
The Company continuously participates in various social activities that aim to achieve sustainability and achieve other set objectives, while improving the community's social and economic conditions at the same time

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.

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.

It is a guiding paragraph.
The remuneration of five Senior Executives was disclosed collectively.

This article is a guiding article.
The Board of Directors ensures compliance with the Company's governance rules, as well as reviewing and updating these rules, and improving the Company's Code of Conduct, and other policies and internal procedures. Board members are constantly informed about the latest development in the area of 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 under the supervision of the Nomination and Remuneration Committee
- 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 68 of RULES ON THE OFFER OF SECURITIES AND CONTINUING OBLIGATIONS, 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, preemptive right or similar rights were issued or granted by the Company during the fiscal year
- No conversion or subscription rights under any convertible debt instruments, contractual based securities, warrants or similar rights were issued or granted by the Company
- There was no redemption, purchase or cancellation by the Company of any redeemable debt instruments
- 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 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:

- Proper books of account have been maintained
- The system of internal control is sound in design and has been effectively implemented
- There are no significant doubts concerning the Company's ability to continue its activity

Board of Directors
Etihad Etisalat Co. (Mobily)
March 2020

Financial Statements

Independent auditors' 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 2019, 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 2019, 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.

Revenue recognition

See Note 28 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
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. Significant management judgment can be required in determining the appropriate measurement and timing of recognition of different elements of revenue within bundled products. 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.	In responding to this area, our audit procedures included testing of relevant controls and substantive procedures. In particular: • 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 analytical reviews of significant revenue streams; • Performing specific procedures to test the completeness and accuracy of adjustments relating to contracts containing multiple performance obligations.

Impairment testing of goodwil

See Note 10.1 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
As a result of past acquisitions, the Group carries capitalized goodwill with a value of SR 1,467 million as at 31 December 2019. Management performs an impairment assessment on an annual basis as required by IAS 36 Impairment of Assets. The impairment assessment for 2019 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 35 to the consolidated financial statements. 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. We considered goodwill impairment to be a key audit matter due to the extent of judgment and assumptions involved in the assessment process.	We performed an evaluation of management's 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. Our procedures included challenging management on the suitability of the impairment model and reasonableness of the assumptions through performing the following: • 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 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 retrospective review of actual performance against previous forecasts; • Assessing and validating the appropriateness of the disclosures made in the consolidated financial statements.

Capitalization of assets and the assessment of useful lives and residual values for Property and Equipment and Intangible assets

See Notes 8 and 10 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
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 capitalize or expense certain costs, and the determination of depreciation and amortization charges are material to the Group's financial position and performance. The charges in respect of periodic depreciation and amortization 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 10 respectively. We considered the valuation of Property and equipment and Intangible assets to be a key audit matter due to the extent of judgment and assumptions involved in the assessment of useful lives and residual values.	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 the useful life assumptions and residual values applied in the calculation of depreciation and amortization. • Testing on a sample basis the accuracy of the cost capitalization and CAPEX accrual.

First Time adoption of IFRS 16 – "Leases"

See Note 6 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group adopted IFRS 16 "Leases" with effect from 1 January 2019 superseded the requirements of IAS 17. IFRS 16 introduces a new lease accounting model, where lessees are required to recognize a Right of Use (ROU) asset and a lease liability arising from a lease, in the statement of financial position. The Group applied IFRS 16 initially on 1 January 2019 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 is recognized as an adjustment to the opening retained earnings at 1 January 2019, with no restatement of comparative information. As a result, as at 1 January 2019, the Group has recorded Right of Use (ROU) assets of SR 2,451 million, lease liabilities of SR 2,560 million, and a decrease in retained earnings of SR 99.8 million. The application and adoption of IFRS 16 is complex within the telecommunications industry given the high volume of lease agreements. Significant judgment is required in the assumptions and estimates made in order to determine the ROU asset and lease liability. The assumptions and estimates include identifying contracts that meet the lease definition, assessment of lease term, componentization of the ROU asset where appropriate, and the determination of appropriate discount rates. The adjustments arising from applying IFRS 16 are material to the Group and as a result the adoption of IFRS 16 has been identified as a Key audit matter.	We performed the following procedures in relation to the implementation of IFRS 16: • Reviewed the gap analysis and impact assessment report provided by the Group in respect of classification and measurement of its right of use assets and lease liabilities and understood the approach taken towards implementation of IFRS 16. • Verified the accuracy of the underlying lease data by agreeing a sample of leases to the original contract or other supporting information. • Tested lease schedules, on a sample basis, by recalculating the amounts underlying the right of use assets and lease liabilities, based on the terms of the lease contracts and checked the arithmetical accuracy of those individual lease schedules. • Assessed the appropriateness of the discount rates applied by management in determining lease liabilities with input from our internal valuation specialist. • Assessed the appropriateness of the disclosures made in the 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 and Partners
Certified Public Accountants

Khalil Ibrahim Al Sedais
License No. 371

Riyadh on: 17 February 2020
Corresponding to: 23 Jumada II 1441

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 2019	31 December 2018
Assets			
Non-current assets			
Property and equipment	8	21,651,369	22,183,775
Right of use assets	9	2,378,958	-
Intangible assets	10	8,566,577	8,818,165
Capital advances		99,469	450,250
Investment in joint venture		-	1,483
Financial assets		7,636	7,271
Total non-current assets		**32,704,009**	**31,460,944**
Current assets			
Inventories	11	104,747	69,360
Contract assets	24	387,879	256,267
Accounts receivable	12	3,034,222	3,570,598
Due from related parties	13	90,266	61,721
Prepaid expenses and other assets	14	850,658	1,102,183
Other financial assets	15	839,000	1,000,000
Derivatives financial instruments		-	8,095
Cash and cash equivalents	16	1,251,680	1,032,850
Total current assets		**6,558,452**	**7,101,074**
Total assets		**39,262,461**	**38,562,018**
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	1	7,700,000	7,700,000
Statutory reserve	27	2,648,971	2,648,971
Retained earnings		3,469,231	3,543,131
Foreign currency translation reserve		(10,979)	(10,032)
Hedging reserve		(56,238)	(12,754)
Fair value reserve		365	-
Total shareholders' equity		**13,751,350**	**13,869,316**
Non-current liabilities			
Loans and notes payable	17	11,227,540	11,987,788
Lease liabilities		1,857,052	-
Provision for employees' end of service benefits	18	438,030	426,074
Contract liabilities	24	22,292	44,582
Deferred government grants income	19	122,373	141,604
Other financial liabilities		275,536	299,640
Provision for decommissioning liability	20	154,787	239,654
Total non-current liabilities		**14,097,610**	**13,139,342**
Current liabilities			
Loans and notes payable	17	1,157,017	1,033,891
Lease liabilities		651,972	-
Accounts payable	21	5,092,583	5,154,712
Contract liabilities	24	1,137,091	1,422,238
Due to related parties	13	264,765	163,385
Accrued expenses and other liabilities	22	2,512,947	3,250,424
Derivatives financial instruments		56,238	11,249
Provisions		445,295	433,455
Zakat provision	23	76,362	64,775
Deferred government grants income	19	19,231	19,231
Total current liabilities		**11,413,501**	**11,553,360**
Total liabilities		**25,511,111**	**24,692,702**
Total shareholders' equity and liabilities		**39,262,461**	**38,562,018**

The attached notes from 1 to 37 are an integral part of these consolidated financial statements.

