



ANNUAL REPORT

2015

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www.Mobily.com.sa

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King Salman bin Abdul Aziz Al Saud
Custodian of the Two Holy Mosques



**His Royal Highness Crown Prince Mohammed bin
Nayef bin Abdul Aziz Al Saud**
Deputy Premier, Minister of Interior and Chairman of
the Council of Political and Security Affairs



**His Royal Highness Deputy Crown Prince
Mohammed bin Salman bin Abdul Aziz Al Saud**
Second Deputy Premier, Minister of Defense
and Chairman of the Council of Economic and
Development Affairs



01 ABOUT MOBILY

Mobily is Saudi Arabia's second largest telecommunications operator. With exceptional customer service at the heart of our business, we provide 2G, 3G, 4G FDD and 4GE TDD services to subscribers across the Kingdom. Our main revenue streams are usage fees - voice, data, interconnection charges, value-added-services and Fiber-to-the-Home (FTTH), handsets and accessories sales, subscription fees Infrastructure-as-a-Service sales (IAAS), and returns from ventures.

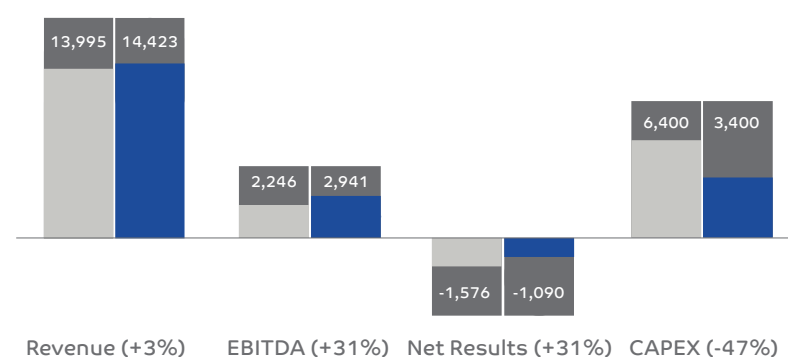
In 2015, we embarked upon the first phase of our Turnaround Strategy. This long-term strategy shall see a turnaround period, which began in 2015 and has successfully continued into 2016, followed by a period of selective growth to 2019. During 2015, we aimed to stabilize the Company

after a short but challenging period in its history. To achieve this objective, we focused on three key areas: financial performance, operations, and assets and resources.

In the course of the year, we have succeeded in strengthening the core of our organization, improving transparency, and restructuring our corporate governance framework to better meet the challenges and opportunities of the future. In the final quarter of 2015, we were proud to achieve a positive net result and will continue to build on that accomplishment throughout 2016.



As at 31 December 2015
(SAR million)



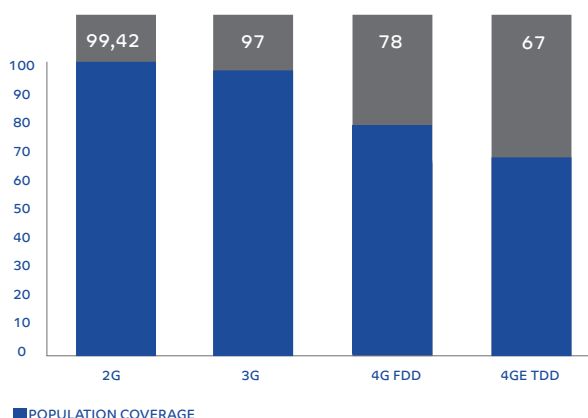
Wireless network 2015:

- 2G 9,301 sites
- 3G 8,071 sites
- 4G 6,754 sites

Fiber network coverage 2015:

- Metropolitan and FTTH (Fiber-to-the-Home): 24,000 km
- Saudi National Fiber Network (SNFN): 19,000 km

Population coverage 2015 (%):



Etiad Etisalat (Mobily) was established in 2004 by a consortium led by Etisalat, the UAE-based telecom conglomerate. The major shareholders in Mobily are Etisalat Emirates Group (27.45%) and the General Organization for Social Insurance (11.85%). The remaining shares are owned by institutional and retail investors.

As the winning bidder for Saudi Arabia's second GSM license in 2004, Mobily broke the Saudi Telecom monopoly in the wireless industry to provide mobile telecommunications services nationwide. After a six-month preparatory phase, Mobily was launched commercially in May 2005, exceeding one million subscribers within its first 90 days of operation. In 2006, the GSM Association named Mobily the fastest growing mobile operator in the Middle East and North Africa. In the same year, the company launched 3.5G services, with 4G services introduced in 2011.

The Company's growth has been characterized by a series of significant strategic acquisitions. In 2008, Mobily was granted approval by the Communication and Information Technology Commission to acquire Bayanat al-Oula, a licensed data service provider, for a price of SAR 1.5 billion. In the same year, the Company acquired an absolute majority stake in Zajil, the leading Saudi Internet Service Provider.

Mobily owns 66% of the Saudi National Fiber Network, one of the largest fiber-optic networks in the world. This enables the Company to offer its customers a comprehensive communication infrastructure covering mobile and broadband, as well as satellite-based services and solutions.

Mobily's network has been established as a joint collaboration with Bayanat al-Oula and the Integrated Telecom Company. This is the Kingdom's newest fiber-optic network, with access to all major cities, more than 22,000 km of roads and highways, and covering 99% of the population. The network has been expanded to connect to neighboring countries such as Yemen, the United Arab Emirates, Bahrain, Qatar, Kuwait, and Jordan, with more countries scheduled to be included.

Mobily has been listed on Saudi Arabia's Tadawul stock exchange since 2004 and has a share capital of SAR 7,700 million, consisting of 770 million shares of SAR 10.00 each, paid in full as at 31 December 2015.

Vision

Enriching your life by continuously leading and innovating in communications services.

Mission

To exceed the expectations of our employees and customers by fully leveraging our capabilities and potential.

