

Expansion and Diversification



1,633.67	7.35	▲
1,232.94	6.98	▲
3,204.92	6.20	▲
6,751.73	17.81	▲

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



King Salman bin Abdulaziz Al Saud
Custodian of the Two Holy Mosques



HRH Prince Mohammad bin Salman Al Saud
Crown Prince, Deputy Prime Minister
and Minister of Defense

رؤية VISION

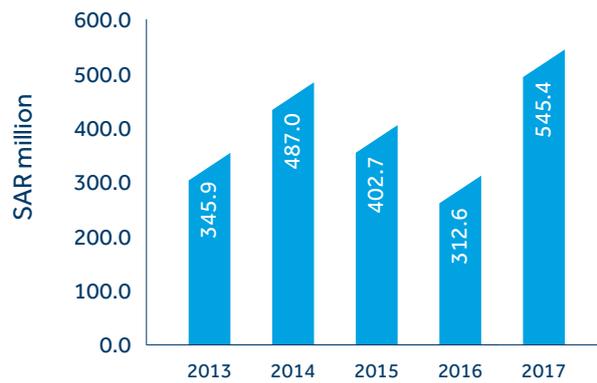
2030

المملكة العربية السعودية
KINGDOM OF SAUDI ARABIA

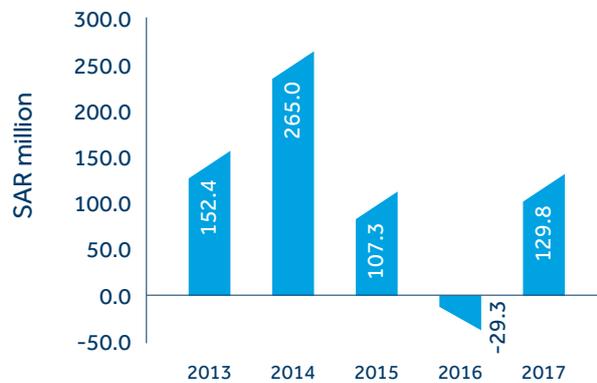
Financial Highlights

A selection of financial highlights for the year ended 31st December 2017.

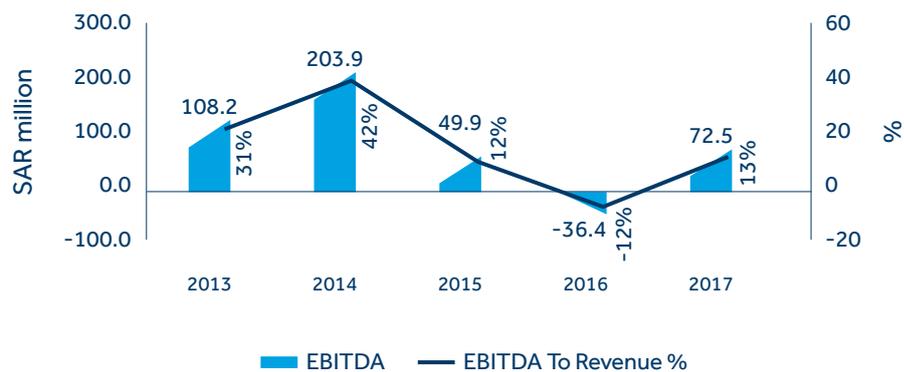
Total Revenue (Consolidated)



Net Income/Loss



EBITDA and EBITDA to Revenue



2017 at a Glance

Total market
capitalization

1,689.60

billion SAR

CAGR of **0.45%** vs. 2016

Total trading
volume

836.28

billion SAR

Listed securities

188

New listings in
2017

16

- 1 Main Market
 - 6 REITs
 - 9 Nomu
-

Sectors

20

Saudization ratio

92%

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About "Tadawul"

Tadawul is the sole entity authorized in the Kingdom of Saudi Arabia to act as a securities exchange (the "Exchange"). The Exchange is also the official source of all market information.

On the 19th March 2007, Saudi Arabia's Council of Ministers approved the formation of the Saudi Stock Exchange ("Tadawul"). This was in accordance with Article 20 of the Capital Market Law ("CML"), establishing Tadawul as a joint stock company. Tadawul is the sole entity authorized in the Kingdom of Saudi Arabia to act as a securities exchange (the "Exchange").

Tadawul mainly carries out listing and trading in securities. The deposit, transfer, clearing, settlement, and registry of ownership of securities traded on the Exchange is performed by the recently incorporated Securities Depository Center Company (Edaa). The legal status, duties, and responsibilities of both the Exchange and "Edaa" are

explicitly defined in the Capital Market Law issued by Royal Decree Number (M/30), dated 16th June 2003. The Exchange is also the official source of all market information.

The capital of Tadawul is SAR 1,200,000,000, divided into 120,000,000 shares of equal value of SAR 10.00, all of which are cash shares held by the Public Investment Fund ("PIF"). Tadawul is an affiliate member of the International Organization of Securities Commissions ("IOSCO"). Tadawul's CEO was recently elected as one of the 8 Board of Directors for the World Federation of Exchanges (WFE) for 3 years.

Vision and Mission

Vision

To be an integrated financial exchange that fosters the development of a diverse Saudi capital market and competes internationally

Mission

To offer sound, efficient and attractive capital market products and services that deliver superior value to our market participants and stakeholders

Chairperson's Statement

As the Saudi Stock Exchange is the central pillar in Saudi Economy, which aims to create a thriving economy through investing for the long-term, with diversification of income vital for its sustainability. The fast pace of reform under Vision 2030 is both inspiring and challenging, and we are committed to its successful delivery.



“The fast pace of reform under Vision 2030 is both inspiring and challenging, and we are committed to its successful delivery.”

It is my pleasure to introduce Tadawul's Annual Report and consolidated financial statements for the year ended 31st December 2017. This was a year in which the "Tadawul" made important strides towards the achievement of its strategy for growth, and cemented its role at the heart of Saudi Arabia's economy. The overall strategic aim of Tadawul is to become a widely recognized global exchange. To support this goal, we embarked on a comprehensive program to raise standards and achieve parity with our emerging market peers.

Tadawul's core objectives stem from its role in the Kingdom's Vision 2030 reform agenda. The Exchange is central to the 'economy' pillar of the Vision, which aims to create a thriving economy through investing

for the long-term, with diversification of income vital for its sustainability. The fast pace of reform under Vision 2030 is both inspiring and challenging, and we are committed to its successful delivery.

Expansion and Diversification

As the pages that follow will show, in 2017 Tadawul undertook a broad range of projects and programs to enable the business to expand and diversify. The 'expansion and diversification' theme is a wide-reaching concept. As such, it applies not only to the growing size of the stock market, in terms of capitalisation, liquidity and participants, but to the increasingly prominent role that Tadawul plays in supporting the growth of the Saudi economy – particularly its capital market. When

it comes to diversification, we have achieved a great deal in widening our range of products and services, and offering a more holistic set of opportunities to market participants, while building an infrastructure to support the weighty requirements of a global offer.

Milestones

2017 was a pivotal year for Tadawul, which experienced great progress made by the Exchange as it successfully reached a number of crucial milestones. The Exchange carried out a careful and considered strategy for attracting and accommodating QFIs, as their participation in the capital market increases, including preliminary measures for a Central Counterparty Company (CCP) establishment, facilitating a wider access to the market. Investor roadshows took place in 9 countries and reached out to over 500 investors. Tadawul was recognized in the MSCI, FTSE Russell, and (S&P) Emerging Market Index watch lists, with a strong possibility of inclusion in the main emerging market indices, which will positively impact the activity of QFIs in the Kingdom's capital market.

The Path to 2022

To achieve the Exchange's core objectives, the Board approved an updated plan built on 7 strategic pillars: Asset Classes, Issuers, Investors, Post-Trade, Market Information & Analytics, Technology & Operations and Organization Enablers. This strategic framework forms the launch pad for Tadawul's future development, creating opportunities for growth and engaging fully with vision 2030. Tadawul's five-year plan identifies 3 key value drivers that will deliver superior shareholder returns while stimulating the upward trajectory of our growth.

As a first step, we are focused on developing a diversified and integrated exchange, benefitting from diverse asset classes, revenue and product mix, investors and issuers. Therein, Tadawul will operate a

market infrastructure that covers the entire capital market value chain. The second value driver is to enable and capitalize on Saudi Arabia's macro-economic growth. This will be achieved by facilitating a marketplace that will help fund Vision 2030 and that would support the ambitions of Vision 2030 and fulfill the needs of both the public and private sectors, ultimately enabling the opening of the market to international participants. One of Tadawul's key aims is to propel Saudi Arabia towards a globalised economy, and to support the Kingdom's status as the world's 20th largest economy. The final driver, and in many ways the result of our current efforts, will be to maintain and grow Tadawul's status as the largest and most liquid market in MENA, which will monetize investment by offering the seamless and industry-leading Tadawul infrastructure and capabilities to other exchanges in the MENA region.

With Thanks

Most importantly, it remains for me to thank our colleagues and stakeholders. I would, firstly, like to place on record my gratitude to the Board of Directors, for their wise counsel and the support they have shown in the journey on which we have embarked. I would like to thank the executive management, for their tireless efforts to develop and deliver a strategic path for the future; our employees, who work so hard to make our vision and mission a reality; the Capital Market Authority (CMA), for their ongoing support; and the Exchange's participants, whose activities and ambitions are at the heart of our future aims. We have exciting years ahead, and I personally look forward to working alongside our stakeholders to deliver on the ambitious goals that we have set for ourselves.

— Ms. Sarah Al-Suhaimi
Chairperson of the Board of Directors

CEO's Message

Tadawul's status as the leading regional exchange is demonstrated by the fact that 72% of the value traded across MENA is carried out in Saudi Arabia.



“Tadawul is the leading exchange in the GCC, with a market capitalization that is three times greater than its closest peer.”

