

ABOUT MOBILY

Etihad Etisalat (Mobily) was established in 2004 by a consortium led by Etisalat, the UAE-based telecom conglomerate. The Company's major shareholders are Etisalat Emirates Group (27.45%) 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 Saudi Telecom's monopoly in the wireless industry to provide mobile telecommunications services nationwide. After a six month preparatory phase, we launched commercially in May 2005, acquiring over one million subscribers in our first 90 days of operation. In 2006, the GSM Association named Mobily the fastest growing mobile operator in the Middle East and North Africa. The same year, we launched 3.5G services, with 4G services introduced in 2011.

Our growth has been characterized by several significant strategic acquisitions. In 2008, we obtained approval from the Communication and Information Technology Commission (CITC) to acquire Bayanat al-Oula, a licensed data service provider, for SAR 1.5 billion.

Later that year we 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 world's largest fiber-optic networks. This allows us to offer our customers a comprehensive communication infrastructure covering mobile and broadband.

Our 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 24,000 km of roads, and covering 99% of the population. The network has been expanded to connect to neighboring countries including Yemen, the United Arab Emirates, Bahrain, Qatar, Kuwait and Jordan.

Mobily has been listed on Saudi Arabia's Tadawul stock exchange since 2004 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 2016.



VISION, MISSION AND VALUES

I Vision

Enriching your life by continuously leading and innovating in communications services

I Mission

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

I Values

Pioneering, Respectful, Passionate,
Empowering, Reliable



CHAIRMAN'S STATEMENT

Suliman Al Gwaiz, Chairman of the Board

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It is my pleasure to introduce Mobily's Annual Report for the year ended 31 December 2016. The following pages provide a summary of a year in which we prepared for a new chapter. Against a challenging macroeconomic background, we successfully completed the 'Turnaround' phase of our 'Way Forward' strategy, and I am pleased to report that we are now in a position for future growth. The socioeconomic dynamics of Saudi Arabia have changed a great deal, with disposable income of consumers under growing pressure. This has squeezed the revenues of the telecom sector, but we are confident that our innovative approach to new products and services will continue to set us apart from our competitors in the years ahead.

Highlights of the year included improvements in operational efficiency and profit margin enhancements. We have also added capacity to our mobile spectrum, which will enable us to better serve our customers' growing connectivity requirements.

Additionally, 2016 included the news that we will be able to extend our CITC operating license for 15 years, against a contribution of 5% of our net result after the expiry of our existing license in 2029. We successfully met the newly introduced regulation for biometric registration of mobile users. I would like to express the Company's gratitude to the arbitration teams who successfully handled our legal dispute with Zain KSA.

We maintained our commitment to Saudi society by supporting Vision 2030's aims for nurturing the Kingdom's workforce and providing career development opportunities. The Mobily Elite program, in particular, has been a stand-out success. We continued to support a wide range of philanthropic and charitable causes, as well as entrepreneurial initiatives such as the Mobily App Developer Community. We also took important steps towards improving internal engagement and communication, particularly through the use of the digital platform, Yammer, which has helped management respond directly to employee concerns and suggestions.



>> Please visit <https://annualreport.mobily.link/2016/en>

The adoption of International Financial Reporting Standards (IFRS) , was a key focus in 2016 and in January 2017 we announced full compliance with IFRS.

In 2017 we will announce a new Technical and Service Support Agreement with Etisalat Group, with the previous management agreement having expired on 23 December 2016. Mobily has reached a level of growth that enables it to work with more flexibility. The two companies have agreed on the non-renewal of the agreement, while Mobily will benefit from the support of Etisalat through the new Technical Service and Support Agreement, the details of which will be announced upon finalization.

I would like to express my thanks to the Board of Directors for their ongoing and dedicated work towards our future success. I would also like to thank our shareholders for the loyalty, trust and support they have shown us throughout the year. I would, finally, like to thank our management. Their tireless efforts have driven our achievements in 2016, and we look ahead to 2017. ”

READY FOR THE NEXT CHAPTER

In 2015, following a challenging period for Mobily, we reported on the process of stabilizing and strengthening the Company at its core. This work continued in 2016 and a number of important achievements testify to the success of our revised strategy. The Mobily team worked tirelessly in a challenging marketplace to consolidate the excellent work previously undertaken, and we are proud to report that we are now ready for a new chapter.

Highlights of the year included the resolution of financing issues with the banks, as well as the conclusion of a long-standing legal dispute with Zain Saudi Arabia. As in 2015, our management and Board maintained a strong focus on improving operational efficiency and optimizing costs. As indicated by our full year results, we successfully delivered significant improvements on our EBITDA margin, as

well as operational cash flow. We are now in a strong position for future growth and are confident of improved results in the short to medium term.

