

FINANCIAL REVIEW

Our finance department successfully worked with lenders to regain trust and resolve the issue of the breached covenant. Mobily will continue to work closely with them to deliver on future financing requirements.

Efforts were also made to rationalize CAPEX spending, as part of a broader strategy to make Mobily a more lean and agile organization. Operationally, progress was made towards sustainably decreasing costs and improving efficiency.

Despite market pressure on margins, losses were successfully reduced from SAR 1,093 million in 2015 to SAR 203 million in 2016. EBITDA improved by SAR 1,068 million. The EBITDA margin improved by 11.5 points. Operating cash flow continued to be significant, reaching SAR 800 million for the year ended 31 December 2016 compared to SAR (543) million in the previous year.

SAR '000	2016	2015	% Change
Net profit/(loss)	(203)	(1,093)	81.44%
Earnings/(loss) per share	(0.26)	(1.42)	81.44%
Gross profit/(loss)	7,425	7,958	(6.70%)
Operational profit/(loss)	235	(684)	-
EBITDA	4,009	2,941	36.31%

BALANCE SHEET

As at 31 December 2016, total assets amounted to SAR 41,193 million, while total liabilities amounted to SAR 25,835 million, and shareholders' equity amounted to SAR 15,358 million. Property and equipment represented

the majority of assets, amounting to a net book value of SAR 24,406 million. Employees' end-of-service provisions amounted to SAR 282 million.

SAR '000	As at 31 December	
	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	866,109	497,570
Short-term investments	350,000	1,250,000
Accounts receivable	3,701,340	3,424,090
Due from a related party	69,568	36,508
Inventories	200,072	485,859
Prepaid expenses and other assets	1,698,949	1,722,022
Total current assets	6,886,038	7,416,049
Non-current assets		
Property and equipment	24,406,393	24,466,197
License acquisition fees	7,520,598	8,026,213
Goodwill	1,466,865	1,466,865
Investments	19,003	19,003
Capital advances	893,816	982,048
Total non-current assets	34,306,675	34,960,326
TOTAL ASSETS	41,192,713	42,376,375
LIABILITIES AND EQUITY		
Current liabilities		
Current portion of long-term loans and notes payable	7,607,902	5,766,262
Accounts payable	4,520,036	6,535,866
Due to related parties	138,420	210,970
Accrued expenses and other liabilities	5,631,463	5,476,393
Zakat provision	54,518	77,711
Total current liabilities	17,952,339	18,067,202
Non-current liabilities		
Long-term loans and notes payable	7,600,851	8,508,553
Provision for end-of-service benefits	281,737	239,854
Total non-current liabilities	7,882,588	8,748,407
TOTAL LIABILITIES	25,834,927	26,815,609
EQUITY		
Share capital	7,700,000	7,700,000
Statutory reserve	2,648,971	2,648,971
Retained earnings	5,007,315	5,210,295
Total shareholders' equity	15,356,286	15,559,266
Non-controlling interest	1,500	1,500
Total equity	15,357,786	15,560,766
TOTAL LIABILITIES AND EQUITY	41,192,713	42,376,375

INCOME STATEMENT

Revenues in 2016 amounted to SAR 12,569 million compared to SAR 14,424 million in 2015, representing an annual decrease of 12.9%. Gross profit amounted to SAR 7,425 million compared to SAR 7,958 million in 2015,

representing a decrease of 6.7%. Net losses decreased from SAR 1,093 million in 2015 compared to SAR 203 million in 2016.

SAR '000	For the year ended 31 December	
	2016	2015
Revenues	12,569,397	14,424,125
Cost of services and sales	(5,144,112)	(6,466,037)
Gross profit	7,425,285	7,958,088
Operating expenses:		
Selling and marketing expenses	(1,272,775)	(1,441,722)
General and administrative expenses	(2,143,091)	(3,574,936)
Depreciation and amortization	(3,774,673)	(3,625,347)
Impairment of goodwill	-	-
Total operating expenses	(7,190,539)	(8,642,005)
Operating income/(loss)	234,746	(683,917)
Finance expenses	(556,414)	(361,376)
Other income	75,357	121,145
Net income/(loss) before Zakat	(246,311)	(924,148)
Zakat	43,331	(168,977)
Net income/(loss) for the year	(202,980)	(1,093,125)
Earnings/(loss) per share (in SAR) from:		
Income/(loss) from main operations	0.30	(0.89)
Net income/(loss) for the year	(0.26)	(1.42)

CASH FLOW STATEMENT

In 2016 Mobily succeeded in reaching a SAR 2 billion bilateral Credit Facility Agreement. The proceeds of the facility are used to fund the existing and future operating and capital

expenditures of the Company. The success of the agreement demonstrates a strong vote of confidence in Mobily by the banking community.

SAR '000	For the year ended 31 December	
	2016	2015
OPERATING ACTIVITIES		
Net loss for the year	(202,980)	(1,093,125)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation	3,238,407	3,027,700
Amortization of license acquisition fees	536,266	597,647
Provision for doubtful debts	551,692	1,152,042
Finance expenses	556,414	361,376
Gain on sale of investments	-	(5,696)
Provision for inventory obsolescence	20,804	206,396
Provision for end-of-service benefits	68,282	81,045
Zakat provision	(43,331)	168,977
Changes in working capital:		
Accounts receivable	(828,942)	(103,601)
Due from a related party	(33,060)	19,886
Inventories	264,983	125,819
Prepaid expenses and other assets	(137,573)	315,155
Accounts payable	561,704	(109,606)
Due to related parties	(72,550)	65,696
Accrued expenses and other liabilities	156,350	644,160
Finance expenses paid	(515,930)	(350,109)
End-of-service benefits, paid	(26,399)	(41,112)
Zakat paid	(77,125)	(104,583)
Net cash from operating activities	4,017,012	4,958,067
INVESTING ACTIVITIES		
Purchase of property and equipment	(5,572,956)	(3,515,205)
Disposals of property and equipment	22	5,202
Acquisition of licenses	(30,651)	(58,108)
Disposal of license	-	12,390
Proceeds from sale of an investment	-	11,076
Acquisition of investment	-	(270)
Short-term investment	900,000	(150,000)
Net cash used in investing activities	(4,703,585)	(3,694,915)
FINANCING ACTIVITIES		
Proceeds from long-term loans	4,137,216	216,406
Payment of long-term loans	(3,082,104)	(2,946,320)
Net cash from/(used in) financing activities	1,055,112	(2,729,914)
Net change in cash and cash equivalents	368,539	(1,466,762)
Cash and cash equivalents, beginning of the year	497,570	1,964,332
Cash and cash equivalents, end of the year	866,109	497,570
Supplemental non-cash information:		
Property and equipment purchases credited to capital expenditures payable	(2,577,534)	(1,160,457)