The year 2017 experienced "Tadawul" build on a position of strength, to consolidate its place as the Middle East's leading stock exchange, while creating a platform to grow, diversify and globalize in tandem with Saudi Arabia's economy. Guided by Vision 2030, we are steadfast in our commitment to reform, so that we may continue to grow international investor confidence and strengthen the Saudi capital market. A series of projects and initiatives were at the heart of that process, and I am pleased to report another year of robust and positive performance.

Strategic Highlights

Important strategic milestones in 2017 included introducing Nomu, our parallel market for growth companies, which hosted 9 listings in 2017. "Tadawul" developed a comprehensive suite of information and analytics services,

including the E-Reference Data Project, which enables the user to view issuer information, securities identifiers, reports, historical data and financial statements. Ultimately, "Tadawul" was successful in its efforts to cover the full capital market value chain, as it built an agile and digitized service offering.

Performance Highlights

As of 31st December 2017, "Tadawul" ranked 25th of WFE Exchanges with a market capitalization of USD 451bn. Financial performance for the year was mostly strong, with consolidated revenues of SAR 545.4m increasing by 74% on the previous year. Income streams were dominated by Trading, Post-Trade, Listing, Market Information and others, which delivered 28%, 52%, 8%, 12% and 0.2% of total revenues respectively. EBITDA in 2017 reached a total of SAR 72.5m improving by

nearly 299% over 2016, with an EBITDA margin of 13% compared to -12% in the previous year. From a loss of SAR -29m, this year consolidated net income reached SAR 129.8m, with a margin of 24%, compared to -9% in 2016. This was primarily the result of an increase in revenue due to the activation of core fees starting from January 2017.

Operational Highlights

Operational highlights in 2017 included the completion of our tradable rights optimization projects, the implementation of the Global Industry Classification Standard (GICS), segregating and implementing a new set of post-trade, listing and membership fees, the roll-out of the T+2 settlement cycle, the introduction of securities borrowing and lending and covered short-selling frameworks, the formal incorporation of the Securities Depository Center Company "Edaa" as a standalone subsidiary, and completion of a post-trade technology transformation agreement with Nasdaq.

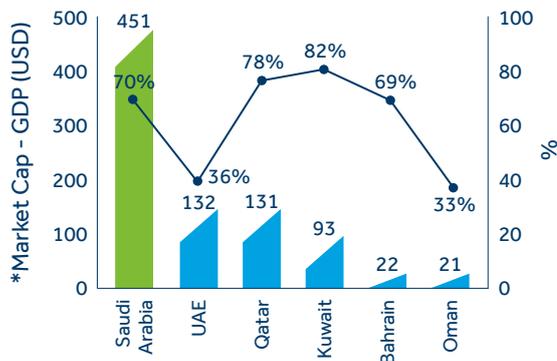
These core developments have played a pivotal role in enabling "Tadawul" to achieve its goal, which would not have been possible without the dedication of our staff and the management's keenness to devote expertise to providing insight and efforts to fulfill its responsibilities. Through this approach, we have continued to develop and operationalize the most important and influential strategic programs to drive future growth.

Looking Ahead

An important springboard for the range of growth opportunities available to us is our already strong competitive position. "Tadawul" is the leading exchange in the GCC, with a market capitalization that is three times greater

than its closest peer. The Saudi stock market is the largest and most liquid in MENA, accounting for 53% of total GCC market capitalization. Tadawul's status as the leading regional exchange is demonstrated by the fact that 72% of the value traded across the region is carried out in Saudi Arabia.

Saudi market as compared to GCC markets (USD Billions)



*Saudi Arabia has the largest stock market (USD 451bn) in the Arab world.

With this strong competitive position, our most important avenue for growth is globalization: "Tadawul" aims to become the first choice for investors seeking exposure to the assets of a rapidly growing region. This will be achieved by the exploitation of 3 key value drivers: the development of a diversified and integrated exchange; enabling and capitalizing on Saudi social and economic growth; and the delivery of a truly regional exchange platform.

— Eng. Khalid A. Al Hussan
Chief Executive Officer

Expansion and Diversification

With a role at the heart of Saudi Arabia's growth story, Tadawul is focused on becoming a driver of the Kingdom's economy. As such, the Exchange plays a key role in opening the country's capital market to the world. In order to achieve this objective, the business has broadened the spectrum of its work to become a stronger, more agile and more comprehensive stock exchange. Diversification of the Saudi economy is an important part of Vision 2030, and Tadawul is an important platform for a wide range of industries and sectors, with a place at the heart of Saudi economy.

This year, Tadawul along with the Capital Market Authority (CMA) of Saudi Arabia have taken bold steps to make the capital market a destination of foreign investments. Nemours roadshows and meeting with international investors, invest banks and asset managers to highlight the changes currently implemented to open the market.

The QFI program has seen over 100 international financial institutions enter the market, with more than 100 more at various stages in the qualifying process

Diversification of the Saudi economy is an important part of Vision 2030

Tadawul prioritized the easing of Qualified Foreign Investors (QFIs) qualifying criteria, along side with CMA we have achieved the streamlining of foreign ownership limits (FOLs) and access for foreign inflows to Saudi IPOs

Tadawul was added to the watch lists for potential inclusion on the MSCI, the FTSE Russell, and the S&P

QFI Program

In our continued effort to develop the local financial market, Tadawul prioritized the easing of Qualified Foreign Investors (QFIs) qualifying criteria, achieved by streamlining foreign ownership limits (FOLs) and access for foreign inflows to Saudi IPOs, with QFIs participating in domestic offers from the first trading day of 2017. The QFI program has seen over 100 international financial institutions enter the market, with an additional 100 more at various stages in the qualifying process. Acceleration of the QFI program is a clear indicator of the progress Tadawul has made in reforming the market to attract foreign capital.

Inclusion in International Indices

In 2017, Tadawul was added to the watch lists for potential inclusion on the MSCI, the FTSE Russell, and the S&P. These achievements are significant for the Exchange, as well as the wider Saudi economy. In terms of delivery and change, 2017 may well be regarded as the most successful year in Tadawul's history. With a high chance of upgrades to Emerging Market status by some of the world's most recognized indices, these future accomplishments will be the by-product of Tadawul's tireless commitment to delivering initiatives and projects that align with international best practice standards.

Key Developments and Achievements

This year saw Tadawul make great strides towards achieving its overall vision of becoming an integrated exchange that fosters the development of a diverse Saudi capital market and competes internationally. Such a status will be achieved not just by market size and liquidity, but also through international recognition, accessibility and macro-economic importance. At all times, Tadawul keeps a close eye on its mission: to offer sound, efficient and attractive capital market products and services that deliver superior value to market participants and stakeholders.

Spin off the Security and Depository Centre (Edaa)

Tadawul spun off the SDC to develop the depository, register and settlement business as part of transforming the Saudi Financial Market Infrastructure (FMI). "Edaa" will usher in new services that will grow the eco system around assets and allow Tadawul to strengthen post trade.

Launch of first Tadawul parallel equity market (Nomu)

As the Saudi economy grows and becomes more diversified, Attention is required to the Small and Medium Enterprises (SME). Tadawul launched Nomu as means of providing an avenue for SMEs way to raise capital and benefit from listing for future financial transactions. The market was open to institutional investors, QFI and qualified retail investors.

Adoption of new classification system: Global Industry Classification Standard (GICS)

The classification aligns Tadawul to major indicia developers to allow the exchange to offer more indices that meet the need of both local and international investors. Researchers will also be able to easily integrate Saudi firms in sector specific reports that follow GICS giving them more exposure especially to international investors.

Activation of post-trade, listing, and membership fees

The company activated these fees in 2017 as ways to reflect the changes made to both the listing services and post trade developments. The fees are based on benchmarks with exchanges in frontier, emerging and frontier markets and close collaboration with the CMA.

Successful transition to T+2 standard settlement cycle for all listed securities

Tadawul has transitioned to a new settlement and clearing cycle that is aligned with international best practice and demand of both local and international investors. The change puts Tadawul in league of the G20 countries in which it is a member. The change has also allowed for the optimization of tradeable rights and enhancing the Independent Custody Model.

Completing registration of government debt instruments

The Saudi government has chosen Tadawul to register its bonds allowing for further development in the debt market. The registration will lead to the option of trading the bonds and developing a yield curve that the market has been in need for.



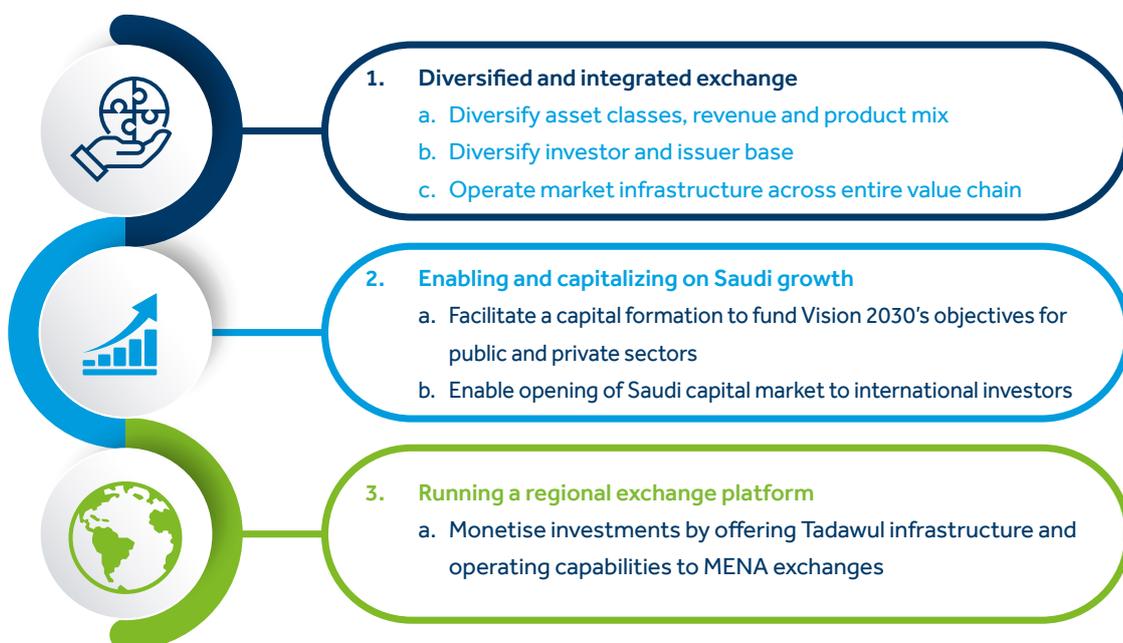
Strategy

A series of structural, technical and commercial projects that will position "Tadawul" as a globalized capital market platform, having already established its role as the MENA region's most liquid and influential stock market.