We are well into the implementation stage of our 'Way Forward' strategy. This long-term program comprises two distinct phases: 'Turnaround', from 2015 to 2016, and 'Selective Growth', from 2016 to 2019. Now complete, the first phase has seen us strengthen our core structures and processes, better positioning us to rise to future challenges and seize new market opportunities. 'Selective Growth' will see us focus on key segments that we have identified as strategically important for Mobily. We look forward to working with energy and enthusiasm to deliver on our shareholders' expectations.

“ Our management and Board maintained a strong focus on improving operational efficiency and optimizing costs. ”

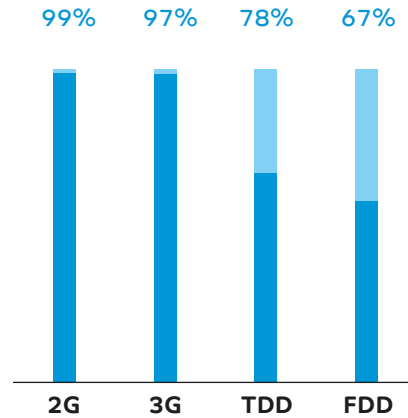


GEOGRAPHIC FOOTPRINT

Our mobile network services subscribers across Saudi Arabia. More than 99% of the population are covered by our 2G network, 97% by 3G, 78% by TDD and 67% by FDD. Our Metropolitan and FTTH fiber network runs for 24,000 km, meeting the needs of customers in cities across the Kingdom.

We operate an International Gateway with a wide range of global partners, via both adjacent (overland) cables, and submarine and terrestrial cables. End destinations for the International Gateway include Egypt, Jordan, Iraq, Kuwait, Bahrain, Qatar, Yemen, India, Singapore and the Asia Pacific, the USA and Europe.