Chief Financial Officer | Chief Executive Officer | Authorized Board Member

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 2019	31 December 2018
Revenue	28	13,449,974	11,864,912
Cost of sales	29	(5,649,987)	(5,282,709)
Gross profit		**7,799,987**	**6,582,203**
Selling and marketing expenses	30	(1,237,061)	(1,286,397)
General and administrative expenses	31	(1,549,032)	(747,384)
Impairment loss on accounts receivable and contract assets	12,24-1	(109,859)	(111,528)
Depreciation and amortization	8,9,10	(3,916,802)	(3,809,478)
Impairment loss on property and equipment	8	(63,000)	(118,333)
Other income		42,780	93,809
Operating profit		**967,013**	**602,892**
Share in results of joint venture		(1,483)	755
Finance expenses	32	(929,481)	(799,239)
Finance income	15	44,504	35,282
Profit / (Loss) before zakat		**80,553**	**(160,310)**
Zakat	23	(49,370)	37,644
Profit / (Loss) for the year		**31,183**	**(122,666)**
Earnings / (Loss) per share:			
Basic and diluted earnings / (loss) per share (in SR)	33	0.04	(0.16)

The attached notes from 1 to 37 are an integral part of these consolidated financial statements.

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

Consolidated statement of comprehensive income

(All amounts in Saudi Riyals thousands unless otherwise stated)

	31 December 2019	31 December 2018
Profit / (Loss) for the year	31,183	**(122,666)**
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(947)	(3,115)
Cash flow hedge - change in fair value	(60,710)	(12,754)
Cash flow hedge - reclassified to profit or loss	17,226	-
Net total items that will be reclassified subsequently to profit or loss	(44,431)	**(15,869)**
Items that will not be reclassified subsequently to profit or loss:		
Actuarial losses on re-measurement of employees' end of service benefits	(5,312)	(31,832)
Change in fair value of equity investments at FVOCI	365	-
Net total items that will not be reclassified subsequently to profit or loss	(4,947)	**(31,832)**
Other comprehensive loss for the year	(49,378)	**(47,701)**
Total comprehensive loss for the year	(18,195)	**(170,367)**

The attached notes from 1 to 37 are an integral part of these consolidated financial statements.

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

Etihad Etisalat Company (A Saudi Joint Stock Company)

Consolidated statement of changes in equity

For the year ended 31 December 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Hedging reserve	Fair value reserve	Total shareholders' equity
As at 1 January 2018	**7,700,000**	**2,648,971**	**3,911,783**	**(6,917)**	**-**	**-**	**14,253,837**
Adjustment on application of IFRS 15	-	-	62,345	-	-	-	62,345
Adjustment on application of IFRS 9	-	-	(276,499)	-	-	-	(276,499)
As at 1 January 2018 (adjusted)	7,700,000	2,648,971	3,697,629	(6,917)	-	-	14,039,683
Loss for the year	-	-	(122,666)	-	-	-	(122,666)
Other comprehensive loss for the year	-	-	(31,832)	(3,115)	(12,754)	-	(47,701)
Total comprehensive loss for the year	-	-	(154,498)	(3,115)	(12,754)	-	(170,367)
As at 31 December 2018	7,700,000	2,648,971	3,543,131	(10,032)	(12,754)	-	13,869,316
As at 1 January 2019	**7,700,000**	**2,648,971**	**3,543,131**	**(10,032)**	**(12,754)**	**-**	**13,869,316**
Adjustment on application of IFRS 16	-	-	(99,771)	-	-	-	(99,771)
As at 1 January 2019 (adjusted)	7,700,000	2,648,971	3,443,360	(10,032)	(12,754)	-	13,769,545
Profit for the year	-	-	31,183	-	-	-	31,183
Other comprehensive (loss) / income for the year	-	-	(5,312)	(947)	(43,484)	365	(49,378)
Total comprehensive income / (loss) for the year	-	-	25,871	(947)	(43,484)	365	(18,195)
As at 31 December 2019	**7,700,000**	**2,648,971**	**3,469,231**	**(10,979)**	**(56,238)**	**365**	**13,751,350**

The attached notes from 1 to 37 are an integral part of these consolidated financial statements.

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

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 2019	31 December 2018
Operating activities			
Profit / (Loss) for the year		31,183	(122,666)
Adjustments for:			
Change in provision for inventory obsolescence		(76,156)	(47,056)
Depreciation	8,9	3,554,879	3,456,321
Amortization of intangible assets	10	361,923	353,157
Impairment loss on property and equipment	8	63,000	118,333
Provision for employees' end of service benefits	18	69,306	50,585
Impairment loss on accounts receivable and contract assets	12,24.1	109,859	111,528
Provisions		22,220	(685,262)
Government grants		(19,231)	(19,231)
Zakat	23	49,370	(37,644)
Loss on sale of property and equipment		6,597	2,926
Foreign exchange losses		1,592	-
Other income		(775)	-
Share in results of joint venture		1,483	(755)
Finance expenses	32	929,481	799,239
Finance income		(44,504)	(35,282)
Changes in:			
Accounts receivable		455,840	(276,077)
Inventories		40,769	118,278
Contract assets		(160,935)	(189,127)
Prepaid expenses and other assets		30,786	148,796
Derivatives financial instruments		850	(9,600)
Accounts payable		(349,222)	446,410
Contract liabilities		(307,437)	(365,194)
Accrued expenses and other liabilities		(532,832)	446,241
Utilization of provision for decommissioning liability		(3,077)	(995)
Provisions used		(29,623)	-
Due from related parties		(28,545)	(9,302)
Due to related parties		101,380	70,795
Cash generated from operating activities		**4,278,181**	**4,324,418**
End of service benefits paid	18	(62,662)	(35,755)
Finance expenses paid		(668,630)	(711,711)
Zakat paid	23	(37,783)	(43,722)
Net cash generated from operating activities		**3,509,106**	**3,533,230**
Investing activities			
Other financial assets		161,000	-
Finance income received		51,798	20,435
Purchase of property and equipment		(1,968,253)	(1,759,496)
Proceeds from sale of property and equipment		34	5,385
Acquisition of intangible assets		(136,490)	(31,275)
Net cash outflow from deconsolidation of a subsidiary		-	(1,000)
Net cash used in investing activities		**(1,891,911)**	**(1,765,951)**
Financing activities			
Proceeds from loans and notes payable		9,460,785	614,305
Payment of loans and notes payable and related fees		(10,245,376)	(2,540,915)
Payment of lease liabilities		(613,774)	-
Net cash used in financing activities		**(1,398,365)**	**(1,926,610)**
Net changes in cash and cash equivalents		218,830	(159,331)
Cash and cash equivalents at 1 January		1,032,850	1,192,181
Cash and cash equivalents at 31 December	16	**1,251,680**	**1,032,850**
Supplementary non-cash information			
Property and equipment purchased credited to capital expenditure payable		315,601	310,819

The attached notes from 1 to 37 are an integral part of these consolidated financial statements.