In 2017, the Board of Directors approved an updated five-year strategy for "Tadawul", which will run until 2022. The strategy aims to deliver a series of structural, technical and commercial projects that will position the Exchange as a globalised capital market platform, having already established its role as the MENA region's most liquid and influential stock market. The strategy aligns the business' growth with Saudi Arabia's Vision 2030 agenda.

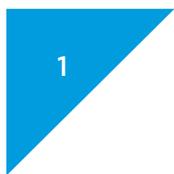
In the next five years, "Tadawul" plans to journey across three key value drivers. The first will be a continues one that diversifies what the Exchange offers to help grow different avenues of investment and capital rising for corporates and investors. The second will be to leverage the transformation that the government is intending on leading to a more deep and vibrant capital market. The final driver will be for Saudi Stock Exchange to play a leading role in integrating with regional exchanges and financial hubs.

Key Value Drivers



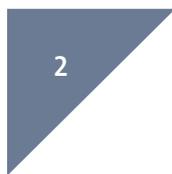
Strategic Pillars

Executive management has identified a set of core growth opportunities, supported by 3 key value drivers for delivering superior shareholder returns. These opportunities will be exploited via 7 strategic pillars, covering: Asset Classes; Issuers; Investors; Post-Trade; Market Information & Analytics; Technology & Operations; and Organisation Enablers.



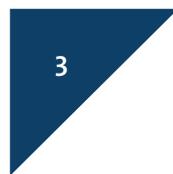
Investors

Diversify the investor base by attracting a higher volume of international and institutional investors



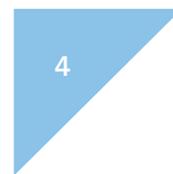
Market Information & Analytics

Develop a comprehensive suite of information and analytics services



Technology & Operations

Build and operate a regional exchange platform across the value chain



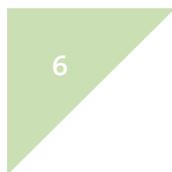
Issuers

Becoming a strategic partner in Saudi Arabia's privatisation and debt listing program, while encouraging Saudi and GCC private companies to list



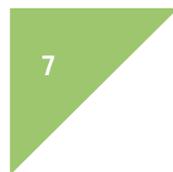
Post-Trade

Establish a Central Counterparty Clearing House (CCP) and enhance post-trade products and services



Asset Classes

Enhance existing asset classes while developing derivatives and commodities markets aligned with investor needs



Organisation Enablers

Build an agile, digitised and business-oriented organisation collaborating with local, regional and international stakeholders to deliver its strategy

Marketplace

As the Kingdom's economic reform program gathers momentum in its aim to diversify the economy away from a reliance on oil-based revenues, "Tadawul" plays an important role in promoting and developing an active and accessible capital market.

The relatively high level of liquidity, and the volume of investible assets that exists within the Saudi market – particularly as compared to its regional peers – has historically proved rewarding for both "Tadawul" and the Exchange's participants. Moreover, as the Kingdom's economic reform program gathers momentum in its aim to diversify the economy away from a reliance on oil-based revenues, "Tadawul" plays an important role in promoting and developing an active and accessible capital market.

Among Tadawul's key drivers for delivering its strategic objectives for 2022 is its ambition to both enable and capitalise on Saudi Arabia's economic growth. This includes facilitating a capital formation to fund Vision 2030's ambitions for public and private sectors, as well as its role in opening up the Exchange to international investors, thereby attracting a more diverse array of capital to local listed companies. This in turn would lead them to rely less on state budget funding and more on market led demand.

Key developments for the marketplace in 2017 included the increased listing of REITs (Real Estate Investment Traded Funds). During the year, 6 REITs listed on "Tadawul", and the sector achieved strong trading volumes. In a large market such as Saudi Arabia, the establishment of REITs opens real estate to smaller investors and provides a wide range of investment tools in

addition to equities and bonds; which will in turn diversify investment opportunities available for investors, thereby reducing their overall risks.

Sectors within the market performed at different levels, with the Media index achieving strongest growth of

51.08%
year-on-year

Followed by the Retailing index at

14.72%

And the Food & Staples Retailing index at

11.03%

Key developments for the marketplace in 2017 included the increased listing of REITs (Real Estate Investment Traded Funds). During the year, 6 REITs listed on "Tadawul", and the sector achieved strong trading volumes.

Another important marketplace initiative was the introduction of Tadawul's first parallel market – Nomu. Nomu gives small-cap issuers – of which 9 listed in 2017 – the opportunity to raise capital in the local market.

With regards to the performance of the market itself, the "Tadawul" All Shares Index ("TASI") reached 7,226.32 points as at 31st December 2017, as compared to 7,210.43 points in full year 2016, increasing by 0.22%.

Tadawul's total market capitalisation at year-end was SAR 1,689.60bn, as compared with SAR 1,681.95bn increased by in 0.46% 2016. The value of shares traded on the Exchange decreased by 27.72% to SAR 836.28bn at year end. Trading volume decreased to 43.30bn shares, by 32.85% compared to the previous year. In total, 16 new securities

were listed on "Tadawul", with one on the main market, 9 on the Nomu parallel market, and 6 REITs listed on the Exchange. Market capitalisation remained at the same level thanks to the newly listed securities.



Performance Review

As encouragement for current and future participation by Qualified Foreign Investors (QFIs) gained traction, the Exchange succeeded in diversifying the products and services it offers to market participants, and thereby its sources of revenue.

2017 was a year of considerable success for Tadawul, as it achieved a number of important milestones and played an impactful role in supporting Saudi Arabia's national agenda. As encouragement for current and future participation by Qualified Foreign Investors (QFIs) gained traction, the Exchange succeeded in diversifying the products and services it offers to market participants, and thereby its sources of revenue.

on the previous year. With 44% of total revenue derived from fee income, Tadawul navigated challenging conditions resulting from concentration on trading volumes, which increased by 44% on a year-on-year basis. Investment income was SAR 85m, increasing by 117% on 2016. EBITDA for the period was SAR 72m, with a margin of 13%, compared to a negative EBITDA of SAR -36m at a margin of -12% in 2016.

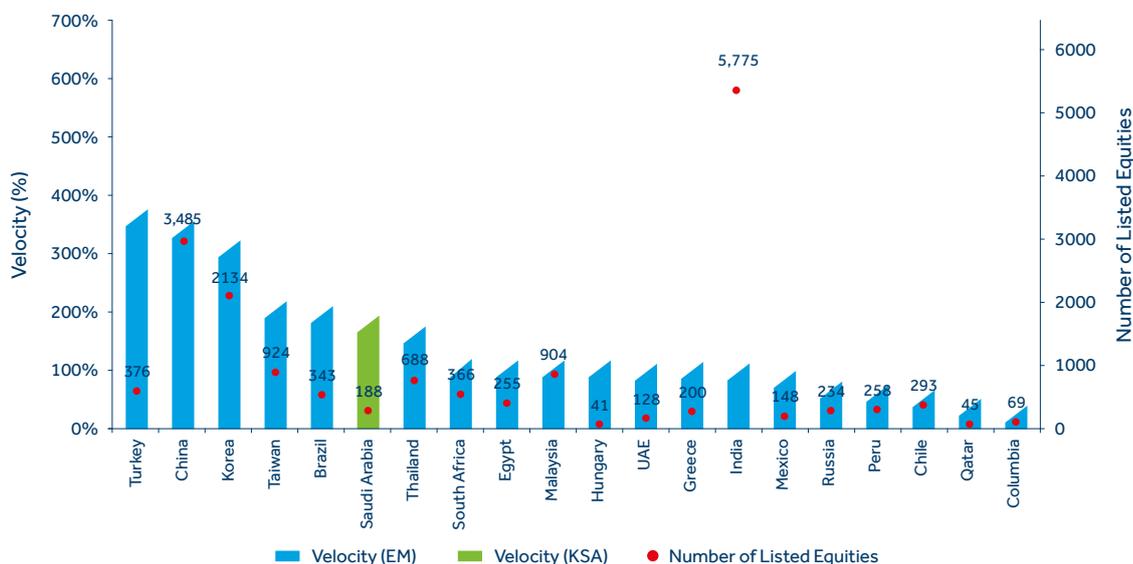
A prudent approach to cost-optimisation combined with a more diverse range of income streams supported Tadawul's achievement of significant improvement in net profit, which reached SAR 130m as at 31st December 2017, increasing by 543% on the previous year

A prudent approach to cost-optimisation combined with a more diverse range of income streams supported Tadawul's achievement of significant improvement in net profit, which reached SAR 130m as at 31st December 2017, increasing by 543%

Macro Highlights

2017 saw Saudi Arabia included on the watch lists for the MSCI, the FTSE Russell, and the S&P. These are strong bellwethers for a key pillar of Vision 2030 – to 'create a thriving economy through investing for the long-term'. As

KSA vs Emerging Markets – by Liquidity and Number of Listed Equities



far as the local capital market – and by association the Exchange – is concerned, this development was a crucial step towards an expected upgrade to Emerging Market status, and a clear indication that Tadawul will soon be attracting significant levels of foreign

capital inflows. By directly supporting the diversification and growth of the Saudi economy, Tadawul facilitates its own development, as privatisation and investment in non-oil sectors gathers pace.