Values

Pioneering, Respectful, Passionate, Empowering and Reliable.



2004

- Etihad Etisalat awarded Saudi Arabia's first 3G and second GSM licenses.
- Build-out of GSM network begins.
- Mobily lists on Tadawul: 20 million shares are 51 times oversubscribed.

2005

- Signing of interconnection agreement with Saudi Telecom.
- Launch of commercial GSM services in 32 cities.
- Mobily achieves coverage of 79.2% of the population.
- Subscribers reach 1 million.
- Positive EBITDA achieved.

2006

- Mobily launches Saudi Arabia's first 3.5G service.
- Positive cash-flow achieved.
- Subscribers reach 6 million and 30% market share.
- Mobily achieves coverage of 90% of the population.
- Products available at more than 3,600 points of sale.

2007

- Net income before Zakat doubles to SAR 1.4 billion.
- Earnings per share grow by 97.14% to SAR 2.76.
- SAR 1 billion investment to enhance 3.5G network.
- Acquisition of 99.9% of Bayanat Al-Oula.
- Mobily's base stations number 4,843.
- Subscribers reach 11 million.

2008

- Net profit increases 52% to previous year.
- First dividend paid to shareholders.
- Exclusive national roaming agreement signed with Zain Saudi Arabia.
- Mobily attracts 3.8 million new subscribers despite entry of Zain Saudi Arabia.
- Capital increase of SAR 2 billion in a 200 million rights issue (2.3 times oversubscribed).
- Customer touchpoints total 7,800.

2009

- Share price increases 40%, outperforming Tadawul's Information & Technology and All Share index.
- Mobile broadband subscribers exceed 1 million.
- Subscribers reach 18.2 million.
- Launch of iPhone 3G and 3GS.
- Mobily wins the Dale Carnegie Leadership Award.
- HSPA (High Speed Packet Access) revenue grows by 159% year-on-year.
- Net profit increases by 44%, revenue by 21%.
- Dividend of SAR 1.25 per share.

2010

- Growth in revenues of SAR 3 billion, representing 23% year-on-year growth.
- Dividend of SAR 2.00 per share.
- Broadband coverage reaches 92% of population.
- Post-paid subscriber revenues increase by 50%; business subscription revenues double.
- Mobily secures SAR 1.2 billion Murabaha financing facility to expand and upgrade data infrastructure capabilities.

2011

- Introduction of new quarterly distribution dividend policy.
- Introduction of Long Term Evolution (LTE) 4G network.
- Opening of Ladies Contact Centre in Jeddah.
- Launch of Best Customer Experience initiative (CEX).

2012

- Board approval of 10% share capital increase.
- Substantial growth in revenues from business subscriptions and data services.
- SAR 10 billion refinancing deal to replace existing loans on more favourable terms.
- Mobily wins 'Comms MEA Operator of the Year Award'.

2013

- Opening of first Tier IV certified data centre in Asia, Middle East, and North Africa.
- Launch of cloud computing services in collaboration with Virtustream.
- Mobily adds more than 2,040 new 4G sites to its network.
- Completion of award-winning USD 650 million Shar'iah-compliant vendor financing deal.
- Mobily receives 'AMEC Best of the Best in Social Media Platinum Award'.

2014

- Investment of SAR 6 billion in network expansion and upgrade.
- Establishment of Mobily Ventures to invest in high-tech start-ups.
- First Saudi operator to market the iPhone 6.
- Mobily becomes first Telecoms Company in the world to offer 4G data roaming services.

2015

- Mobily faced difficulty related to accounting issue, which led to the restatement of its financial statements.
- Appointment of new CEO, Mr. Ahmad Farroukh, previously CEO of MTN South Africa.
- Appointment of new CFO, Mr. Kais Ben Hamida, previously CFO of Mobinil Egypt.
- Board of Directors approves appointment of KPMG as auditors for the fiscal year 2015.
- Ordinary General Assembly approves the appointment of a new Board of Directors.
- Mobily revenues amount to SAR 14.4 billion, growing by 3% annually.
- Gross profit increases by 17% to SAR 7.9 billion.





Suliman bin Abdulrahman Al Gwaiz
Chairman of the Board

It is a pleasure to introduce Mobyli's 2015 Annual Report. This has been a year of 'weathering the storm', for both our Company and the Saudi market in general. The Kingdom has experienced a slowdown in economic growth on the back of lower oil prices and its publicly-listed companies have had a challenging year. At the same time, **Mobyli has experienced specific challenges of its own, and I am very pleased to report that our Board and Management have worked tirelessly to ensure we are developing into a stronger organization, with robust foundations for future growth.** We have faith in the wise leadership of the Saudi government, and are optimistic that its commitment to economic diversification will enable us to cement our position as the Kingdom's leading challenger telecom provider.

Social responsibility

Mobyli remains committed to the development of the Kingdom and the communities in which it works. We are particularly proud of our exceptional Saudization ratio, which reached a Platinum-level 78% in 2015. Our external social responsibility programs enjoyed another busy year, with Mobyli continuing its support of the App Developer Community, established to encourage innovation and entrepreneurship in the Saudi tech sector. Other initiatives included a Ramadan donation program for staff in Riyadh, Jeddah, and Dammam; a Quit Smoking campaign in partnership with the NAQA Association; and the distribution of gifts and visits by staff and wives to the Disabled Children's Association. As in previous years, Mobyli maintained its leadership of the telecom field in the provision of special services during Hajj. In 2015, our campaign supported pilgrims travelling to the Holy City of Makkah by selling coupons for sacrificial animals in branches across the Kingdom.