Chief Financial Officer | Chief Executive Officer | Authorized Board Member

Etihad Etisalat Company (A Saudi Joint Stock Company)

Notes to the consolidated financial statements

For the year ended 31 December 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 CORPORATE INFORMATION

1.1 Etihad Etisalat Company

Etihad Etisalat Company ("Mobily" or the "Company"), a Saudi Joint Stock Company, is registered in the Kingdom of Saudi Arabia under commercial registration number 1010203896 issued in Riyadh on 14 December 2004 (corresponding to Dhul Qa'adah 2, 1425H). The main address for the Company is P.O. Box 23088, Riyadh 11321, Kingdom of Saudi Arabia.

The Company was incorporated pursuant to the Royal decree number M/40 dated 18 August 2004 (corresponding to Rajab 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 networks 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 telecommunication networks, 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 the Company's subsidiaries and ownership percentage:

		Ownership percentage				
		31 December 2019		31 December 2018		
Name	Country of incorporation	Direct	Indirect	Direct	Indirect	Initial investment
Mobily Infotech India Private Limited	India	99.99%	0.01%	99.99%	0.01%	1,836
Bayanat Al-Oula for Network Services Company S.P.C. *	Saudi Arabia	100.00%	-	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
National Company for Business Solutions FZE	United Arab of Emirates	-	100.00%	-	100.00%	184
Mobily Ventures Holding S.P.C.	Bahrain	100.00%	-	100.00%	-	2,510

* During the year 2019, the Company acquired the remaining 1% owned by National Company for Business Solutions.

The main activities of the subsidiaries are as follows:

- IT services, applications, billing and testing support, product marketing, process management, support services and call center services.
- Contractual establishment and maintenance of wired telecommunication networks and related works and the installation and maintenance of computer systems, marketing and importing services for third parties.
- Installation and maintenance of wire and wireless telecommunication networks; import, export, sale, and distribution of equipment, machinery, telecommunication systems and smart building systems; in addition to marketing and distributing of telecommunication services and managing the centers related to those services; providing computer services and related programs and equipment and providing consultation services in the telecommunication, computer, software, and media production domains.
- Wholesale and retail trade of computers and electronic equipment, maintenance and operation of such equipment, and provision of related services.
- 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 the "Group"):

1.2.1 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 Mobily Infotech India Private Limited share capital was acquired by National Company for Business Solutions, a subsidiary of the Company. The financial year end of Mobily Infotech India Private Limited is 31 March however, the Company uses the financial statements of Mobily Infotech India Private Limited for the same reporting period in preparing the Group's consolidated financial statements.

1.2.2 Bayanat Al-Oula for Network Services Company S.P.C.

During the year 2008, the Company acquired 99% of the partners' shares in Bayanat Al-Oula for Network Services Company ("Bayanat"), 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.

During the year 2019, the Company acquired the remaining 1% owned by National Company for Business Solutions.

1.2.3 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.

1.2.4 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 Solutions owns participation in Ecommerce Taxi Middle East (Luxembourg): 10% (2018: 10%).

1.2.5 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.

1.2.6 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): 7.94% (2018: 8.16%)
- MENA 360 DWC LLC (United Arab of Emirates): 2.33% (2018: 2.48%)
- Dokkan Afkar (British Virgin Islands): 3.28% (2018: 4.2%)

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 (SOCPA).

The principal accounting policies applied in the preparation of these consolidated financial statements have been consistently applied to all periods presented except for IFRS 16 "Leases" which have been applied for the first time.

These consolidated financial statements have been approved for issuance by Board of Directors on 17 February 2020 (corresponding to 23 Jumada II 1441H).

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 is measured at the 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 the consolidated statement of other comprehensive income to the 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 effective applicable to the Group's consolidated financial statements but not expected to have a significant impact are listed below:

a. Amendments to References to Conceptual Framework in IFRS standards.
b. Definition of a Business (Amendments to IFRS 3).
c. Definition of Material (Amendments to IAS 1 and IAS 8).
d. Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform.

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 combinations 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. Non-controlling interest is measured at the proportionate share of the acquiree's identifiable net assets at the date of acquisition.

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 the 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 recognized 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 the 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 of, 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 in results of the associate and joint venture. Any change in consolidated statement of comprehensive income of those investees is presented as part of the Group's consolidated statement of 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 consolidated statement of changes in shareholders' 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 in results of associate and joint venture is shown separately on the face of the consolidated statement of profit or loss.

The 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 associate and 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 months 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 Fair Value through Profit and Loss (FVTPL), transaction costs that are directly attributable to its acquisition.

(b) Classification and subsequent measurement

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 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.

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 the consolidated statement of profit or loss. Any gain or loss on derecognition is recognized in the 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 the consolidated statement of profit or loss. Other net gains and losses are recognized in the consolidated statement of the comprehensive income. On derecognition, gains and losses accumulated in consolidated statement of the comprehensive income are reclassified in the consolidated statement of the profit or loss.
Financial assets at FVOCI - Equity investments	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 the consolidated statement of 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 the consolidated statement of 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 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.

(d) 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, contract assets, lease receivables 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 contract assets 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 accounts receivable 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 the 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.

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 recognized in the 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 the 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 the consolidated statement of comprehensive income and accumulated in the hedging reserve shown under shareholders' equity. The effective portion of changes in the fair value of the derivative that is recognized in the consolidated statement of 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 the consolidated statement of profit or loss. The amount accumulated in shareholders' equity is reclassified to the 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 shareholders' equity are immediately reclassified to the consolidated statement of profit or loss.

5.6 Property and equipment

Property and equipment are 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:

	Depreciation rate
Buildings	5%
Leasehold improvements	10 %
Telecommunication network equipment	4% - 20%
Computer equipment and software	10% - 33%
Office equipment and furniture	14% - 33%
Vehicles	20% - 25%

Depreciation methods, estimated useful lives and residual values are reviewed annually and revised if the current methods, estimated useful lives or residual values are 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 the cost directly attributable to construction or installation, including capitalized borrowing costs, are transferred to the respective class of asset. No depreciation is charged on capital work in progress.

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 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 rate.

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 (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 in the consolidated statement of comprehensive income in the period in which they occur.

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

Past service costs are recognized in the 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

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 arrangements. 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 goods 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 the Group is acting as an agent, revenue from service is at net of 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. Device 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 the respective standalone selling price. When device sales are bundled with service offerings 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 device sales are bundled with service offering and identified as a combined performance obligation, revenue is recognized over a contract term.

(c) Installation and activation services

Revenue from sale of SIM is recognized at the point in time upon activation when the 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 obligation 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 the relative standalone selling price of loyalty points 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 wholesale 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 goods or services to the customer and when the customer pays for those goods or services 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.

(iv) Consideration payable to the customer

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

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

5.13 Contract balances

(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 recognized 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 recognized when the payment is made. Contract liabilities are recognized 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 includes the cost of goods sold, inventory obsolescence, direct labor, governmental charges, interconnection costs and other overheads related to the revenue 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

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.