MSCI 

**FTSE
Russell**

S&P Global



Operating Review

The Focus value guides "Tadawul" in its efforts to achieve parity with world-leading stock markets, as the Exchange carries out its mission to offer sound, efficient and attractive capital market products and services that deliver superior value to market participants and shareholders.

Issuer Products and Services

Investor Products and Services

Supervision and Regulation

Information Technology (IT)

Information Security (IS)

Corporate Restructuring

Awareness and Education

One of Tadawul's core values is Focus. The company is a keen observer of the dynamics of the market, allowing it to make sound and forward-thinking decisions for the future. The Focus value guides "Tadawul" in its efforts to achieve parity with world-leading stock markets, as the Exchange carries out its mission to offer sound, efficient and attractive capital market products and services that deliver superior value to market participants and shareholders.

Operating highlights in 2017 included the completion of tradable rights optimisation projects, implementation of the Global Industry Classification Standard (GICS) and the incorporation of the Securities Depository Center Company (Edaa) as a standalone subsidiary. Other important achievements included identification and activation of post-trade, listing and membership fees, the launch of the parallel market (Nomu), which enables small-cap issuers to tap into the capital market and gain access to an additional source of funding, implementation of the T+2 settlement cycle to enhance security and align with best practice, and an agreement with Nasdaq to transform "Tadawul"'s post-trade technology.

Issuer Products and Services

Tadawul's products and services are at the heart of its success in providing a best-in-class exchange environment to issuers. The Exchange's philosophy is to make continual improvements to its product and service offering, to ensure that issuers' needs are catered for to the very best of its ability.

Through the launch of Nomu, "Tadawul" has empowered small-cap issuers with the opportunity to tap Saudi Arabia's capital market. In this regard, "Tadawul" directly supports

growth-stage companies, and thereby the diversification of the Kingdom's capital market landscape. The launch of Nomu also prompted fundamental updates to the Exchange's front-end systems, including e-services channels such as the website, IFSAH, mobile app, Tadawulaty and e-reference data.

Real Estate Investment Traded Funds (REITs) were introduced as an asset class for the first time, with 6 REITs listed on the Stock Exchange in 2017. This initiative has provided improved and welcome access for the real estate sector to investors on "Tadawul". Equally, it provided an easy and reputable exit for real estate owners. With REITs growing in number across the GCC, and attracting investors seeking stable income generating opportunities, "Tadawul" expects them to be a popular asset class going forward.

Industrial classification for the main market was re-aligned with international standards, with listed companies re-classified in line with the Global Industry Classification Standard (GICS). This industry classification has seen the previous 16 "Tadawul" market sectors reclassified to 20 market sectors, more fitting for developments in the Saudi economy. This sector classification is necessary when it comes to international investors comparing companies in the same sectors. Adopting an international standard provides issuers with the required visibility on sectorial investors, and sheds light on available listed companies in different sectors.

GICS was successfully rolled out across all systems, including e-services channels such as the market's website, IFSAH, mobile app, Tadawulaty and e-reference data. This delivered another important win for Tadawul's ongoing ambition to achieve equivalence to the world's best-regarded stock exchanges.

Operating highlights in 2017 included the completion of tradable rights optimisation projects, implementation of the Global Industry Classification Standard (GICS) and the incorporation of the Securities Depository Center Company (Edaa) as a standalone subsidiary

Investor Products and Services

A second essential delivery strand for developing a world-class exchange is to provide first-rate investor services. During 2017, considerable progress was made in upgrading technologies and processes, to the ultimate benefit of Tadawul's operating model. This included the launch of a suite of market information products and services, covering e-reference, analytics, tick data and non-display.

Among the most important strategic projects in 2017 was the Post-Trade Program – to enable "Tadawul" to execute its business growth and strategic direction, which includes full replacement of the current clearing and settlement system (Equator) with the state-of-the-art CSD system.

A change from a T+0 to a T+2 settlement cycle was successfully implemented, enabling a two-business day settlement cycle, which will provide the following benefits:

1. Allow foreign investors to access the Saudi capital market without being obliged to immobilise cash before buying securities. This change increases the level of asset safety for investors, and provides enough time to verify transactions and deal with errors should they occur.
2. Align "Tadawul" with leading global settlement practices, opening up new listing opportunities as well as participation in global market indices.
3. Develop an environment that promotes institutional-level investment and meets the necessary requirements for coping with future change.

Among the most important strategic projects in 2017 was the Post-Trade Program – to enable Tadawul to execute its business growth and strategic direction, which includes full replacement of the current clearing and settlement system (Equator) with the state-of-the-art CSD system

Core technology systems, SAMA integration and e-services channels such as "Tadawul" website and Tadawulaty were all upgraded to support the T+2 settlement cycle.

Supervision and Regulation

2017 saw the launch of the Transition & Activation of Responsibilities Project (TAR). This initiative is in line with the National Agenda and the Saudi Vision 2030, which together aims to improve the Saudi business environment through the strict application of regulations conducive to long-term investment. This essential project aims to activate Tadawul's responsibilities under the Capital Market Law, under which "Tadawul" will progress towards full responsibility for regulating and approving the listing of all securities. The TAR project has resulted in the issuance of two sets of rules: Tadawul's listing rules and the CMA's Rules on the Offer of Securities and Continuing Obligations. These regulations serve to monitor and standardize the offering and listing of securities on the market as well as obligations for issuers and shareholders. As part of the efforts of the Capital Market Authority (CMA) and the Saudi Stock Exchange (Tadawul) have encouraged all stakeholders and investors in the Saudi capital market to participate in reflecting their views regarding the draft rules for CMA & "Tadawul". The CMA Board has issued its resolution approving the Rules in December 2017 which will be effective from 15/7/1439H corresponding to 1/4/2018G. In addition, a media plan and a dedicated system for issuers and authorized persons were approved and the information is available on the Tadawul's website.

Information Technology (IT)

In order to deliver a stock exchange with infrastructure on par with the best in the world, "Tadawul" applies international best practice standards to its IT operations. "Tadawul" is widely recognized for the quality and reliability of its systems, with 3 core pillars feeding directly into the IT strategy. These are: Technology Operations; Corporate Strategy and Business Initiative Support; and Technology Governance and Efficiency.

Technology Operations

As technology is the enabler for the Exchange's services, a top priority for "Tadawul" is to secure the availability of its systems and services. In 2017, 100% systems availability was achieved without any interruption to services or impact on the market. A major network upgrade was also completed, as part of Tadawul's infrastructure roadmap. The upgrade mitigates risks related to future network devices' end-of-life, as well as meeting Tadawul's business continuity requirements with a better performing and secure network that serves as a backbone for the IT infrastructure. Major planned technology infrastructure maintenance was delivered in the course of the year, with the successful roll-out of changes and upgrades a testament to the maturity of the IT infrastructure. This maturity is a foundation block for quality, flexibility to change, and readiness to transition processes and frameworks.

Corporate Strategy and Business Initiative Support

With Tadawul's corporate strategy comprising highly ambitious projects for increasing openness to international investors, initiatives in 2017 had considerable requirement for IT support

and enablement. The Post-Trade Program, for example, required full technology replacement of the current registry, depository and settlement solution (Equator). In addition to introducing a new central counter party clearing solution, developed by the world's leading exchange technology provider Nasdaq. Further technology changes were successfully introduced to support the launch of the Nomu parallel market, the T+2 settlement cycle, industry re-classification, and the "Tadawul" Virtual Trading Platform (VTP). More than 40 regulation initiatives and requirements were supported, fulfilling successful integration with both regulatory and government entities.

Technology Governance and Efficiency

IT governance is a major part of Tadawul's technology operating model, guiding standards and policies, quality, IT process optimization, cost optimization, change management, risk mitigation, and reporting on IT performance in a timely manner. "Tadawul" adheres to ITIL standards, which include a list of integrated processes to ensure IT operation integration, quality and efficiency. In 2017, IT successfully completed annual surveillance audits for two renowned international standards – ISO 9001 Quality Management Systems, and ISO 20000 IT Services Management Systems.

Information Security (IS)

As the Middle East's leading stock exchange, "Tadawul" has a considerable level of responsibility when it comes to information security – particularly in the protection and management of information concerning market participants, from issuers to investors and all those who operate in between.

The Post-Trade Program, for example, required full technology replacement of the current registry, depository and settlement solution (Equator). In addition to introducing a new central counter party clearing solution, developed by the world's leading exchange technology provider Nasdaq

Tadawul's security objectives are in line with the organization's overall goals and strategic plans. These include effective incident planning and management, development and maintenance of the Security Management Framework, maintaining updated and fine-tuned security monitoring tools, successful security awareness, training and education for all employees, and access management optimisation. The security strategy is primarily designed to protect critical information and physical assets, and the continually changing security landscape ensures that objectives address the increasing sophistication of online and network challenges.

To this end, the overall maturity of the cyber and physical security functions increased significantly in 2017, addressing the dramatic increase in the volume and strength of cyber-attacks, malware and ransomware observed globally throughout the year. The security team continues to use innovative technologies and best practice to keep up with this ever-evolving environment, and is certified by its successful completion of the Information Security Management System ISO 27001:2013 surveillance audit.

Corporate Restructuring

Among the structural enhancement made at "Tadawul" in 2017, the process of establishing the Central Counterparty (CCP) company started and it is expected to be fully operational by the second half of 2019.

The full incorporation of the Securities Depository Center Company (Edaa) at the beginning of the year was a highly significant project for improving the range of post-trade products and

services offered by "Tadawul". "Edaa" is now a standalone (wholly-owned) subsidiary, with its own management and governance, and will play a central role in Tadawul's efforts to develop a more sophisticated exchange, aligned with the highest international standards.

Since its inception at the start of the year, "Edaa" has successfully completed key transition milestones. Essential technology delivery has now been made both on Oracle ERP implementation and Edaa's portal implementation, as well as the development and launch of the business' new website. Furthermore, a separate "Edaa" branding and identity has been launched. Enjoying a successful first year, "Edaa" achieved 90% of its target net income.