Corporate governance

At our Ordinary General Assembly meeting in November, Mobyli's shareholders approved the appointment of a new Board of Directors. **I speak on behalf of the Board in thanking the General Assembly for the trust they have put in us, and in assuring all stakeholders that we will rigorously perform our duties.** Further reorganization of Mobyli's corporate governance framework will ensure clearer policies and responsibilities for the future, and better define the rules by which the Company is managed. We have begun the process of instilling a culture of transparency across all departments, and are of the view that this culture should originate at the top. We look forward to playing a key role in a new chapter in the Company's continuing development.

Valuing stakeholders

Mobyli has sought to put greater emphasis on the value it places on all its stakeholders. For our customers we have made every effort to maintain trust in our ability to deliver exceptional levels of satisfaction, complemented by new and improved products and offers. Our customers continue to enjoy industry-leading telecom services at market-leading prices.

The development and growth of our employees is another high priority. In 2015, we reviewed and adapted our benefits program to more effectively reward those contributing the most to the Company, as well as introducing the Mobyli Elite program for promising Saudi graduates to build their careers.

Building trust

In the light of the difficulties we experienced at the end of 2014, we restated our financials for the full year and for Q1 2015. This has clarified our position to the financial community, and has begun the process of regaining the trust of investors, banks and the regulator.

I would like to thank Mobyli's Management and Staff for their tireless efforts to rebuild the foundations of our Company; the Board of Directors for the commitment and energy that they have demonstrated in their new roles; the CMA for their support throughout a challenging year; and our shareholders for their confidence in our ability to emerge from a period of turbulence a stronger and more dynamic organization. We are now ready to seize the opportunities of the future.

Suliman bin Abdulrahman Al Gwaiz
Chairman of the Board



01 02 03 04 05

01 ▶ Mr. Suliman bin Abdulrahman Al Gwaiz, Chairman

In addition to his role as Chairman of the Board at Mobily, Mr. Al Gwaiz is Governor of the General Organization for Social Insurance (GOSI) and Chairman of Banque Saudi Fransi. He has previously held positions as Deputy Chief Executive Officer at Riyadh Bank and Head of Public Sector Business at Citibank (Saudi Arabia).

02 ▶ Mr. Ali Al Subaihin, Board Member

In addition to his role as a Board Member at Mobily, Mr. Al Subaihin is Chairman of Najm Insurance Company, Chairman of WASEEL (Health Insurance Portal), a founding partner of Chedid Reinsurance Brokerage Ltd, and a member of Al Faisal University's Business Advisory Council (Riyadh). He was previously CEO at Tawuniya for Cooperative Insurance.

03 ▶ Engr. Abdullah Al Issa, Board Member

In addition to his membership of Mobily's Board of Directors, Engr. Al Issa is CEO of Alissa Company for Engineering Consultations and a Chairman and Board Member of a number of other Saudi companies.

04 ▶ Mr. Ahmed S. Julfar, Board Member

Before joining the Mobily Board of Directors, Mr. Julfar was CEO of Etisalat Group from 2011. The Group is widely regarded as a development leader for the telecoms sector in Gulf countries and further afield.

05 ▶ Mr. Mohamed Al Hussaini, Board Member

In addition to his role as a Board Member at Mobily, Mr. Al Hussaini is a Director of Emirates Islamic Bank and a Board Member for a number of other UAE and international companies. He was previously Chairman of Economic Zones World Corp.



06 07 08 09 10

06 ▶ Dr. Khaled Al Ghoneim, Board Member

Dr. Al Ghoneim is Founder and Chairman of Hawaz Company, having previously held the position of CEO at ELM Information Security Company, Saudi Telecom Company (STC) and Communication Solutions Company (CSC). He has also had the role of Chairman and CEO of Takamol Business Services Holding Company.

07 ▶ Mr. Abdulaziz Al Jomaih, Board Member

Mr. Al Jomaih is VP Investment Relations at Al Jomaih Holding Company and Managing Director of the Al Jomaih Group of Companies. He is also Managing Director of Pergola Holdings and its subsidiaries, and Chairman of E3 FZ LLC, British Islamic Insurance Holdings Limited, and Bahrain Steel Iron Company. He has previously had the role of Chairman at Karachi Electric Supply Company Limited.

08 ▶ Engr. Khalifa Al Shamsi, Board Member and Managing Director

Engr. Al Shamsi is Chief Corporate Governance Officer at Etisalat Group. He is a member of the Board of Directors at Etisalat Afghanistan and E-Vision the UAE-based TV, content and multimedia company. He was previously Etisalat Group's Chief Digital Services Officer and Senior Vice President of Technology & Network Strategy.

09 ▶ Mr. Serkan Okandan, Board Member

Mr. Okandan is CFO of Etisalat Group, representing Etisalat as a Board Member for its operations in Pakistan, Morocco, Saudi Arabia and Nigeria. He is Audit Committee Chairman at Pakistan Telecommunications Company Ltd and a member of the Audit Committee of both Maroc Telecom and Mobily. He was previously Deputy CEO of Mobily.

10 ▶ Engr. Homood Al Tuwajri, Board Member

Prior to joining the Mobily Board of Directors, Engr. Al Tuwajri was Vice President for Legal and Internal Audit at SABIC, and sat on the board of a number of other companies in Saudi Arabia.

A man in a white thobe and red and white checkered ghutra is shown in profile, looking out a large window at a cityscape. The background is a blurred view of a city with tall buildings. The image has a blue and grey geometric overlay on the left side.

02 STRATEGIC REVIEW

I am pleased to say that in 2015 we achieved the major milestones of stabilizing the Company. **This stabilization has been achieved by the tireless efforts of our Board, management and employees to enhance our corporate governance framework, to overhaul and improve our auditing systems and to foster a culture of transparency.** While reorganizing the Company, we have maintained our focus on boosting profitability, optimizing capital expenditure, rationalizing our investments and achieving top-line growth. Where our stakeholders are concerned, we have endeavored to rebuild trust among the investment and regulatory communities, our suppliers, our employees and our customers. We have made important steps towards that goal, and will continue to do so in 2016.