Costs 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 the 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 the 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 the consolidated statement of comprehensive income until the net investment is disposed of, at which time, the cumulative amount is classified to the consolidated statement of profit or loss. Tax charges and credits attributable to exchange the differences on those monetary items are also recorded in the consolidated statement of

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 the consolidated statement of comprehensive income or the consolidated statement of profit or loss are also recognized in the consolidated statement of comprehensive income or the 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 the consolidated statement of financial position;
ii. Income and expenses for 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 the consolidated statement of comprehensive income. On disposal of a foreign operation, the component of the consolidated statement of comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of profit or loss.

5.17 Leases

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

A. As a lessee

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

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of the costs of dismantling and removing the underlying asset and restoring the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

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

After initial recognition, the lease liability is measured by (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Where, (a) there is a change in the lease term as a result of reassessment of certainty to exercise an exercise option, or not to exercise a termination option; or (b) there is a change in the assessment of an option to purchase the underlying asset, considering the events and circumstances in the context of a purchase option, the Group re-measures the lease liabilities to reflect changes to lease payments by discounting the revised lease payments using a revised discount rate. The Group determines the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

Where, (a) there is a change in the amounts expected to be payable under a residual value guarantee; or (b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments, including a change to reflect changes in market rental rates following a market rent review, the Group re-measures the lease liabilities by discounting the revised lease payments using an unchanged discount rate, unless the change in lease payments results from a change in floating interest rates. In such a case, the Group uses a revised discount rate that reflects changes in the interest rate.

The Group recognizes the amount of the re-measurement of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognizes any remaining amount of the re-measurement in the consolidated statement of profit or loss.

The Group accounts for a lease modification as a separate lease if both:

a. the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
b. the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

Lease modification that is not accounted for as a separate lease, the Group at the effective date of the lease modification: (a) allocates the consideration in the modified contract; (b) determines the lease term of the modified lease; and (c) remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

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

B. As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term in consolidated statement of profit or loss.

Policy applicable before 1 January 2019

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.

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 recognized as a finance cost in the consolidated statement of profit or loss.

(b) Asset retirement obligation

The provision for asset retirement obligation arose on rental of the networking sites. A corresponding asset is recognized in right of use assets. 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 liability. The unwinding of the discount is expensed as incurred and recognized in the consolidated statement of profit or loss as a finance expense. 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 equipment, SIM cards, prepaid 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 the 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 grant.

6 CHANGE IN SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Impact on the consolidated statement of financial position

	As reported	Adjustment IFRS 16	Amounts without adoption of IFRS 16
Assets			
Non-current assets			
Property and equipment	21,651,369	79,467	21,730,836
Right of use assets	2,378,958	(2,378,958)	-
Intangible assets	8,566,577	-	8,566,577
Capital advances	99,469	-	99,469
Financial assets	7,636	-	7,636
Total non-current assets	**32,704,009**	**(2,299,491)**	**30,404,518**
Current assets			
Inventories	104,747	-	104,747
Contract assets	387,879	-	387,879
Accounts receivable	3,034,222	-	3,034,222
Due from related parties	90,266	-	90,266
Prepaid expenses and other assets	850,658	209,187	1,059,845
Other financial assets	839,000	-	839,000
Cash and cash equivalents	1,251,680	-	1,251,680
Total current assets	**6,558,452**	**209,187**	**6,767,639**
Total assets	**39,262,461**	**(2,090,304)**	**37,172,157**
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	7,700,000	-	7,700,000
Statutory reserve	2,648,971	-	2,648,971
Retained earnings	3,469,231	119,499	3,588,730
Foreign currency translation reserve	(10,979)	-	(10,979)
Hedging reserve	(56,238)	-	(56,238)
Fair value reserve	365	-	365
Total Shareholders' equity	**13,751,350**	**119,499**	**13,870,849**
Non-current liabilities			
Loans and notes payable	11,227,540	-	11,227,540
Lease liabilities	1,857,052	(1,857,052)	-
Provision for employees' end of service benefits	438,030	-	438,030
Contract liabilities	22,292	-	22,292
Deferred government grants income	122,373	-	122,373
Other financial liabilities	275,536	-	275,536
Provision for decommissioning liability	154,787	97,320	252,107
Total non-current liabilities	**14,097,610**	**(1,759,732)**	**12,337,878**
Current liabilities			
Loans and notes payable	1,157,017	-	1,157,017
Lease liabilities	651,972	(651,972)	-
Accounts payable	5,092,583	-	5,092,583
Contract liabilities	1,137,091	-	1,137,091
Due to related parties	264,765	-	264,765
Accrued expenses and other liabilities	2,512,947	188,026	2,700,973
Derivative financial instruments	56,238	-	56,238
Provisions	445,295	10,000	455,295
Zakat provision	76,362	3,875	80,237
Deferred government grants income	19,231	-	19,231
Total current liabilities	**11,413,501**	**(450,071)**	**10,963,430**
Total liabilities	**25,511,111**	**(2,209,803)**	**23,301,308**
Total Shareholders' equity and liabilities	**39,262,461**	**(2,090,304)**	**37,172,157**

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

	As reported	Adjustment IFRS 16	Amounts without adoption of IFRS 16
Revenue	13,449,974	-	13,449,974
Cost of sales	(5,649,987)	(483,669)	(6,133,656)
Gross profit / (loss)	**7,799,987**	**(483,669)**	**7,316,318**
Selling and marketing expenses	(1,237,061)	(63,820)	(1,300,881)
General and administrative expenses	(1,549,032)	(80,545)	(1,629,577)
Impairment loss on accounts receivable and contract assets	(109,859)	-	(109,859)
Depreciation and amortization	(3,916,802)	518,313	(3,398,489)
Impairment loss on property and equipment	(63,000)	-	(63,000)
Other income	42,780	(775)	42,005
Operating profit / (loss)	**967,013**	**(110,496)**	**856,517**
Share in results of joint venture	(1,483)	-	(1,483)
Finance expenses	(929,481)	134,099	(795,382)
Finance income	44,504	-	44,504
Profit before zakat	**80,553**	**23,603**	**104,156**
Zakat	(49,370)	(3,875)	(53,245)
Profit for the year	**31,183**	**19,728**	**50,911**
Total comprehensive (loss) / income for the year	**(18,195)**	**19,728**	**1,533**

On transition to IFRS 16, when measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019.

	1 January 2019
Operating lease commitments at 31 December 2018 as disclosed under IAS 17 in the Group's consolidated financial statements (adjusted)	3,062,240
Discounted using the incremental borrowing rate at 1 January 2019	2,560,483
Lease liabilities recognized at 1 January 2019	2,560,483

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 loss on accounts receivable and contract assets

The Group uses a provision matrix to calculate ECLs for accounts receivable and contract assets. 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 right of use assets and subsequently allocates them to expense using a systematic and rational method over the lease useful life, and records the accretion of the liability as a charge to finance expenses.

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, withdrawal rate and mortality rates. 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.

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 of disposal and its value in use. This complex valuation process used to determine fair value less costs of disposal 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 at least each financial year-end 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 provides services that are either sold separately or bundled together with the sale of devices to a customer. The Group analyses whether devices and services are capable of being distinct or not.

(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.