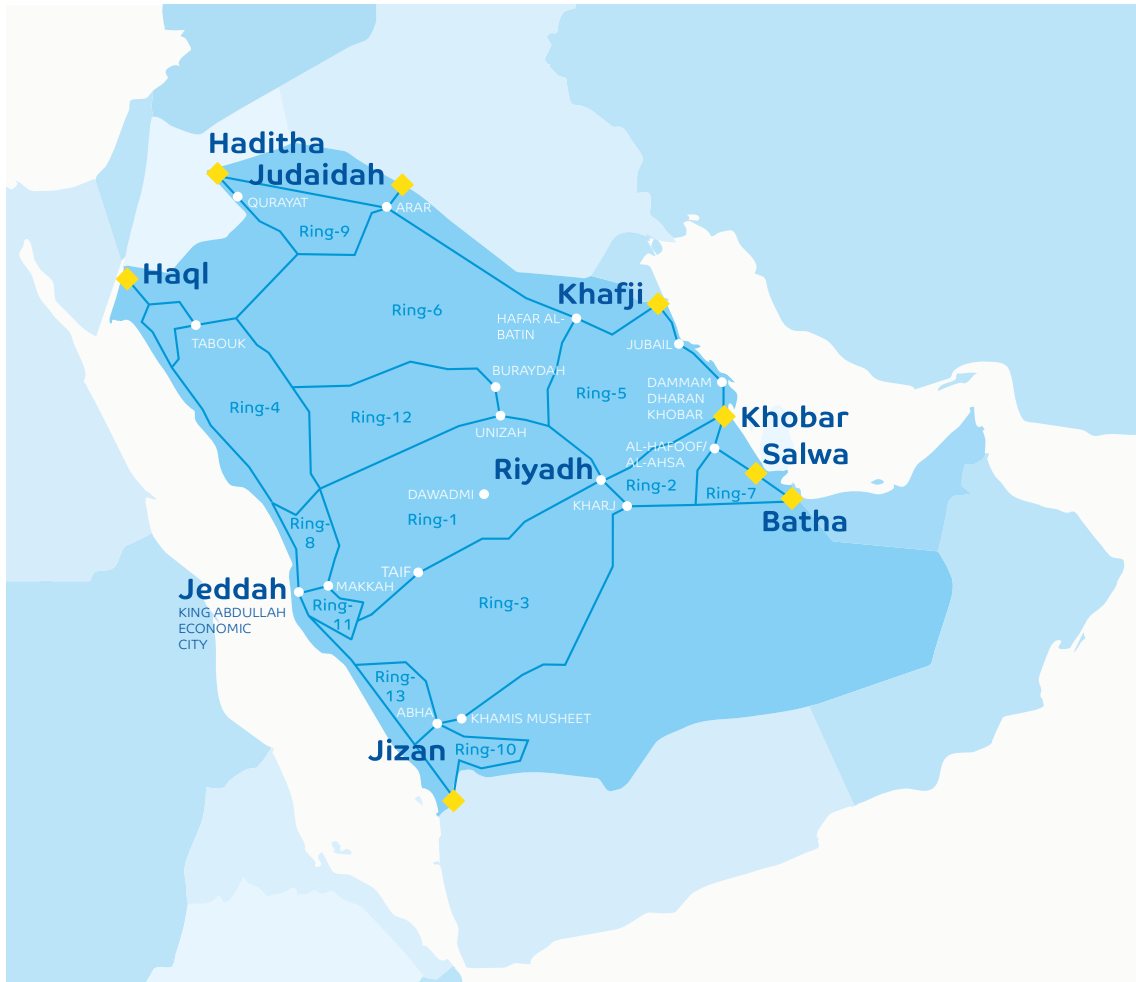
| Mobily Network Population Coverage



| Mobily International Gateway



| Mobily National Fiber Network



| Key

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

| Retail footprint

- 400 branches and outlets
- 6000+ retailers

ACHIEVEMENTS AND AWARDS

| January

- UPTIME Institute named Mobily's Al Malqa 2 Data Center as the First Tier IV rated telecom operations center in Saudi Arabia

| February

- Mobily was awarded Best Managed Information Security Services at the GIL 2016 Conference
- Mobily signed a partnership with Digital Barriers and Telequalitas to launch Saudi Arabia's first highly secure, zero-latency Video Surveillance as a Service (VSaaS) offering

| March

- Mobily won the IBM Beacon Award for Outstanding Infrastructure Services Solutions

| July

- Mobily launched its AAE-1 high capacity submarine cable for connectivity with Asia, Africa and Europe

| August

- Mobily partnered with Ericsson to double data speed using 4x4 MIMO technology

| November

- Mobily was awarded a favorable arbitration settlement following the successful conclusion of its legal dispute with Zain KSA

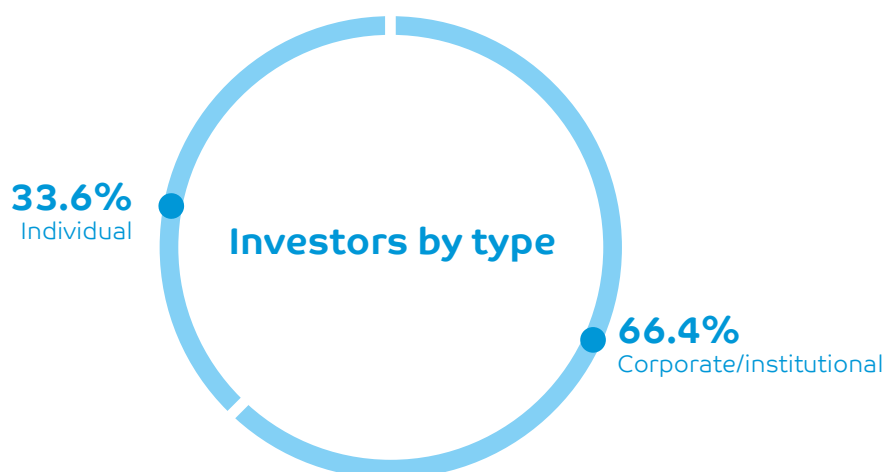


SHAREHOLDER INFORMATION AND KEY ANNOUNCEMENTS

I Shareholder information

As at 31 December 2016, Mobily had a total of 164,841 shareholders. Corporate/institutional investors represented 66.4% of

the total ownership and individual investors represented 33.6%. The following tables give an overview of Mobily's share ownership.



Investor type

	Number of investors	Number of shares held	Ownership percentage
Corporate/institutional	242	511,393,355	66.4%
Individual	164,599	258,606,645	33.6%
Total	164,841	770,000,000	100%