Strengthening our foundations

In the course of the year we reorganized our corporate governance structure to improve the control processes that exist within the Company, clarifying the delegation of responsibilities by the Board to the Management. As part of that process, we have worked to instill a commitment to openness at all levels of the Company, ensuring sound and prudent financial management and reporting. At the same time, we have made efforts to improve operational efficiency, putting existing resources to better use to effectively monetize our assets in the coming years. This efficiency has formed part of a 'back to basics' approach, which we developed during 2015 to ensure that Mobily was properly focused on getting the most important things right. This approach has given us solid foundations for sustainable growth.



Investing in people

Mobily recognizes that human capital is essential for meeting and exceeding the expectations of shareholders. We are dedicated to employing industry-leading talent. We understand the needs and aspirations of our employees, clearly communicating all relevant information across the Company. Our Learning & Development programs are ongoing, with a number of initiatives introduced in 2015 to cover a high percentage of employees. The Mobily Elite scheme, in particular, has been important for attracting the best Saudi graduate talent, and providing a clear path for career development. We are committed to incentivizing our staff, with an emphasis on performance-based benefits. In 2015, we introduced a new, transparent Annual Bonus Scheme that rewards team members for their contribution to the Company, and will have an important role in attracting and retaining talent in the future.

Strategic pathway

Our principal objective for the coming year is to build on the work that has been done to stabilize and strengthen the core of our Company, which will be reflected in a sustainable budget with realistic commercial and financial targets. We aim to deliver returns on important investments, with particular focus on monetizing our FTTH (Fiber-to-the-Home) network. By redirecting our technology strategy across a wide range of products and services, we will drive improved performance across our Consumer, Corporate, Wholesale and FTTH businesses. Perhaps most importantly, we are moving towards a more customer-focused strategy, putting consumers at the heart of our commercial objectives rather than focusing primarily on wholesalers.

With thanks to our stakeholders

On behalf of Mobily, I would like to offer thanks to our stakeholders for their ongoing support. We are grateful for the commitment shown by our investors, and the support we have received from the regulator during a difficult period in the Company's history. I would like to thank our employees for the dedication they have shown in rebuilding and strengthening our business, and to our customers for their loyalty to our products and services. We have taken every opportunity to strengthen our foundations in 2015, and look forward to the rewards this will yield in future years.

Ahmad Farroukh
Chief Executive Officer

During 2015 we implemented the first phase of our Turnaround Strategy. This long-term strategy is split into two distinct parts: Turnaround, from 2015 to 2016, and Selective Growth, from 2016 to 2019. In the course of 2015, our strategy for stabilizing the Company focused on three key areas: financial performance, operations, and assets and resources.

Financial performance

A crucial part of our objective for improving financial performance in 2015 was the reversal of a declining revenue trend. In Q4 2015 we achieved a very encouraging net profit of SAR 11 million, compared to a loss of SAR 2,108 million in the same quarter of 2014. A sustained reversal of this trend will be supported in 2016 by efforts to defend and grow our share of the market. Increasingly prudent financial management has played a critical role in improving operational efficiency, boosting EBITDA margins and Group revenues.

Operations

We are committed to a strategy of improving the efficiency of our operations by generating savings in OPEX and by achieving operational excellence. This means that we are making more effective use of our existing resources and operating as a leaner and more agile commercial entity. We have taken measures to both resize and reorganize the Company, closing capability gaps and streamlining previously inefficient processes. By improving our operational efficiency, we have put ourselves in a much stronger position to face future challenges and exploit the market opportunities available to us.

Assets and resources

Throughout 2015, Mobily worked hard to begin the process of unlocking value from non-strategic assets. The process is ongoing and will ultimately be achieved by generating capital expenditure savings from the more efficient utilization of both assets and cash by divestment, for example, of our oversized portfolio of towers. This strategy will be sustained during 2016, and is expected to make a clear and positive impact on our balance sheet.

The Turnaround

Our aim for 2016 is to return to a 'challenger' position by boosting data profitability and improving customer experience to gain market share. A further key growth driver will be the monetization of our fiber optic infrastructure, which we expect to achieve during the coming year. We will continue to improve our efficiency, and respond to our stakeholders' increasingly connected lifestyles by digitizing both internal and customer-facing operations. Throughout the year, we will maintain our focus on market- and profit-driven capital expenditure allocation. Looking further ahead, our objectives for the growth of our core businesses are to increase value share in mobile data, grow our share of the FTTH (Fiber-to-the-Home) and FTTB (Fiber-to-the-Business) markets, and enhance market share in the Business segment. Plans are also in place to invest in Business ICT by growing our share of the cloud and hosting services market, and acquiring system integration capabilities.



After a difficult 2014 - a year in which Mobily faced several challenges-, we have worked hard on turning around the business, putting in place the right governance and control mechanisms, strengthening our financial structure and launching various initiatives to improve our operational performance. We have worked with our new auditors on due diligence in various areas and ensured that our financials fairly reflect the business. The Finance team has taken important steps towards improving control, increasing operational efficiency and rebuilding trust among various stakeholders - in particular our suppliers, investors and creditors.

Performance in 2015

Our revenues for 2015 showed 3% year-on-year growth, totaling SAR 14,424 million compared to SAR 14,004 million in 2014. Gross profit amounted to SAR 7,958 million, increasing by 17% year-on-year, driven partly by a decrease in the cost of services due to lower interconnection charges. Improvement of the gross margin coupled with better cost management allowed us to deliver a solid growth of EBITDA by 66% from SAR 2,246 million to SAR 3,721 million, reflecting an increase of the EBITDA margin by 4%. This led to significant reduction in losses, which totaled SAR 1,093 million in 2015, compared to SAR 1,576 million in 2014, representing a decrease of 31% and a gradual improvement of net results, with a positive net result in Q4-2015.