7.10 Leases

In determining the lease term, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

8 PROPERTY AND EQUIPMENT

	Land	Buildings	Leasehold improvements	Telecommunication network equipment	Computer equipment and software	Office equipment and furniture	Vehicles	Capital work in progress	Total
Cost:									
At 1 January 2019	273,192	1,235,556	836,398	40,234,102	5,513,613	437,220	3,046	3,549	48,536,676
Adjustment on application of IFRS 16	-	-	-	(152,878)	-	-	-	-	(152,878)
Additions	-	(18,620)	26,746	2,273,183	340,851	5,667	-	21,951	2,649,778
Reclassification	-	-	-	316,559	(301,954)	(14,605)	-	-	-
Transfers	-	-	-	24,862	-	-	-	(24,862)	-
Disposals	-	(1,448)	(10,416)	(21,758)	(95,047)	(4,921)	(272)	-	(133,862)
At 31 December 2019	**273,192**	**1,215,488**	**852,728**	**42,674,070**	**5,457,463**	**423,361**	**2,774**	**638**	**50,899,714**
Depreciation and impairment:									
At 1 January 2019	-	303,688	673,240	20,746,870	4,203,076	423,389	2,638	-	26,352,901
Adjustment on application of IFRS 16	-	-	-	(67,887)	-	-	-	-	(67,887)
Charge for the year	-	56,794	35,867	2,508,684	422,803	3,320	94	-	3,027,562
Impairment	-	-	-	63,000	-	-	-	-	63,000
Reclassification	-	-	-	210,673	(194,068)	(16,605)	-	-	-
Disposals	-	(494)	(10,365)	(17,985)	(93,233)	(4,882)	(272)	-	(127,231)
At 31 December 2019	-	359,988	698,742	23,443,355	4,338,578	405,222	2,460	-	29,248,345
Net book value:									
At 31 December 2019	**273,192**	**855,500**	**153,986**	**19,230,715**	**1,118,885**	**18,139**	**314**	**638**	**21,651,369**
At 31 December 2018	273,192	931,868	163,158	19,487,232	1,310,537	13,831	408	3,549	22,183,775

The Group has capitalized borrowing costs during the year ended 31 December 2019 amounting to SR 22 million (31 December 2018: SR 10 million) and internal technical salaries amounting to SR 164 million (31 December 2018: SR 176 million).

9 RIGHT OF USE ASSETS

	Telecommunication network equipment	Buildings	Land	Total
Cost:				
As at 1 January 2019	-	-	-	-
Adjustment on application of IFRS 16	3,452,069	645,587	53,263	4,150,919
As at 1 January 2019 (adjusted)	3,452,069	645,587	53,263	4,150,919
Additions	342,205	202,131	-	544,336
Lease cancelation	(99,745)	(63,340)	(1,068)	(164,153)
As at 31 December 2019	**3,694,529**	**784,378**	**52,195**	**4,531,102**
Depreciation:				
As at 1 January 2019	-	-	-	-
Adjustment on application of IFRS 16	1,453,487	234,185	11,810	1,699,482
As at 1 January 2019 (adjusted)	1,453,487	234,185	11,810	1,699,482
Charge for the year	396,728	127,965	2,624	527,317
Lease cancelation	(52,599)	(21,121)	(935)	(74,655)
As at 31 December 2019	1,797,616	341,029	13,499	2,152,144
Net book value:				
As at 31 December 2019	**1,896,913**	**443,349**	**38,696**	**2,378,958**

The Group's main leases are in respect of land and buildings which is used for base stations, sales outlets, offices, warehouses and technical facilities. The lease period typically is for 10 years but ranges between 2 years to 25 years, and frequently includes an option to renew the lease at the end of the initial lease term. Lease payments are renegotiated on renewal of agreement. For certain leases, the Group is required to restore the premises to as near as possible to the condition they were at time of entering into lease. Previously, these leases were classified as operating leases under IAS 17.

10 INTANGIBLE ASSETS

	Telecommunication services licenses	Goodwill	Indefeasible Right of Use (IRU)	Others	Total
Cost:					
1 January 2019	13,534,100	1,466,865	1,151,215	97,689	16,249,869
Additions	46,200	-	64,135	-	110,335
Reclassification	5,050	-	(5,050)	-	-
31 December 2019	13,585,350	1,466,865	1,210,300	97,689	16,360,204
Amortization:					
1 January 2019	6,812,172	-	521,843	97,689	7,431,704
Charge for the year	276,548	-	85,375	-	361,923
Reclassification	370	-	(370)	-	-
31 December 2019	7,089,090	-	606,848	97,689	7,793,627
Net book value:					
At 31 December 2019	**6,496,260**	**1,466,865**	**603,452**	**-**	**8,566,577**
At 31 December 2018	6,721,928	1,466,865	629,372	-	8,818,165

10.1 Goodwill

Goodwill acquired through business combinations is allocated as follows:

	31 December 2019	31 December 2018
Bayanat Al-Oula for Network Services Company S.P.C.	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 2019 amounted to SR 12.8 billion (31 December 2018: SR 13.8 billion) which has been determined based on a value-in-use calculation using cash flow projections from financial budgets covering a five year period. The pre-tax discount rate applied to cash flow projections is 10% (31 December 2018: 10%) and cash flows beyond the 5 year period are extrapolated using a 1.5% growth rate (31 December 2018: 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 is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and shareholders' equity. The cost of shareholders' 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 2018: 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 2018: 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 19.97% (i.e., +9.97 %) (31 December 2018: 23% (i.e., +13 %)) 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 2018: 0%) in the long-term growth rate would not result in an impairment loss.

11 INVENTORIES

	31 December 2019	31 December 2018
Handsets and equipment	232,298	259,434
SIM cards	21,687	32,772
Prepaid vouchers and scratch cards	3,803	9,886
	257,788	**302,092**
Less: provision for inventory obsolescence	(153,041)	(232,732)
	104,747	**69,360**

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

	31 December 2019	31 December 2018
Balance at the beginning of the year	(232,732)	(282,794)
Reversal during the year	76,156	47,056
Written off during the year	3,535	3,006
Balance at the end of the year	**(153,041)**	**(232,732)**

12 ACCOUNTS RECEIVABLE

	31 December 2019	31 December 2018
Accounts receivable	4,662,411	5,595,154
Less: allowance for impairment loss on accounts receivable	(1,628,189)	(2,024,556)
	3,034,222	**3,570,598**

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

	31 December 2019	31 December 2018
Balance at the beginning of the year	(2,024,556)	(1,636,529)
Adjustment on application of IFRS 9	-	(276,499)
Balance at the beginning of the year (adjusted)	(2,024,556)	(1,913,028)
Charge for the year	(80,536)	(111,528)
Written off during the year	476,903	-
Balance at the end of the year	**(1,628,189)**	**(2,024,556)**

13 RELATED PARTY TRANSACTIONS AND BALANCES

13.1 Related party transactions

The Group has the following related parties:

Party	Relationship
Emirates Telecommunication Group Company PJSC	Founding shareholder
Emirates Data Clearing House	Affiliate to Founding shareholder
Etisalat Misr S.A.E.	Affiliate - Subsidiary to Founding shareholder
Etisalat Afghanistan	Affiliate - Subsidiary to Founding shareholder
Etisalat Al Maghrib S.A (Maroc Telecom)	Affiliate - Subsidiary to Founding shareholder
Pakistan Telecommunication Company Limited	Affiliate - Subsidiary to Founding shareholder
Emirates Cable TV and Multimedia LLC	Affiliate - Subsidiary to Founding shareholder
Sehati for Information Service Company	Joint venture

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

	31 December 2019	31 December 2018
Interconnection services and roaming services rendered		
Founding shareholder	96,344	112,681
Affiliates	8,526	6,863
Interconnection services and roaming services received		
Founding shareholder	280,358	261,758
Affiliates	108,957	103,945
Management fees		
Founding shareholder	112,517	-
Other management expenses		
Founding shareholder	5,696	29,673
Other telecommunication services		
Affiliates	6,939	4,079

Compensation and benefits to key management personnel

	31 December 2019	31 December 2018
Short-term employee benefits	72,678	66,974
Post-employment benefits	2,378	2,428
Total compensation and benefits to key management personnel	**75,056**	**69,402**

Services rendered to related parties comprise of the provision of telecommunication services, interconnection services and roaming services by the Group based on normal commercial terms. Services received from related parties comprise of telecommunication services, 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 remuneration to the Board of Directors and other senior management members who are key management personnel of the Group.