Edaa's aim is to emulate the Exchange's objectives in relation to developing infrastructures and procedures to execute transactions in alignment with international standards. The Center is servicing 2 types of customers: issuers – listed and unlisted – and investors. It performs the settlement of trades made on the Exchange Platform and delivers added value services to its main customers. One of its additional objectives is to enhance the efficiency of securities deposit and registration services, in alignment with Saudi Vision 2030, through the development of a more resourceful environment that fosters excellence within all sectors related to the capital market.

The Center has positioned itself as a 'regional gateway' into foreign markets, with a long-term view to becoming the regional securities depository hub. "Edaa" also provides a range of services tailored to Saudi Arabia's domestic market and current capital market model. The Center has worked alongside

The Centre has positioned itself as a 'regional gateway' into foreign markets, with a long-term view to becoming the regional securities depository hub. "Edaa" also provides a range of services tailored to Saudi Arabia's domestic market and current capital market model

"Tadawul" in extending and enhancing its service portfolio, towards the needs of international investors.

investment awareness in all fields among university students in the Kingdom.

Awareness and Education

As part of the 'Invest Wisely' awareness programme, additional technology enhancements included the launch of "Tadawul" Virtual Trading Platform, to create awareness of trading and investing to existing and prospective investors. The Invest Wisely programme conducted 10 workshops, carried out as part of Tadawul's ongoing efforts to increase financial literacy and raise investor's awareness and confidence, achieved through cooperation with leading financial experts.

As part of Tadawul's ongoing efforts, a memorandum of understanding was signed with the Ministry of Education aimed at promoting cooperation between the two entities to raise



278 employees work at Tadawul, with 58 at "Edaa" and a growing female/male ratio that currently stands at 20% women



Human Capital

Tadawul aims to implement its HR Roadmap continuously, which has the principal goal of enhancing organisational capability by attracting and retaining talent.

Tadawul's success rests on the efforts of its employees, and Tadawul's Human Resources (HR) is focused on supporting the wider corporate strategy. HR is geared towards Tadawul and "Edaa" building and sustaining organisational capability through engaged, empowered, and enabled talent, not only to meet, but outperform strategic objectives. Tadawul aims to implement its HR Roadmap continuously, which has the principal goal of enhancing organisational capability by attracting and retaining talent.

HR is the custodian of Tadawul's values of Focus, Fairness and Transparency, and each is at the core of its activities. In order to deliver on these values, HR scrutinises and measures progress through 17 different KPIs including, manpower cost and internal promotion rates. Both Tadawul and "Edaa" performed well against the targets assigned to them in 2017.

One of the core values of Tadawul is Fairness, with the organisation applying self-imposed filters in its dealings with different parties to ensure fair treatment of all stakeholders. "Tadawul" applies objectivity in evaluating its employees and provides equal opportunities to all staff. As well as its commercial responsibility, Tadawul abides by the highest ethical standards in its daily work.

Close to 278 employees work at Tadawul, with 58 at "Edaa" and a growing female/male ratio that currently stands at 20% women, ensuring direct support

for Vision 2030's objective of significantly increasing female participation in the workplace, and promoting professional competencies and skills among Saudi women. Tadawul also maintains a strong commitment to promoting the role of Saudi professionals within the economy, and is proud of its Platinum-level 92% Saudization rate.

As part of its 2017 Total Reward Strategy review, Tadawul introduced a unique employee savings plan, aimed at supporting its talented staff in saving and investing for their future. While the plan management cost is fully subsidised, Tadawul has also offered an employer contribution that is linked to length of service. The seven-year programme has been built in line with Tadawul's 2022 strategy delivery.

As well as on the job training, Tadawul promotes cross-functional training, which in 2017 witnessed collaboration between Regulatory Policy and Oversight, Sales and Marketing, and Listing – enabling staff to gain exposure to new practices and disciplines during a three-month scheme. In the course of the year, Tadawul's employees collectively benefitted from 1,094 days of external training, 27 seats of customised visits to reputable international exchanges, 36 individual leadership programs, 89 accredited global certifications – including CIPD, CME CISSP – and 99 advanced technical courses such as Oracle database management, VAT seminars and derivatives courses.

Tadawul also maintains a strong commitment to promoting the role of Saudi professionals within the economy, and is proud of its Platinum-level 92% Saudization rate

Social Responsibility

A strong commitment to reducing its footprint on the natural environment by better utilising resources in order to achieve a higher level of efficiency and sustainability.

Economy

Supporting the development of the Saudi Capital Market

Education

Improving quality of life by contributing to education and youth development

Community

Contributing positively to the community by responding to the social needs

Environment

Utilising resources to ensure long-term sustainability while benefiting the environment



H.E Minister of Education and Chairperson of the Saudi Stock Exchange "Tadawul" signing a MOU

Tadawul's commitment to supporting the local community and contributing to the sustainable development of Saudi Arabia rests on the following areas of focus: Economy, Education, Environment, and Community.

Economy

Tadawul's 2022 strategy is focused on alignment and direct support for the process of building a robust and diverse capital market environment that will, in turn, directly contribute to Saudi economic growth and the aims of Vision 2030. Moreover, by nurturing and improving its workforce, the Exchange is investing for the long-term. This is particularly evident in its high level of Saudization (92%).

Education

Tadawul supports enhanced quality of life in the Kingdom by carrying out a series of initiatives that made a valuable contribution to education and youth development. The Injaz programme provided high-school and university students with hands-on work experience, allowing them to learn the basics of starting a business. Over the course of 10 weeks, 10 Tadawul volunteers carried out this programme at 5 schools.

The Global Money Week (GMW) initiative is an annual programme that raises financial awareness in the community and aids people in making better financial decisions.

A MOU has been signed between "Tadawul" and the Ministry of Education to contribute to University's Students in various fields of investment and to provide the necessary materials and tools to enable them to invest skilfully and consciously.

The MOU includes workshops organization at the universities and the launch of competitions at the university level through simulation system.

Environment

Tadawul has a strong commitment to reducing its footprint on the natural environment by better utilising resources in order to achieve a higher level of efficiency

and sustainability. A key environmental initiative in 2017 was the development of a formal Recycling & Waste Management programme, which will be fully activated in 2018.

Community

Considerable headway was made towards contributing positively to the community. An initiative with the Disabled Children's Association saw Tadawul's CEO distribute gifts to children and sign an MoU with the charity, while "Tadawul" supported the charity's Greeting Cards programme whereby funds are raised by companies purchasing cards made by disabled children.

Tadawul supported the Donate for Life initiative, which carried out an awareness campaign for blood donation, with employees encouraged to donate blood to the KFSH Blood Mobile Car. Further employee initiatives included a Breast Cancer Awareness seminar, held for all female employees, and a Stress Management Workshop, which was open to all staff.

During the Holy Month of Ramadan, Tadawul's "Aman" campaign was initiated in response to the increased number of car accidents during last hour of day, as drivers tend to speed before Maghreb prayer to arrive in time for Iftar. The campaign distributed 200,000 Iftar meals to drivers on the roads and at traffic intersections in Riyadh, Dammam and Jeddah. In addition, Tadawul employees had the opportunity to serve as active volunteers distributing and preparing the meals throughout the Holy Month.

All of Tadawul's sustainability work is underpinned by honoring its national responsibilities of adopting regulatory and market best practices, fostering market literacy and investor protection and delivering on its socio-economic responsibilities.

Board of Directors





**Mrs. Sarah Bint Jamaz
AlSuhaimi**
Chairperson



**Mr. Abdulrahman Bin
Mohammad AlMofadhi**
Deputy Chairman



**H.E Abdulaziz Bin Saleh
AlFuraih**
Member



**H.E Khaled Bin Hussain
AlBiyari**
Member



**H.E Suhail Bin
Muhammed Abanmi**
Member



**Mr. Abdulaziz Bin
Abdulmohsen Bin Hassan**
Member



**Mr. Ali Bin Abdulrahman
AlGwaiz**
Member



**Mr. Tariq Bin Ziad
AlSudairy**
Member



**Mr. Rayan Bin Mohammed
Fayez**
Member

Disclosure relating to Board of Directors

The formation of the Saudi Stock Exchange (Tadawul)'s Board of Directors is based on Tadawul's Bylaws issued under Royal Decree No. (m/30) dated 02/06/1424 A.H., as Clause "b" of Article (22) provides for: "The Company shall be managed by a Board of Directors comprising of nine members, who shall be appointed by a resolution of the Council of Ministers upon nomination by the Chairman of the Capital Market Authority. Members shall choose from among themselves a chairman and a vice chairman. The members shall be:

1. A representative of the Ministry of Finance;
2. A representative of the Ministry of Commerce and Investment;

3. A representative from the Saudi Arabian Monetary Authority;
4. 4 members representing licensed brokerage companies; and
5. 2 members representing the joint stock companies listed on the Saudi Stock Exchange.