Financial management

We have begun to rebuild the foundations of the finance department while reshaping its culture.

We are infusing finance with an ethos of transparency, execution, and simplicity. At the same time, we are increasing the level of awareness of financial management and operational efficiency across the Company. Mobily has set itself a clear objective to gradually deleverage the business, creating a higher degree of strategic flexibility for potential future development. We have also increased our focus on cash flow generation to improve the Company's liquidity position and to create value for our shareholders.

Looking ahead

For the future, we will maintain our endeavors to optimize our liquidity position and strengthen our balance sheet. We have already initiated and delivered various measures to improve operational efficiency and we will continue this process. The stabilizing efforts that we have undertaken during the year have allowed us to reverse a declining revenue trend, and have positioned Mobily to defend its consumer and market shares. We have successfully established a strong asset base, with a view to realizing its value, increasing efficiency in our capital expenditure and maximizing returns in 2016. As we optimize our investments and utilize existing resources, we expect to see improvements in our margins and, ultimately, sustainable growth. This has been a year for stabilization and I am pleased to say that we enter 2016 a stronger and more robust company.

Kais Ben Hamida
Chief Financial Officer



The Saudi telecom market has developed rapidly to reach penetration of approximately 170%. While the market is technologically advanced, it is slowing down, with short-term projections of single digit growth. The market has three players: Mobily, STC, and Zain, with STC retaining its dominant position with approximately 72% market share. Mobily has approximately 19% share, and Zain accounts for the remaining 9%. Market share is estimated according to available and disclosed information.

In the course of 2015, the market saw intensified competition, driven by regulatory changes and price cuts. Among the most important developments impacting Mobily and its competitors was the reduction of network interconnection rates, which fell by 40% for mobile call terminations and 30% for fixed line call terminations. For all operators, the impact of this adjustment was a sharp drop in retail prices, placing considerable pressure on profit margins.

Across the market, mobile voice revenues had a challenging year due to the proliferation of over-the-top (OTT) services and pricing competition from two newly launched mobile virtual network operators (MVNOs). Elsewhere, mobile data remained a key growth driver, in part due to the increasing number of medium- to low-end smartphones entering the market. Fixed broadband penetration grew throughout the year, with both Mobily and its competitors increasing their offerings.

The Kingdom's telecoms providers have continued to invest in infrastructure that will support a wider range of services. Mobile internet usage is still on the rise, with conventional voice and SMS services sidelined by data and broadband alternatives. Investment in the development of cloud services is growing rapidly with all operators investing heavily in developing their capabilities.



Mobily's key activities are product development, sales, service delivery, network operations, customer support and billing. These activities are supported by two essential resources: our network and our people. We are particularly proud of the value that we place on our customer relationships. These relationships are nurtured by a customer-focused approach to product development, direct and indirect marketing strategies, a reward structure for customer loyalty, and personalized services and product offers. Our customers are segmented according to six categories: prepaid (mobile); postpaid (mobile); mobile operators; businesses; small-to-medium businesses (SMBs); and households (FTTH). The channels we use to communicate with our customers are online (website and social media), our mobile application, face-to-face interaction and our call center.

Mobily's value proposition is to deliver a one-stop shop providing best-in-class communication services to individuals, households and businesses. To achieve this, we bundle our voice, data, VAS, FTTH, IT and handsets and accessories services in various combinations. All our services

have a clear focus on quality, diversity and pricing. We have a number of essential partners who support the delivery of our services, which we have categorized as VAS partners, mobile operators, distribution partners, payment channels, venture companies and IT and network service providers.

The Company's cost structure accounts for sales and distribution costs, service delivery and support costs, and network development and operations costs. Our principal revenue streams are usage fees (voice, data, VAS and FTTH) interconnection charges, handset and accessories sales, subscription fees, (IAAS) sales, and returns from ventures.



Mobily's HR department was a key player in our 2015 turnaround strategy, playing an important role in minimizing costs, positively influencing corporate culture, managing change and optimizing workflows. Three pillars within the turnaround strategy were of particular relevance to HR: improving operational efficiency; closing capability gaps; and resizing the organization. The projects developed to support these pillars translated into a range of KPIs, which HR delivered with a score of 96%, representing exceptional success in a challenging year. As at 31 December 2015, Mobily employed 2,852 full-time staff, with Platinum-level Saudization of 78%.

Rewards and remuneration

Mobily offers its employees a range of fixed and variable rewards in accordance with our Total Rewards Strategy, comprising Foundational Rewards, Performance-Based Rewards and Career & Environmental Rewards.

Our approach to awards has a strong emphasis on performance-driven benefits, encouraging a culture of hard work and innovation. We are continually redesigning our variable compensation packages, linking them to individual and collective results.

In 2015, we introduced a new and more transparent Annual Bonus Scheme which has already proved a valuable tool for attracting and retaining talent. In the course of the year, we also conducted a benchmark study for improving incentivization for staff in sales and customer care roles. Areas for improvement in these practices have been identified, and are addressed in the Group's future business plan. Short- and long-term incentives are addressed by our rewards policies, and in 2015 we began redesigning our Employee Retention Scheme for more proactive management and retention of talent.

Training and development

Mobily is committed to accelerating the careers of its workforce. We run a number of on-the-job development programs to support this objective. Our Job Rotation Program allows employees to move around different departments within the Company, thereby broadening their professional knowledge, diversifying their skills, and giving them a more intimate understanding of the telecoms industry. Mobily's Employee Exchange Program invites a pool of employees to exchange positions for a predetermined period of time. Aimed primarily at high-potential candidates, the initiative is business-driven and designed to boost employees' performance, competencies and qualifications.