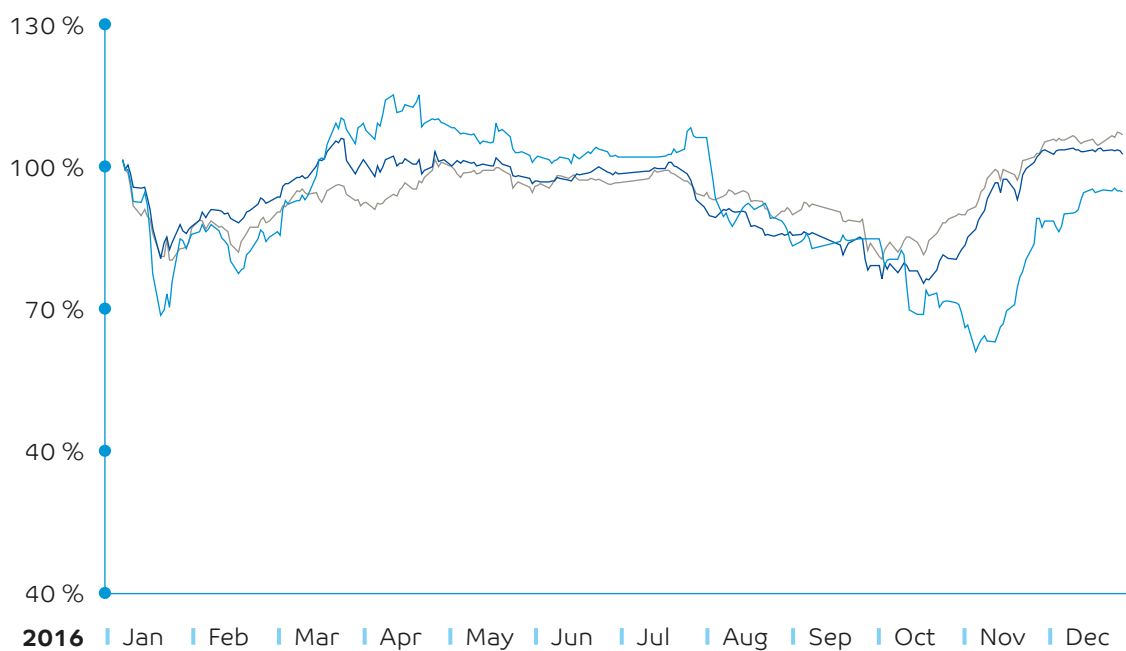
Investor nationality

Saudi	163,908	537,416,290	69.8%
Other	933	232,583,710	30.2%
Total	164,841	770,000,000	100%

Size of ownership	Number of investors	Ownership percentage
More than 1,000,000 shares	62	75.5%
500,000 – 999,999 shares	49	4.5%
100,000 – 499,999 shares	281	7.3%
50,000 – 99,999 shares	234	2%
10,000 – 49,999 shares	1,921	4.9%
5,000 – 9,999 shares	1,759	1.5%
1,000 – 4,999 shares	7,994	2.2%
Fewer than 1,000 shares	152,541	2.1%
Total	164,841	100%

Mobily's share price ended 2016 lower than it began the year, but performed strongly against the Telecommunication & Information Technology Index and the Tadawul All Shares

Index (TASI) in the second and third quarters of 2016. The graph shows the performance of Mobily shares against these indices:



Information & Technology Index

TASI

Mobily

I Key announcements

Mobily concluded the final agreement to waive the default under all its credit facilities (17 May 2016)

Mobily announced that it had reached an agreement with the remaining Saudi banks, the international banks and the export credit agencies (ECAs) to waive the default related to the breach of leverage covenant in connection with the ECA facilities and the remaining facilities. As a result, Mobily has now reached an agreement with all of its creditors to waive all defaults under its debt facilities.

Following arbitration related to the service agreement signed with Zain KSA, the final ruling in favor of Mobily amounted to SAR 219 million (13 November 2016)

Regarding the dispute between Mobily and Zain KSA in relation to the amounts due by Zain to Mobily in consideration of the services provided by Mobily, the Company received an arbitral award of SAR 219,464,509, which ended the dispute. The award is final and binding on both parties.

Mobily announced the signature of a bilateral Credit Facility Agreement of SAR 2 billion with Alinma Bank (20 December 2016)

Mobily successfully signed a SAR 2 billion bilateral Credit Facility Agreement with Alinma Bank, in the form of a Bai Ajel Agreement with a 10 year maturity. The proceeds of the facility are used to fund existing and future operating

and capital expenditure. The success of the agreement is a demonstration of the banking community's confidence in the Company.

Mobily announced developments relating to its management agreement with Etisalat Group (25 December 2016)

Mobily announced that its management agreement with Etisalat Group expired on 23 December 2016.

Mobily and Etisalat Group worked during the end of 2016 on developing a service and technical support agreement, which will take into consideration Mobily's requirements based on the scale of its operations and customer base. Mobily expressed appreciation to Etisalat Group for its support since the Company's foundation, emphasizing the importance of ongoing cooperation for serving the interests of the shareholders of both companies.