13.2 Related party balances

	31 December 2019	31 December 2018
Due from related parties		
Founding shareholder	77,676	49,547
Affiliates	4,424	4,008
Joint venture	8,166	8,166
	90,266	**61,721**
Due to related parties		
Founding shareholder	233,214	132,277
Affiliates	31,551	31,108
	264,765	**163,385**

14 PREPAID EXPENSES AND OTHER ASSETS

	31 December 2019	31 December 2018
Prepaid expenses	59,974	303,689
Deferred costs	445,777	389,372
Advance payments to trade suppliers	12,621	92,809
Others	332,286	316,313
	850,658	**1,102,183**

15 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.

16 CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash on hand	446	728
Cash at banks	294,934	582,122
Short-term deposits	956,300	450,000
	1,251,680	**1,032,850**

17 LOANS AND NOTES PAYABLE

	31 December 2019	31 December 2018
Long-term loans	12,384,557	13,021,679
Less: current portion	(1,157,017)	(1,033,891)
Non-current	11,227,540	11,987,788

a) Maturity profile of loans and notes payable:

	31 December 2019	31 December 2018
Less than one year	1,157,017	1,033,891
Between one to five years	5,329,673	8,704,052
Over five years	5,897,867	3,283,736

b) The details of loans and notes payable as at 31 December 2019 are as follows:

Lender	Borrowing company	Loan nature	Borrowing purpose	Issue date	Currency	Principal amount
Local banks syndicated	Mobily	Long-term refinancing facility agreement Sharia' compliant	Replace the 2017 syndicate financing	Q4, 2019	Saudi Riyals	Saudi Riyals 7,619 million
Export Credit Agency of Finland (Finnvera)	Mobily	Long-term financing agreement Sharia' compliant	Acquiring network equipment from Nokia 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	US Dollars	USD 720 million (Saudi Riyals 2,700 million)
Export Credit Agency of Sweden (EKN)	Mobily	Long-term financing agreement Sharia' compliant	Acquiring network equipment from 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	US Dollars	USD 652 million (Saudi Riyals 2,444 million)
Saudi Investment Bank	Mobily	Long-term financing agreement Sharia' compliant	Financing the Company's working capital requirements	Q4, 2013	Saudi Riyals	Saudi Riyals 1,500 million
CISCO Systems International	Mobily	Vendor financing agreement	Acquiring CISCO network equipment and software solutions	Q2, 2015, Q3, 2016, Q1, 2017	US Dollars	USD 173.79 million (Saudi Riyals 652.4 million)
Export Development of Canada (EDC)	Mobily	Long-term financing agreement Sharia' compliant	Acquiring telecommunication devices and equipment from Alcatel-Lucent	Q2, 2014	US Dollars	USD 122 million (Saudi Riyals 458 million)
Alinma Bank	Mobily	Long-term financing agreement Sharia' compliant	Replace the December 2016 financing with Alinma bank and for the general corporate purposes including capital expenditure	Q4, 2019	Saudi Riyals	Saudi Riyals 3,000 million
		Total				

Utilized amount	Profit rate	Payment terms	Period	Current portion	Non- Current portion	Total	Other terms
Saudi Riyals 7,619 million	SIBOR plus profit margin	Semi-annual repayments	7 years	Saudi Riyals 181 million	Saudi Riyals 7,374 million	Saudi Riyals 7,555 million	Repayment period of 7 years
USD 665 million (Saudi Riyals 2,494 million)	Fixed rate per annum	Semi-annual repayments	10 years	Saudi Riyals 315 million	Saudi Riyals 1,058 million	Saudi Riyals 1,373 million	Utilization period of 1.5 years, repayment period of 8.5 years
USD 629 million (Saudi Riyals 2,358 million)	Fixed rate per annum	Semi-annual repayments	10 years	Saudi Riyals 268 million	Saudi Riyals 1,009 million	Saudi Riyals 1,277 million	Utilization period of 1.5 years, repayment period of 8.5 years
Saudi Riyals 1,500 million	SIBOR plus profit margin	Semi-annual repayments	7.5 years	Saudi Riyals 347 million	Saudi Riyals 319 million	Saudi Riyals 666 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 - 5 years	Saudi Riyals 5 million	Saudi Riyals 5 million	Saudi Riyals 10 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 165 million	Saudi Riyals 206 million	Utilization period of 2 years, repayment period of 8.5 years
Saudi Riyals 1,300 million	SIBOR plus profit margin	Semi-annual repayments	10 years	-	Saudi Riyals 1,298 million	Saudi Riyals 1,298 million	Payable over a period of 10 years with 3 years grace period
				Saudi Riyals 1,157 million	**Saudi Riyals 11,228 million**	**Saudi Riyals 12,385 million**	

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

	31 December 2019			31 December 2018
	Loans and notes payable	Lease liabilities	Total	Loans and notes payable
Balance as at 1 January	13,021,679	-	13,021,679	14,879,672
Adjustment on application of IFRS 16	-	2,560,483	2,560,483	-
As at 1 January 2019 (adjusted)	13,021,679	2,560,483	15,582,162	14,879,672
Changes from financing activities				
Proceeds from loans and notes payable	9,460,785	-	9,460,785	614,305
Payment of loans and notes payable and related fees	(10,245,376)	-	(10,245,376)	(2,540,915)
Payment of lease liabilities	-	(613,774)	(613,774)	-
Total changes from financing activities	**(784,591)**	**(613,774)**	**(1,398,365)**	**(1,926,610)**
Other changes				
Foreign exchange losses	1,592	-	1,592	-
Finance expenses	792,082	137,399	929,481	799,239
Other finance expenses	(23,483)	-	(23,483)	(28,279)
Capitalized borrowing cost	21,794	-	21,794	10,167
Cash flow hedges - reclassified to profit or loss	(8,750)	-	(8,750)	-
Finance expenses paid	(668,630)	-	(668,630)	(711,711)
Accrued interest payable movement	32,864	-	32,864	(799)
Lease additions, net	-	424,916	424,916	-
Total liability related to other changes	**147,469**	**562,315**	**709,784**	**68,617**
Balance as 31 December	**12,384,557**	**2,509,024**	**14,893,581**	**13,021,679**