Thereafter, the Council of Ministers' Resolution No. 273 dated 09/05/1438 A.H. (corresponding to 06/02/2017) was issued to the reformation of the Company's Board of Directors for three (3) years period. Below are the current members of the Board of Directors:

1) Board of Director Formation and Categorization

Srl.	Director	Category	Representative of	Membership in Other Companies
01	Mrs. Sarah Bint Jamaz AlSuhaimi	Chairperson (Non-executive)	Licensed Brokerage firms	<ul style="list-style-type: none"> • NCB Capital Company
02	Mr. Abdulrahman Bin Mohammad AlMofadhi	Deputy Chairman (Non-executive)	Ministry of Finance	<ul style="list-style-type: none"> • Gur Airlines • Saudi Moroccan Development Investment Company • Saudi National Company for Maritime Transport • Saudi Real Estate Company • Dar Al Tamleek • National Commercial Bank (NCB)
03	Mr. Abdulaziz Bin Saleh AlFuraih	Non-executive	Saudi Arabian Monetary Authority	NA
04	Mr. Suhail Bin Muhammed Abanmi	Non-executive	Ministry of Commerce and Investment	<ul style="list-style-type: none"> • Bayan Credit Bureau
05	Dr. Khaled Bin Hussain AlBiyari	Non-executive	Joint Stock Companies Listed on the Saudi Stock Exchange	NA
06	Mr. Abdulaziz Bin Abdulmohsen Bin Hassan	Non-executive	Licensed Brokerage firms	<ul style="list-style-type: none"> • Credit Suisse Saudi Arabia

07	Mr. Ali Bin Abdulrahman AlGwaiz	Non-executive	Licensed Brokerage firms	<ul style="list-style-type: none"> • Riyadh Capital • Middle East Healthcare Company • Oasis Fiberglass Company
08	Mr. Tariq Bin Ziad AlSudairy	Non-executive	Licensed Brokerage firms	<ul style="list-style-type: none"> • Jadwa Investment • Abdulmohsen Al-Hokair Group for Tourism and Development • Saudi Aramco Base Oil Company (Luberef) • Alrajhi Alpha Investment Holding
09	Mr. Rayan Bin Mohammed Fayez	Non-executive	Joint Stock Companies Listed on the Saudi Stock Exchange	<ul style="list-style-type: none"> • Almarai Company • Knowledge Economic City • Saudi Agricultural and Livestock Investment Company (SALIC) • Herfy Food Services

2) Board of Directors' Meetings and Attendance

Name	Position	1 st Meeting (16/02/2017)	2 nd Meeting (23/03/2017)	3 rd Meeting (22/05/2017)	4 th Meeting (30/10/2017)	5 th Meeting (27/12/2017)
Mrs. Sarah Bint Jamaz AlSuhaimi	Chairperson	√	√	√	√	√
Mr. Abdulrahman Bin Mohammad AlMofadhi	Deputy Chairman	√	√	Absent	√	√
Mr. Abdulaziz Bin Saleh AlFuraih	Member	√	√	√	√	√
Mr. Suhail Bin Muhammed Abanmi	Member	√	√	√	√	√
Dr. Khaled Bin Hussain AlBiyari	Member	√	√	√	√	√
Mr. Abdulaziz Bin Abdulmohsen Bin Hassan	Member	√	√	√	√	√
Mr. Ali Bin Abdulrahman AlGwaiz	Member	√	√	√	√	√
Mr. Tariq Bin Ziad AlSudairy	Member	√	√	√	Absent	√
Mr. Rayan Bin Mohammed Fayez	Member	√	√	√	√	√

3) Directors' Compensation (SAR)

A percentage not more than (0.5%) of the remaining profits (after statutory deductions) fixed by the general assembly is provided as compensation to the Directors. Furthermore, a Director also receives an annual bonus of (SAR 200,000) against their membership in the Board committees, (SAR 100,000) is also added to the membership of the

(Regulatory Oversight and Policy Committee), and (SAR 3,000) as a meeting compensation.

The below table sets out the total Directors' compensations in 2017.

Director	Committee Attendance Compensation	Committee Membership Annual Compensation	2017 Profit Bonus	Total
Mrs. Sarah Bint Jamaz AlSuhaimi	27,000	180,000	28,438	235,438
Mr. Abdulrahman Bin Mohammad AlMofadhi	6,000	180,000	31,550	217,550
Mr. Abdulaziz Bin Saleh AlFuraih	27,000	180,000	31,550	238,550
Mr. Suhail Bin Muhammed Abanmi	12,000	180,000	28,438	220,438
Dr. Khaled Bin Hussain AlBiyari	21,000	180,000	28,438	229,438
Mr. Abdulaziz Bin Abdulmohsen Bin Hassan	30,000	267,222	28,438	325,438
Mr. Ali Bin Abdulrahman AlGwaiz	24,000	180,000	31,550	235,550
Mr. Tariq Bin Ziad AlSudairy	21,000	180,000	31,550	232,550
Mr. Rayan Bin Mohammed Fayeze	27,000	180,000	31,550	238,550
Mr. Khalid Ibrahim Alrabiah*	--	--	3,111	3,111
Dr. Fahad Ahmed Abuhimed*	--	--	3,111	3,111
Dr. Sami Mohsen Baroum*	--	--	3,111	3,111
Mr. Abdulrahman Yahya Al Yahya*	--	--	3,111	3,111
Total	195,000	1,707,222	283,957	2,185,946

* Membership ended 5/2/2017

4) Senior Executives' Compensation (SAR)*

Compensation Type	Total Amount
Monthly salaries and allowances	8,169,052
Periodical and annual bonus	5,600,000
Total	13,769,052

* Senior Executives' bonuses cover the top five executives including the CEO and Chief of Finance and Support Services.

Board Committees

The Company has six Board of Directors' committees consisting of the Board members and independent members with relevant expertise and specializations. Each committee has a charter that defines its roles, responsibilities, and work process, as follows:

1) Executive Committee

The Executive Committee is responsible for reviewing strategies and action plans, monitoring the Company's performance and main projects on a regular basis in line with its terms of reference and presenting relevant recommendations to the Board of Directors for approval.

It is comprised of 5 members, namely:

Name	Position	1 st Meeting (06/03/2017)	2 nd Meeting (19/03/2017)	3 rd Meeting (05/06/2017)	4 th Meeting (19/10/2017)	5 th Meeting (30/11/2017)
Mrs. Sarah Bint Jamaz AlSuhaimi	Chairman	√	√	√	√	Absent
Mr. Abdulaziz Bin Saleh AlFuraih	Member	√	√	√	√	√
Dr. Khaled Bin Hussain AlBiyari	Member	√	√	Absent	√	√
Mr. Tariq Bin Ziad AlSudairy	Member	√	√	√	√	√
Mr. Rayan Bin Mohammed Fayez	Member	√	√	√	√	√

2) Audit Committee

The Audit Committee is responsible for reviewing the Company's financial and administrative policies and processes. It also considers the Internal Audit reports and notes, assesses the efficiency and

effectiveness of monitoring activities, and considers annual and quarterly financial statements.

The Committee is comprised of 5 members, namely:

Name	Position	1 st Meeting (13/03/2017)	2 nd Meeting (18/05/2017)	3 rd Meeting (28/09/2017)	4 th Meeting (27/11/2017)
Mr. Abdulaziz Bin Saleh AlFuraih	Chairman	√	√	√	√
Mr. Suhail Bin Muhammed Abanmi	Member	√	√	√	√
Dr. Abdulrahman Bin Ibrahim AlHumaid	Independent Member	√	Absent	√	√
Mr. Abdulrahman Bin Mohammed AlOdan	Independent Member	√	√	√	√
Mr. Abdullah Bin Abdulrahman AlShwer	Independent Member	√	√	√	√

3) Risk Management Committee

The Risk Management Committee is responsible for reviewing and developing risk management & information security strategies and policies, ensuring these are kept up-to-date with ongoing

developments within the risk management & information security field, and also presents regular reports to the Board of Directors.

It is comprised of 5 members, named below:

Name	Position	1 st Meeting (24/04/2017)	2 nd Meeting (18/06/2017)	3 rd Meeting (05/10/2017)	4 th Meeting (14/12/2017)
Mr. Ali Bin Abdulrahman AlGwaiz	Chairperson	√	√	√	√
Mr. Rayan Bin Mohammed Fayez	Member	√	√	√	√
Dr. Yahya Bin Ali AlJabr	Independent Member	√	√	√	√
Dr. Ibrahim Bin Abdulrahman AlKadi	Independent Member	√	√	√	√
Mr. Jaser Bin Abdul kareem AlJaser	Independent Member	√	√	√	√

4) Investment Committee

The Investment Committee is responsible for reviewing investment policies; considering investment opportunities and how they fit the Company's strategy; follow up and evaluation of current and

future investments by the Company; and presenting relevant recommendations to the Board of Directors for approval.

It is comprised of 3 members; named below:

Name	Position	1 st Meeting (01/05/2017)	2 nd Meeting (08/10/2017)
Mr. Tariq Bin Ziad AlSudairy	Chairman	√	√
Mr. Abdulrahman Bin Mohammad AlMofadhi	Member	√	√
Mr. Abdulaziz Bin Abdulmohsen Bin Hassan	Member	√	√

5) Nomination and Remuneration Committee

The Remuneration and Nomination Committee is responsible for reviewing the performance of the Board committees and Executive Management, reviewing the organizational structure and HR

strategies as well as employees' annual bonus and benefit policies; and presenting relevant recommendations to the Board of Directors.

It is comprised of 4 members; named below:

Name	Position	1 st Meeting (05/06/2017)	2 nd Meeting (31/10/2017)	3 rd Meeting (30/11/2017)	4 th Meeting (26/12/2017)
Mrs. Sarah Bint Jamaz AISuhaimi	Chairman	√	√	Absent	√
Dr. Khaled Bin Hussain AlBiyari	Member	Absent	√	√	√
Mr. Ali Bin Abdulrahman AlGwaiz	Member	√	√	√	√
Mr. Bandar Bin Abdulrahman Bin Mograin	Independent Member	√	√	√	√

6) Regulatory Policy and Oversight Committee

The Regulatory Policy and Oversight Committee is responsible for overseeing supervisory and regulatory activities; and tasks undertaken by the Saudi Stock Exchange (Tadawul) in line with the Capital Market

Law and Tadawul's Articles of Association; overseeing the general management's policies; and overseeing activities and ensuring their effectiveness thereof.

This Committee is comprised of 5 members; named below:

Name	Position	1 st Meeting (05/03/2017)	2 nd Meeting (27/03/2017)	3 rd Meeting (21/05/2017)	4 th Meeting (21/09/2017)	5 th Meeting (16/10/2017)	6 th Meeting (26/12/2017)
Dr. Abdullah Bin Hassan AlAbdulqader	Chairman	√	√	√	√	√	√
Dr. Abdulrahman Bin Abdulmohsen Al Khalaf	Independent Member	√	√	√	√	√	√
Mr. Abdulaziz Bin Abdulmohsen Bin Hassan	Member	√	√	√	√	√	√
Dr. Najim Bin Abdullah AlZaid	Independent Member	√	√	√	√	√	√
Eng. Khalid Bin Abdullah AlHussan	Executive Member	√	√	√	√	Absent	√

Compliance with the CMA governance regulations

Although it is not listed, The Saudi Stock Exchange (Tadawul) endeavors to apply the best practices in Corporate Governance issued by the relevant regulatory authorities.