Developing graduate talent

Mobily Elite is our newest graduate recruitment initiative. It aims to attract local talent to contribute to our long-term vision. The program runs for 24 months, in which time candidates complete four inter- and intra-divisional assignments. Graduates are assigned to a manager and are evaluated at the end of each rotation according to a personal development plan and prescribed objectives. Mobily Elite also offers four coursework modules, addressing core leadership competencies as well as important issues relevant to the telecoms industry. These are led by reputable local business schools. Further coaching modules are provided to boost learning and development.

Our graduate intake is evaluated according to an Accumulative Assessment model, which focuses on the effectiveness and success of individuals for the duration of the scheme. Mobily Elite is in its infancy, but will play a key role in our strategy for attracting the next generation of industry leaders.



Innovation & technology

Mobily recognizes the importance of innovation for keeping ahead of the competition. In the course of 2015, we made considerable efforts to more efficiently exploit our existing assets and resources while slowing our investment in technology. This approach was closely related to the wider Group strategy for improving operational efficiency and reducing costs.

Joint procurement initiatives between our Wholesale division and the Etisalat Group successfully reduced purchasing costs through volume discounts secured by the joint buying of IP transit capacity. In partnership with Etisalat, Mobily also successfully upgraded its roaming connectivity GRX backbone by 1.2Gbps.

Mobily's introduction of MIMO (multiple-input and multiple-output), a practical technique for sending and receiving more than one data signal simultaneously, had an important role in increasing the capacity of our 4G network. Meanwhile, trials and tests for both SDN (software-defined networks) and NFV (network function virtualization) were performed throughout the year. In the future, these will improve the scalability of our hardware by reducing reliance on software vendors while improving asset value and longevity.

The implementation of VAMOS technology in 2015 had the benefit of increasing GSM voice capacity at minimum investment. This technology also improves voice quality, while reducing band usage by voice and freeing up space for data, thereby improving the efficiency of our network. Mobily's newly introduced Fair Usage Policy (FUP) and Quality of Service ranking initiatives have been important for reducing data usage abuse and segmenting users. Further low-cost improvements to network quality were achieved by Wi-Fi offload SIM authentication, which reduces data being carried on cellular bands, frees bandwidth for users and offloads the 'unlicensed spectrum'.

In 2015, Mobily implemented unified licensing, provisioning and operations for technologies including public Wi-Fi, VoWi-Fi, FTTH, GGSN/PGW, 2G, 3G and 4G. This was achieved by unifying authentication, authorization and accounting. Mobily also collaborated with Etisalat Group's digital team to boost commercial activity connected to Machine-to-Machine (M2M) communications, with a particular focus on the Jasper Platform. Consequently, we became the first operator to market M2M control center services in Saudi Arabia.



Customer centricity is at the heart of our corporate strategy. This ranges from the development of unique services, products and promotions based on our intimate understanding of the needs of our customers at all touchpoints. Our team works hard on continually improving customer satisfaction, as well as bringing a greater level of efficiency to our customer service operations.

In 2015, we introduced the User Process Management (UPM) system, which provides data and insights on customer behavior trends when contacting our Call Center. The metrics provided by the system are now used to streamline and improve sales and marketing initiatives in order to better serve our customers' needs. Mobily works closely with Etisalat Group to improve efficiency, reduce costs and stimulate revenues. In 2015, Mobily worked with Etisalat to review, restructure and in-source our Customer Value Management programs, increasing both the efficiency and performance of our marketing campaigns.

A number of our product, process and technology innovations have also been geared towards improving customer satisfaction. The Mobily Call Center introduced 'Virtual Queue', allowing customers to terminate their call while waiting for a representative, and receive a call-back when their turn comes. For post-paid customers, we have also reduced our billing cycle period from four days to less than 24 hours.

Mobily's most successful marketing initiative in 2015 was our Ramadan campaign, which focused on the culture of sharing. We invited our customers to share up to ten times their own balance with friends and family using Mobily. This allowed them to engage with the principle of generosity, an important aspect of the Holy Month. The campaign had a cheerful tone, with celebrity endorsements online and on television. Our customers responded very well to the initiative and we saw strong growth in balance transfer activity.



Mobily clearly recognizes its responsibilities to the communities in which it works. We aim to contribute directly to the socio-economic growth of Saudi Arabia by developing the careers of young and talented nationals, promoting diversity in the workplace, encouraging entrepreneurial spirit and giving back in the form of charitable contributions.

Career opportunities

In 2015, our HR department launched a number of initiatives to help build the next generation of human capital in the Kingdom. Our graduate trainee programs are designed to enhance the caliber of Saudi talent in the market, at both a professional and personal level. Our new employees enjoy a range of professional development opportunities, particularly those enrolled on the Mobily Elite programme, as well as chances to volunteer in the community.

Empowering women

We are encouraging and enabling Saudi women to work by increasing our percentage of female employees and by providing a working environment that fully meets their personal needs. We have continued the development of our work-from-home scheme, which recruits women to work as customer care agents while enjoying the flexibility of their own schedule. Our work-from-home agents have the same system access and responsibilities as all other Mobily employees. This innovative program was launched more than four years ago, and has proved a great success.



Mobily App Developer Community

We are proud of our pioneering approach to mobile technology. Nowhere is this more apparent than in our App Developer Community - a social and commercial hub providing resources, tools, and guidance for building and marketing apps to innovative young developers. The Community also offers communication channels for commercializing apps. The objective of the App Developer Community is to help the next generation of Saudi tech entrepreneurs to kick-start their careers by providing the necessary support and infrastructure. Mobily runs an annual competition for Arabic-language apps, rewarding the highest quality concepts, designs, features and content.

Giving back

We strive to foster a caring culture that enables staff to contribute to the community, particularly during the Holy Month of Ramadan. This year, in collaboration with the Ekha Charity, Mobily introduced a donation box initiative in three major cities (Riyadh, Jeddah, and Dammam) for staff to give donations of food, clothes and toys to those in need.