18 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 the consolidated statement of profit or loss:

	31 December 2019	31 December 2018
Service cost	49,169	35,288
Interest cost	20,137	15,297
	69,306	**50,585**

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

	31 December 2019	31 December 2018
Balance at the beginning of the year	426,074	379,412
Charge recognized in the consolidated statement of profit or loss	69,306	50,585
Actuarial loss recognized in the consolidated statement of comprehensive income	5,312	31,832
Benefits paid	(62,662)	(35,755)
Balance at the end of the year	**438,030**	**426,074**

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

	31 December 2019	31 December 2018
Discount rate	4.7%	4.7%
Future salary increase rate	2.2%	2.3%
Death while in service	0%	0%
Withdrawal before normal retirement life	3.7%	3.5%

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:

	31 December 2019		31 December 2018	
Sensitivity Level	**Increase of 1%**	**Decrease of 1%**	**Increase of 1%**	**Decrease of 1%**
Discount rate	(48,245)	52,798	(47,347)	54,602
Future salary increase rate	58,521	(45,435)	57,918	(45,830)

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 2019, the weighted-average duration of the defined benefit plan was 12.7 years (2018: 13.01 years).

19 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.

20 PROVISION FOR DECOMMISSIONING LIABILITY

	31 December 2019	31 December 2018
Balance at the beginning of the year	239,654	221,518
Adjustment on application of IFRS 16	(100,947)	-
Balance at the beginning of the year (adjusted)	138,707	221,518
Additions during the year	10,408	6,735
Unwind of discount	8,749	12,396
Utilization during the year	(3,077)	(995)
Balance at the end of the year	**154,787**	**239,654**

21 ACCOUNTS PAYABLE

	31 December 2019	31 December 2018
Capital expenditure payable	2,182,918	1,895,825
Trade accounts payable	2,909,665	3,258,887
	5,092,583	**5,154,712**

22 ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2019	31 December 2018
Accrued telecommunication expenses	745,447	1,265,405
Accrued services and maintenance expenses	463,479	412,165
Accrued selling and marketing expenses	233,349	368,302
Others	1,070,672	1,204,552
	2,512,947	**3,250,424**

23 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 31 December 2009 and thereafter, where it includes the Company and its subsidiaries due to the fact that the Group is one economic entity wholly owned and managed by the Company.

The Group has filed its zakat returns with GAZT for the years through 2018 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 for the years up to 2008. The Group has received zakat and withholding tax assessments for the years 2009, 2010 and 2011 that showed additional zakat and withholding tax liabilities of SR 226 million and SR 159 million respectively, which have been appealed against by the Group at the Preliminary and Higher Appeal Committees. Recently, the Higher Appeal Committee has issued certain rulings in favor of the Company related to zakat and withholding tax disputes. Management believes that it has sufficient grounds to contest the matters included in the assessments and the eventual outcome of the appeal process will not result in any significant liability.

23.1 Calculation of adjusted net loss

	31 December 2019	31 December 2018
Profit / (Loss) before zakat	80,553	(160,310)
Provisions	(377,236)	(656,262)
Adjusted net loss for the year	**(296,683)**	**(816,572)**

23.2 Zakat base calculation

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

	Note	31 December 2019	31 December 2018
Adjusted net loss for the year	23.1	(296,683)	(816,572)
Shareholders' equity at beginning of the year		13,792,331	14,260,754
Provisions at beginning of the year		3,282,516	4,012,732
Loans and notes payable		12,384,557	13,021,679
Other additions		5,446,127	2,337,068
Property and equipment and intangible assets		(30,217,946)	(31,001,940)
Other deductions		(2,484,580)	(457,521)
Total zakat base		**1,906,322**	**1,356,200**

23.3 Provision for zakat

	31 December 2019	31 December 2018
Balance at the beginning of the year	64,775	48,878
Charge during the year *	49,370	59,619
Payments during the year	(37,783)	(43,722)
Balance at the end of the year	**76,362**	**64,775**

* During 2018, in addition to the above charge of SAR 59.6 million, an amount of SAR 97.2 million was reversed, which represents remaining reversal of the excess zakat paid to GAZT as a result of restated consolidated financial statements for the years 2013 and 2014. The Company has submitted revised zakat returns for the said years during 2016.

24 CONTRACT BALANCES

24.1 Contract assets

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.

	31 December 2019	31 December 2018
Contract assets	417,202	256,267
Less: allowance for impairment loss on contract assets	(29,323)	-
	387,879	**256,267**

Significant change in the contract assets during the year are as follows:

	31 December 2019	31 December 2018
Transfer from contact assets recognized at the beginning of the year	(240,875)	(285,800)
Increase as a result of change in the measure of the progress	401,810	256,267
	160,935	**(29,533)**

The movement of the allowance for impairment loss on contract assets is as follows:

	31 December 2019
Balance at the beginning of the year	-
Charge for the year	(29,323)
Balance at the end of the year	**(29,323)**

24.2 Contract liabilities

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

	31 December 2019	31 December 2018
Current	1,137,091	1,422,238
Non-current	22,292	44,582
	1,159,383	**1,466,820**

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

	31 December 2019	31 December 2018
Revenue recognized that was included in the contract liability balance at the beginning of the year	(1,465,624)	(1,966,425)
Increase due to cash received, excluding amounts recognized as revenue during the year	1,158,187	1,463,967
	(307,437)	**(502,458)**

25 FINANCIAL ASSETS AND LIABILITIES

25.1 Financial assets

	31 December 2019	31 December 2018
Financial assets at fair value:		
Financial assets - fair value through other comprehensive income *	7,636	7,271
Derivatives financial instruments**	-	8,095
Total financial assets at fair value	**7,636**	**15,366**
Financial assets at amortized cost:		
Accounts receivable	3,034,222	3,570,598
Due from related parties	90,266	61,721
Other financial assets	839,000	1,000,000
Cash and cash equivalents	1,251,680	1,032,850
Total financial assets at amortized cost	**5,215,168**	**5,665,169**
Total financial assets	**5,222,804**	**5,680,535**
Current financial assets	5,215,168	5,673,264
Non-current financial assets	7,636	7,271
Total financial assets	**5,222,804**	**5,680,535**

25.2 Financial liabilities

	31 December 2019	31 December 2018
Financial liabilities at fair value:		
Derivatives financial instruments**	56,238	11,249
Total financial liabilities at fair value	56,238	11,249
Financial liabilities at amortized cost:		
Loans and notes payable	12,384,557	13,021,679
Lease liabilities	2,509,024	-
Accounts payable	5,092,583	5,154,712
Due to related parties	264,765	163,385
Other financial liabilities	275,536	299,640
Total financial liabilities at amortized cost	**20,526,465**	**18,639,416**
Total financial liabilities	**20,582,703**	**18,650,665**
Current financial liabilities	7,222,575	6,363,237
Non-current financial liabilities	13,360,128	12,287,428
Total financial liabilities	**20,582,703**	**18,650,665**

* The fair value of these unquoted equity shares was categorized as level 3.
** The fair value of these derivatives financial instruments was categorized as level 2.

Fair value of financial assets and financial liabilities measured at amortized cost are not significantly different from their carrying amounts.