Tadawul has applied most of the items listed in the CMA governance regulations, and currently prepares its own governance regulations in order

to achieve governance best practice based on the following:

1. The Companies' Law;
2. Capital Market Law;
3. CMA Corporate Governance; and
4. The Company's Articles of Association.

Dividend Distribution Policy

The Company's policy for distribution of annual net income is based on the provisions of its Articles of Association and the availability of liquidity to meet liabilities and strategic projects. Annual net profits (after deduction of all overheads and expenses) shall be distributed as follows:

1. 10% of net profits are allocated to the statutory reserve. The Ordinary General Assembly may suspend this allocation once this reserve equals half the Company's paid-up capital.
2. The Ordinary General Assembly – at the Board of Directors' recommendation – may allocate a percentage of net profits for other special reserves.

3. Of the remainder, a first payment equaling 5% of paid-up capital is allocated to the shareholders.
4. After these allocations, a percentage of the remainder (to be determined by the Ordinary General Assembly, provided that such percentage does not exceed 0.5% of the net profit) is allocated as a bonus for the Board of Directors. The remainder will be distributed to the shareholders as an additional dividend.

Below are the recommended dividend distributions for 2017 compared to dividend distributions for 2016:

Article	2016	2017
Net Profit (Loss) of the year	(29,297,981)	129,768,328
Sparing (10) of the net profit as a statutory reserve	--	(12,976,833)
Dividend (5%) of the capital	(60,000,000)	(60,000,000)
Proposed Members' remunerations (0.5%)	--	(283,957)
Dividend (additional stake)*	(30,000,000)	(30,000,000)
Remainder Amount	(119,297,981)	26,507,538

(*) The Ordinary General Assembly Meeting of Tadawul, held on 11/06/2018, approved the distribution of dividends to shareholders for the financial year ended 31/12/2017 with a total amount of SR 120 million, (1 SR) per share, and by 10% of the capital, and the amount of the remaining distributions will be reflected in the 2018 FS.

Related Party Transactions

The Saudi Stock Exchange conducted transactions with related parties in the Public Investment Fund (shareholders) as well as with other companies where the Exchange Board members hold directorships. These transactions were conducted

at an arm's length basis, as with normal commercial debtors and creditors. Related parties do not receive any preferences or special treatment.

Major transactions and related amounts up to December 31st, 2017 were:

Article	(SAR million)	
	2016	2017
Trading Fees	209,375,731	304,287,195
Market information services	32,899,592	63,027,657
Deposit center services	70,104,757	132,931,412
Listing services	0	44,959,233
Other services	199,623	244,053
Sister companies	6,860,051	4,293,218

Balances and transactions resulting from these transactions included in the financial statements as of December 31st, 2017 (SAR):

Description	Nature of Relationship	Opening Balance	Income/ Expenses	Collections/ Payments	Closing Balance
Account Receivables	Common ownership and directors	2,273,187	272,637,309	(270,493,727)	4,416,769
Account Payables	Common ownership and directors	7,717,029	11,976,812	(13,724,005)	5,969,836
Prepaid and other assets	Associate	367,297.30	333,964.29	(516,875.32)	184,386.27

It is worth mentioning that the Company, in its transactions with related parties, observes the procedures followed to solve conflicts of interest incidents according to the related laws and

regulations in addition to the professional code of conduct of the Company's Board members approved by the CMA Board Resolution No. 02-02-2010 dated 08/08/2010.

Loans

The Saudi Stock Exchange (Tadawul) has no loans.

Company Declarations

The Saudi Exchange Company declares that:

- The financial statements were properly prepared and maintained;
- The internal control system was prepared on a sound basis and is reviewed annually to ensure its effectiveness;
- There are no substantive doubts concerning the Company's ability to continue its operations;
- There was no deviation from the Accounting Standards issued by the Saudi Organization for Certified Public Accountants (SOCPA), and there were no material comments by the auditors on the Company's 2017 financial statements.

Regulatory Payments to Governmental Authorities

Article	SAR million	Description
Dividends*	90	What is paid or charged to the credit period as dividends to the owner (Public Investment Fund)
Social Insurance contributions	19,5	That are paid or charged to the period, according to the provisions of the Labor Law in Saudi Arabia
Withholding tax	1,7	What is paid or charged to the period, according to the provisions of the Department of Zakat and Income
Total	111,2	Represents statutory amounts due and paid to government authorities

(*) The Ordinary General Assembly Meeting of Tadawul, held on 11/06/2018, approved the distribution of dividends to shareholders for the financial year ended 31/12/2017 with a total amount of SR 120 million, (1 SR) per share, and by 10% of the capital, and the amount of the remaining distributions will be reflected in the 2018 FS.

Regulatory and Supervisory Penalties

No penalties were imposed on the Company by governmental authorities.

Annual Audit of the Effectiveness of Internal Control Procedures

The Internal Audit Division submits its periodic reports to the Audit Committee on operational, administrative and financial review processes that are intended to verify the effectiveness of the internal control system with respect to protecting the Company's assets, evaluating its business risks and measuring efficiency and performance. This

review has not shown any material weakness in the Company's internal control system. The Internal Control System is also reviewed by the external auditor when they audit the annual financial statements of the Company. They are empowered to access all records and internal control reports for the fiscal period under review.

Risk Management Policy and Control

The Risk and Security Management Division in the Saudi Stock Exchange (Tadawul) implements the "Three-Lines of Defense" method, which is considered the best according to international standards. It also helps to define the responsibilities of the Company's Division, Executive Management and Board Committees effectively and accurately in connection with the risks. The Division's fundamental roles include the approval and development of special standards and requirements for the information security and business continuity for all the Exchange members and data suppliers in line with the developments surrounding and affecting the Exchange, in addition to leveraging the level of awareness in the risk management and business continuity in line with the market developments and the Company's vision.

Below are categories of risks that are defined and approved by Tadawul:

1. Operational Risk

Operational Risks are those of the losses resulting from inadequacy or failure of internal and external operations, personnel, external systems and events and change initiatives. These include risks related to issuances, clearing companies' transactions, market transactions, asset and deposit transactions, market development, market regulation, HR, and material assets. The Risk and Security Management Division carries out a revision of all the sources related to the operational risks and creates the suitable policies to mitigate such risks.

2. Regulatory Risks

Regulatory Risks are those resulting from the Board taking improper decisions or implementing the regulatory decisions improperly, or non-taking any decision in due course, resulting in the Company incurring losses or losing alternative opportunities. These risks are manifested as a result of non-observance of the Laws, regulations and regulatory instructions. These risks also exist as a result of the Company violating the Laws and Standards issued by the supervisory authorities and include the risks that may result from the non-existence of a suitable strategy of the Company, by which the must-followed path is defined in order to achieve its goals on the short term and long term. Due consideration is provided in light of the general market circumstances and those of the competitors, in addition to the risks connected to project implementation, governance and compliance.

3. IT Risks

IT Risks are those related to the systems resulting from the probability of a failure in the system functions of failures in IT infrastructure and telecommunications. IT Risk Management is concerned with understanding the ongoing operations and processes, evaluating and measuring the factors that may cause damages or adverse effects thereto or to the information derived therefrom. Analysis takes into account whether such factors are accidental or intentional from those who have the intent to adversely affect the company, as well as developing strategies to control the same. Such strategies also include transferring the risks to another party, avoiding them, mitigating their adverse effects, or accommodating all or any of their consequences.

4. Information Security Risks

Information Security Risks are those resulting from vulnerabilities in, and threats to, information assets used by the Exchange in such a manner that would affect business objectives. They include risks related to internal and external information security, information privacy and information validity and availability. The Risk and Security Management Division defines the level of data classification in order to recognize the tools and processes required to grant the access to it. The Division also evaluates the Company's ability to protect the confidentiality of the classified data, considering that disclosing the same would reflect a negative image of the Company and adversely affect it.