Another volunteering opportunity was provided by our partnership with the Saudi Disabled Children's Association. We arranged for a number of female employees and wives of employees to visit the Disabled Children's Association in Riyadh and Shumua Al-Amal Centre in Dammam. Mobily volunteers distributed gifts to the children, spending time with them throughout the day and contributing to a happy and caring atmosphere.

The Holy Month of Ramadan saw the introduction of our Quit Smoking initiative, in collaboration with the NAQA Association. This program aims to encourage staff to lead healthier lifestyles by giving up smoking. Mobily offered 300 therapy coupons, each valid for a five day course in specialized private clinics across Saudi Arabia's major cities.

As at 31 December 2015, Mobily had a total of 170,402 shareholders, with corporate/institutional investors representing 63.6% of the total ownership and individual investors representing 36.4%. The following tables give an overview of Mobily's shareholders.

Investor type			
	Number of investors	Number of shares held	Ownership percentage
Corporate/institutional	259	489,952,373	63.6%
Individual	170,143	280,047,627	36.4%
Total	170,402	770,000,000	100.0%

Investor nationality			
	Number of investors	Number of shares held	Ownership percentage
Saudi	169,491	533,333,273	69.3%
Other	911	236,666,727	30.7%
Total	170,402	770,000,000	100.0%

Size of ownership		
	Number of investors	Ownership percentage
More than 1,000,000 shares	71	72.9%
500,000 - 999,999 shares	51	4.8%
100,000 - 499,999 shares	310	8.2%
50,000 - 99,999 shares	287	2.4%
10,000 - 49,999 shares	2,103	5.4%
5,000 - 9,999 shares	1,979	1.7%
1,000 - 4,999 shares	9,015	2.4%
Fewer than 1,000 shares	156,586	2.2%
Total	170,402	100.0%

Mobily's share price ended 2015 lower than it began the year, but performed reasonably well in the light of some considerable setbacks. Despite a suspension in trading of Mobily stock in June and July, our share price consistently outperformed the Saudi Information & Technology Index, and ended the year ahead of the Tadawul All Shares Index (TASI). The graph below shows the performance of Mobily shares against these indices.



July

- His Royal Highness Prince Faisal bin Sultan bin Nasser bin Abdulaziz Al Saud officially honored Mobily for its Ramadan contributions at the Annual Iftar Ceremony hosted by the Okaz Organization for Press and Publication.

August

- His Royal Highness Prince Khalid Al Faisal, Prince of the Makkah Province and Advisor to the Custodian of The Two Holy Mosques, officially honored Mobily for its role as a strategic partner in the National Pilgrims Education Campaign.

September

- Mobily inaugurated a new technical building in the city of Unizah.
- His Excellency Dr. Majed Al Qasabi, Minister of Social Affairs, officially honored Mobily for its support of the anti-smoking NAQA Association.

October

- His Royal Highness Prince Faisal bin Bandar bin Abdulaziz, Governor of Riyadh, officially honored Mobily for its inclusion in the Top 100 Saudi Brands.
- Mobily granted ISO/IEC Certificate 27001:2013 for excellence in Information Security Management.

November

- Mobily was awarded the Hosting and Cloud Services Assurance Excellence Award at the BMC Exchange Conference.

December

- Her Royal Highness Princess Adila bint Abdullah bin Abdulaziz Al Saud, Chairman of Sanad Children's Cancer Support Association, officially honored Mobily for its support of the Association's projects.





03 FINANCIAL REVIEW

In 2015, Mobily achieved 3% year-on-year growth in revenues and delivered a 4% improvement on its EBITDA margin. In the final quarter of 2015, we achieved a positive net result, with a net profit of SAR 11 million compared to a loss of SAR 2,108 million for the same quarter in 2014.

In the course of the year, Mobily incurred operating losses of SAR 0.7 billion (2014: SAR 1.3 billion), and net current liabilities amounted to SAR 9.7 billion (2014: SAR 17.3 billion), indicating that our ability to meet our obligations as they become due depends on our ability to enhance results of operations and cash flow performance. In 2015, the Company met its financial covenants in respect of certain banks and we are in continued discussions with other lenders/banks to obtain a waiver and reset covenants.

Mobily met all loan repayment obligations under our financing facilities and we expect to continue to comply with short-term repayment obligations on the assumption that negotiations with the remaining lenders to reset the relevant covenants are successful. Based on cash-flow forecasts, we expect to continue to meet our obligations as they become due in the normal course of operation. Accordingly, our Auditor, KPMG Al Fozan & Partners, has confirmed that the consolidated financial statements have been prepared under the going concern basis.

Annual financial results for the period ending 31 December			
SAR million	2015	2014	% Change
Net profit (loss)	(1,093)	(1,576)	30.65
Earnings/(loss) per share	(1.42)	(2.05)	30.65
Gross profit (loss)	7,958	6,779	17.39
Operational profit (loss)	(684)	(1,350)	49.33

Revenues in 2015 amounted to SAR 14,424 million compared to SAR 14,004 million in 2014, representing an annual growth of 3%. Gross profit amounted to SAR 7,958 million compared to SAR 6,779 million in 2014, representing an increase of 17% and reflecting a decrease in the cost of services. EBITDA totalled SAR 2,941 million compared to SAR 2,246 million in 2014. The 2015 EBITDA margin was 20% compared to 16% in 2014. Our net result amounted to a loss of SAR 1,093 million compared to a loss of SAR 1,576 million in 2014. This 31% reduction in losses was mainly due to a significant improvement in the EBITDA margin, which was slightly offset by an increase in Zakat expenses by SAR 128 million and an increase in finance expenses by SAR 92 million.