At 31 December 2019, 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 2019, the Group had profit rate swap agreements in place with a total notional amount of SAR 1,218 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.

25.3 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 the 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.

25.3.1 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 related parties, 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 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 loss on accounts receivable. The Group applies the simplified approach to calculate impairment loss 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 19% of total accounts receivable as at 31 December 2019 (31 December 2018: 34%). The rest of the balances do not have significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

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

	31 December 2019	31 December 2018
Current	670,339	641,726
Within two months	465,078	609,868
From two months to three months	120,944	149,260
More than three months	1,777,861	2,169,744
	3,034,222	**3,570,598**

25.3.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter if it has 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 1 year	1 to 5 years	More than 5 years	Total contractual cash flows	Carrying amount
At 31 December 2019					
Loans and notes payable	1,371,187	7,246,219	6,157,983	14,775,389	12,384,557
Lease liabilities	769,796	1,536,513	564,148	2,870,457	2,509,024
Accounts payable	5,092,583	-	-	5,092,583	5,092,583
Due to related parties	264,765	-	-	264,765	264,765
Other financial liabilities	-	155,354	192,499	347,853	275,536
Derivatives financial instruments	56,238	-	-	56,238	56,238
	7,554,569	**8,938,086**	**6,914,630**	**23,407,285**	**20,582,703**
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	163,385	-	-	163,385	163,385
Other financial liabilities	-	155,354	231,338	386,692	299,640
Derivatives financial instruments	11,249	-	-	11,249	11,249
	7,026,733	**10,636,291**	**3,665,568**	**21,328,592**	**18,650,665**

25.3.3 Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, profit rates and equity prices which 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 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.

26 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 shareholders' 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 shareholders' equity ratio at the end of the year is as follows:

	31 December 2019	31 December 2018
Loans and notes payable and other financial liabilities	12,660,093	13,321,319
Less: Cash and cash equivalents and other financial assets	(2,090,680)	(2,032,850)
Net debt	**10,569,413**	**11,288,469**
Total shareholders' equity	13,751,350	13,869,316
Net debt to shareholders' equity	**0.77**	**0.81**

27 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 30% of the share capital. This reserve is not available for dividend distribution.

28 REVENUE

	Consumer	Business	Wholesale	Outsourcing	Total
31 December 2019					
Usage	7,904,566	496,809	945,414	-	9,346,789
Activation and subscription fees	1,880,535	427,858	-	-	2,308,393
Others	774,204	682,562	157,614	180,412	1,794,792
	10,559,305	**1,607,229**	**1,103,028**	**180,412**	**13,449,974**
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**

29 COST OF SALES

	31 December 2019	31 December 2018
Network access charges	1,628,935	1,344,506
Rental and maintenance of network equipment expenses	889,808	1,388,208
Cost of utilized inventories	932,131	769,367
Government contribution fees in trade earnings	1,101,056	1,016,608
Frequency wave fees	217,356	176,390
National transmission and interconnection costs	105,329	102,254
License fees	110,106	102,165
Provision for inventory obsolescence	(79,691)	(50,062)
Others	744,957	433,273
	5,649,987	**5,282,709**

30 SELLING AND MARKETING EXPENSES

	31 December 2019	31 December 2018
Advertisement, promotion and sales commissions	546,222	585,883
Salaries, wages and employees' benefits	665,335	613,079
Rental expenses	25,504	87,435
	1,237,061	**1,286,397**

31 GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2019	31 December 2018
Salaries, wages and employees' benefits	764,720	769,793
Maintenance	260,322	279,041
Rentals	12,559	84,902
Consulting and professional services	93,222	139,175
Management fees	28,125	(22,524)
Travel and transportation	17,778	18,774
Board of Directors' remuneration and allowances	3,158	3,121
Others	369,148	(524,898)
	1,549,032	**747,384**

32 FINANCE EXPENSES

	31 December 2019	31 December 2018
Financing expense on loans and notes payable	768,599	770,960
Financing expense on lease liability	137,399	-
Other finance expenses	23,483	28,279
	929,481	**799,239**

33 BASIC AND DILUTED EARNINGS / (LOSS) PER SHARE

Basic earnings / (loss) per share is calculated by dividing the profit / (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 earnings / (loss) per share is same as the basic earnings / (loss) per share as the Group does not have any dilutive instruments in issue.

	31 December 2019	31 December 2018
Profit / (loss) for the year	31,183	(122,666)
Weighted average number of shares	770,000	770,000
Basic and diluted earnings / (loss) per share (in SAR)	0.04	(0.16)

34 COMMITMENTS AND CONTINGENCIES

34.1 Capital commitments

The Group has capital commitments resulting from contracts for supply of property and equipment, which were entered into and not yet executed at the consolidated statement of financial position date in the amount of SR 2.26 billion as at 31 December 2019 (31 December 2018: SR 1.2 billion).

34.2 Contingent liabilities

The Group had contingent liabilities in the form of letters of guarantee and letters of credit amounting to SR 1,209 million as at 31 December 2019 (31 December 2018: SR 769 million).

The CITC's violation committee has issued several penalty resolutions against the Group which the Group has opposed to in accordance with the Telecom Status and its implementing regulations. The reasons of issuing these resolutions vary between the manner followed in issuing prepaid SIM Cards and providing promotions that have not been approved by CITC and/or other reasons.

Multiple lawsuits were filed by the Group against CITC at the Board of Grievances in order to oppose such resolutions of the CITC's violation committee in accordance with the Telecom Status and its regulations, as follows:

- There are (831) lawsuits filed by the Group against CITC amounting to SR 710 million as of 31 December 2019.
- The Board of Grievance has issued (192) verdicts in favor of the Group voiding (192) resolutions of the CITC's violation committee with total penalties amounting to SR 506 million as of 31 December 2019.
- Some of these preliminary verdicts have become conclusive (after they were affirmed by the appeal court), cancelling penalties with a total amounting to SR 505 million as of 31 December 2019.

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

There are 182 lawsuits filed by some of the shareholders against the Group before the Committee for the Resolutions of Security Disputes and still being adjudicated by the said committee. As of 31 December 2019, the Company has received (3) preliminary verdicts and (153) final verdicts in its favor whereas, (11) cases have been dismissed, (1) case is maintained, (2) cases are abandoned and (12) cases remain on-going.

35 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 telecommunication services and related products. The majority of the Group's revenues, profits and assets relate to its operations in the Kingdom of 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 2019	31 December 2018
Consumer revenues	10,559,305	9,584,095
Business revenues	1,607,229	1,338,264
Wholesale revenues	1,103,028	816,261
Outsourcing revenues	180,412	126,292
Total revenue	**13,449,974**	**11,864,912**
Total cost of sales	(5,649,987)	(5,282,709)
Total operating expense	(2,853,172)	(2,051,500)
Depreciation and amortization	(3,916,802)	(3,809,478)
Impairment loss on property and equipment	(63,000)	(118,333)
Total non-operating expense	**(886,460)**	**(763,202)**
Capital expenditures	2,760,113	2,819,174

36 COMPARATIVE FIGURES

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

37 SUBSEQUENT EVENTS

No material events occurred subsequent to the reporting date which could materially affect the consolidated financial statements and the related disclosures for the year ended 31 December 2019.

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