For the year ended 31 December		
SAR 000	2015	2014
Revenues	14,424,125	14,004,011
Cost of services and sales	(6,466,037)	(7,225,472)
Gross profit	7,958,088	6,778,539
Operating expenses:		
Selling and marketing expenses	(1,441,722)	(1,842,955)
General and administrative expenses	(3,574,936)	(2,689,349)
Depreciation and amortization	(3,625,347)	(3,532,856)
Impairment of goodwill	-	(63,021)
Total operating expenses	(8,642,005)	(8,128,181)
Operating loss	(683,917)	(1,349,642)
Finance expenses	(361,376)	(269,145)
Other income	121,145	83,486
Net loss before Zakat	(924,148)	(1,535,301)
Zakat	(168,977)	(40,504)
Net loss for the year	(1,093,125)	(1,575,805)
Loss per share (in SAR) from:		
Loss from main operations	(0.89)	(1.75)
Loss for the year	(1.42)	(2.05)

Mobily breached a certain financial covenant under its long-term financing facilities with various lenders and, consequently, such long-term loans and notes payable were reclassified under current liabilities as at 31st December, 2014. We immediately engaged in discussions with the lenders to obtain a reset of the relevant covenant and confirmed to our lenders that the Company will continue to service its debt obligations. On 29 December, 2015, Mobily signed an agreement with the majority of our Saudi creditors to waive the breach of covenant under several facilities totaling SAR 12.1 billion. We have continued our discussions with other creditors under the ECA facilities and certain other bilateral facilities for concluding a similar waiver. In the course of 2016, we expect to have reached an agreement with all our creditors to waive defaults under all existing debt facilities.

SAR 000	For the year ended 31 December	
	2015	2014
OPERATING ACTIVITIES		
Net loss for the year	(1,093,125)	(1,575,805)
Adjustments to reconcile net loss to net cash from operating activities:		
Provision for inventory obsolescence	206,396	116,987
Depreciation	3,027,700	2,958,257
Amortization of licenses' acquisition fees	597,647	574,599
Impairment of goodwill	-	63,021
Provision for end-of-service benefits	81,045	59,748
Provision for doubtful debts	1,152,042	690,483
Zakat provision	168,977	40,504
Gain on sale of an investment	(5,696)	-
Finance expenses	361,376	269,145
Changes in working capital:		
Accounts receivable	(103,601)	2,308,921
Due from a related party	19,886	(23,124)
Inventories	125,819	(20,540)
Prepaid expenses and other assets	315,155	840,377
Accounts payable	(109,606)	511,298
Due to related parties	65,696	42,162
Accrued expenses and other liabilities	644,160	(534,201)

SAR 000	For the year ended 31 December	
	2015	2014
Finance expenses paid	(350,109)	(276,078)
Zakat paid	(104,583)	(132,812)
End-of-service benefits paid	(41,112)	(17,569)
Net cash provided by operating activities	4,958,067	5,895,373
INVESTING ACTIVITIES		
Short-term investment	(150,000)	(1,100,000)
Purchase of property and equipment	(3,515,205)	(4,714,123)
Disposals of property and equipment, net	5,202	53,720
Acquisition of license	(58,108)	(239,950)
Disposal of license, net	12,390	-
Investment	(270)	(18,482)
Proceeds from sale of an investment	11,076	-
Net cash used in investing activities	(3,694,915)	(6,018,835)
FINANCING ACTIVITIES		
Proceeds from long-term loans and notes payables	216,406	5,511,851
Payment of long-term loans and notes payables	(2,946,320)	(2,108,350)
Cash dividends	-	(2,887,500)
Changes in non-controlling interest	-	1,500
Net cash (used in) / provided by financing activities	(2,729,914)	517,501
Net (decrease) / increase in cash and cash equivalents	(1,466,762)	394,039
Cash and cash equivalents, beginning of the year	1,964,332	1,570,293
Cash and cash equivalents, end of the year	497,570	1,964,332

As at 31 December, 2015, total assets amounted to SAR 42,376 million, while total liabilities amounted to SAR 26,816 million, and shareholders' equity amounted to SAR 15,560 million. Property and equipment represented the majority of assets, amounting to a net book value of SAR 24,466 million, while the majority of liabilities consisted of loans totaling SAR 14,274 million. These have been used to establish and operate the Company's infrastructure, in addition to working capital. Employees' end-of-service provisions amounted to SAR 321 million.

SAR 000	As at 31 December	
	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	497,570	1,964,332
Short-term investments	1,250,000	1,100,000
Accounts receivable	3,424,090	4,472,531
Due from a related party	36,508	56,394
Inventories	485,859	818,074
Prepaid expenses and other assets	2,704,070	4,091,049
Total current assets	8,398,097	12,502,380
Non-current assets		
Property and equipment	24,466,197	24,072,527
Licenses' acquisition fees	8,026,213	8,578,142
Goodwill	1,466,865	1,466,865
Investments	19,003	24,113
Total non-current assets	33,978,278	34,141,647
TOTAL ASSETS	42,376,375	46,644,027
LIABILITIES AND EQUITY		
Current liabilities		
Current portion of long-term loans and notes payable	5,848,773	16,993,462
Accounts payable	6,535,866	7,805,929
Due to related parties	210,970	145,274

SAR 000	As at 31 December	
	2015	2014
Accrued expenses and other liabilities	5,476,393	4,832,233
Zakat provision	77,711	13,317
Total current liabilities	18,149,713	29,790,215
Non-current liabilities		
Long-term loans and notes payable	8,426,042	-
Provision for end-of-service benefits	239,854	199,921
Total non-current liabilities	8,665,896	199,921
Total liabilities	26,815,609	29,990,136
EQUITY		
Share capital	7,700,000	7,700,000
Statutory reserve	2,648,971	2,648,971
Retained earnings	5,210,295	6,303,420
Total shareholders' equity	15,559,266	16,652,391
Non-controlling interest	1,500	1,500
Total equity	15,560,766	16,653,891
TOTAL LIABILITIES AND EQUITY	42,376,375	46,644,027

04 IMPRINT

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