5. Business Continuity Risks

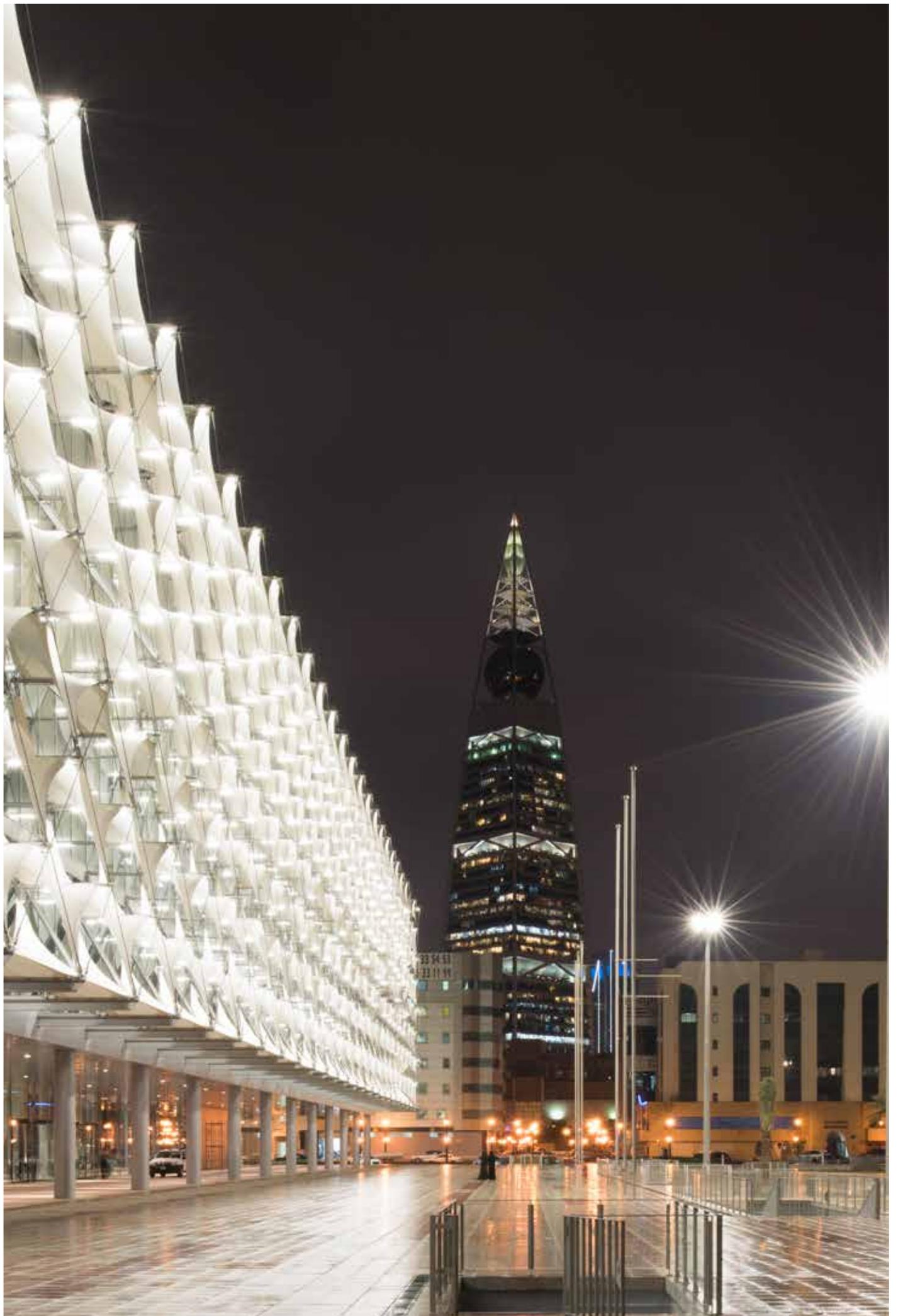
Business Continuity Risks are risks that cause disastrous and harmful stoppage of the Company operations, leading to huge losses in technical infrastructure and level of services provided. They include risks related to infrastructure breakdown, logistic support providers, personnel safety and natural disasters. The Risk and Security Management Division defines the requirements of recovering the services and ensuring the Company's ability to keep and protect the services provided promptly after major crises. The Division also sets controls and plans to mitigate the risks of system and public facilities breakdowns to ensure business continuity in line with the Exchange Effectiveness requirements.

6. Financial Risks

Financial Risks are current and future risks that may affect the Company's revenues such as trading commissions comprise a huge percentage of the Company's revenues, which is variable in its nature. Other risks include those resulting from variations in the interest rate, exchange rate, securities rate and developments of the market value of stocks that may affect the return on investment. These are taken into account in addition to the, liquidity, investment, insurance and financial analysis risks. The Company's strategy is to increase the other operational income that is not connected to trading, in order to mitigate the financial effect of the market variations. Procurement and supporting services risks are also within the financial risks for which an approved strategy was set to not being affected by such risks.

7. External Risks

External Risks are potential losses or risks resulting from a number of factors such as economic, political and environmental conditions, and they include the risks surrounding the Company such as market members and economic conditions that include economic downturn, inflation and retreat and loss of investors' trust in the Exchange.





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Independent auditors' report

To the Shareholders of Saudi Stock Exchange Company (Tadawul) Kingdom of Saudi Arabia

Opinion

We have audited the consolidated financial statements of Saudi Stock Exchange Company (Tadawul) ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at 31 December 2017, the consolidated statements of income, cash flows and changes in equity 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 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with generally accepted accounting standards as issued by 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting standards as issued by SOCPA, the applicable requirements of the Regulations for Companies, 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.

Those charged with governance are 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 judgement 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 Saudi Stock Exchange Company (Tadawul) ("the Company") and its subsidiaries (collectively referred to as "the Group").

For KPMG Al Fozan & Partners
Certified Public Accountants

Khalil Ibrahim Al Sedais
License No: 371



Riyadh on: 7 Ramadan 1439H
Corresponding to: 23 May 2018

Consolidated Balance Sheet

As at 31 December 2017

(Saudi Riyals)

	Notes	2017	2016
ASSETS			
Current assets			
Cash and cash equivalents	4	613,057,827	109,398,138
Held-for-trading investments	5.1	1,227,595,478	459,476,968
Held to maturity investments	5.2	250,000,000	1,122,595,832
Accounts receivables, net	6	26,916,210	9,720,714
Prepaid expenses and other assets	7	31,565,763	41,655,768
Total current assets		2,149,135,278	1,742,847,420
Non-current assets			
Available-for-sale investments	5.3	88,635,408	76,118,292
Held to maturity investments	5.4	1,020,000,000	1,370,000,000
Investment in an equity-accounted investee	8	79,436,665	81,846,474
Projects under progress	10	18,094,098	29,144,844
Property and equipment, net	11	22,889,063	30,442,804
Intangible assets, net	12	66,338,189	56,569,437
Total non-current assets		1,295,393,423	1,644,121,851
TOTAL ASSETS		3,444,528,701	3,386,969,271
Current liabilities			
Accounts payables	13	51,116,941	60,730,640
Balance due to Capital Market Authority		11,881,482	16,258,958
Accrued expenses and other liabilities	14	48,511,337	42,544,926
Deferred revenue	15	5,829,797	2,649,570
Total current liabilities		117,339,557	122,184,094
Non-current liabilities			
Provision for end-of-service benefits	16	84,784,242	74,665,719
Provision for specific obligations	17	17,430,875	17,430,875
Total non-current liabilities		102,215,117	92,096,594
TOTAL LIABILITIES		219,554,674	214,280,688
Shareholder's equity			
Share capital	1	1,200,000,000	1,200,000,000
Statutory reserve	18	296,763,700	283,786,867
General reserve	19	1,114,180,214	1,114,180,214
Unrealized gain/(loss) on available-for-sale investments	5.3	9,360,408	(3,156,708)
Retained earnings		604,669,705	577,878,210
Total shareholder's equity		3,224,974,027	3,172,688,583
Total liabilities and shareholder's equity		3,444,528,701	3,386,969,271

The accompanying notes from (1) through (30) form an integral part of these consolidated financial statements.

Consolidated Statement of Income

For the year ended 31 December 2017

(Saudi Riyals)

	Notes	2017	2016
Operating revenues	20	545,449,550	312,579,703
Operating costs	21	(294,148,341)	(200,858,490)
Gross income		251,301,209	111,721,213
General and administrative expenses	22	(209,381,322)	(180,469,349)
Operating income/(loss)		41,919,887	(68,748,136)
Special commission income on Murabaha placements		11,103,869	32,359,586
Special commission income on Sukuk		46,627,179	44,676,881
Dividend income		5,890,794	10,529,555
Realised gain on held-for-trading investments		6,864,227	8,222,953
Loss on available-for-sale investments		--	(57,809,181)
Unrealised gain on held-for-trading investments	5.1	16,702,044	1,719,543
Share of net loss in an equity-accounted investee	8	(2,409,809)	(686,342)
Other non-operating income		3,070,137	437,160
Non-operating income		87,848,441	39,450,155
Net income/(loss) for the year		129,768,328	(29,297,981)
Earnings / (loss) per share from:	23		
Operating income/(loss)		0.35	(0.57)
Non-operating income		0.73	0.33
Net income/(loss) for the year		1.08	(0.24)

The accompanying notes from (1) through (30) form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

(Saudi Riyals)

	Notes	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		129,768,328	(29,297,981)
Adjustments to:			
Depreciation and amortization	11,12	30,545,550	32,392,832
Provision for doubtful debts	6	1,363,561	263,044
Gain on sale on property and equipment		(3,656)	(92,947)
Provision for end-of-service benefits	16	16,326,613	18,712,844
Unrealized gain on held-for-trading investments	5.1	(16,702,044)	(1,719,543)
Realized gain on held-for-trading investments		(6,864,227)	(8,222,953)
Loss on available-for-sale investments		--	57,809,181
Share of net loss in an equity-accounted investee	8	2,409,809	686,342
Changes in operating assets and liabilities:			
Accounts receivables		(18,559,057)	(1,550,077)
Prepaid expenses and other assets		10,090,005	(11,496,138)
Accounts payables		(9,613,699)	(26,809,414)
Balance due to Capital Market Authority		(4,377,476)	4,354,214
Accrued expenses and other current liabilities		5,966,411	5,898,042
Deferred revenue		3,180,227	(333,626)
End-of-service benefits paid	16	(6,208,090)	(4,725,493)
Provision from specific obligation		--	(206,634)
Net cash flows from operating activities		137,322,255	35,661,693
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of held-for-trading investments		(1,624,196,739)	(457,757,482)
Proceeds from held for trading investments		879,644,500	380,108,724
Proceeds from held to maturity investments		1,322,595,832	--
Purchase of held to maturity investments		(100,000,000)	(95,595,832)
Proceeds from available-for-sale investments		--	331,981,280
Additions to projects under progress	10	(7,546,297)	(15,799,373)
Purchase of property and equipment	11	(2,367,570)	(2,676,188)
Additions to intangible assets	12	(11,796,792)	(2,651,019)
Proceeds from sale of property and equipment		4,500	236,050
Net cash flows from investing activities		456,337,434	137,846,160
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid	28	(90,000,000)	(90,000,000)
Net cash flows used in financing activities		(90,000,000)	(90,000,000)
Net change in cash and cash equivalents		503,659,689	83,507,853
Cash and cash equivalents at the beginning of the year		109,398,138	25,890,285
Cash and cash equivalents at the end of the year	4	613,057,827	109,398,138
Non-cash transactions:			
Net change in the fair value of available-for-sale investments		12,517,116	(11,433,549)
Reclassification of held to maturity investments from non-current to current	5.2	(150,000,000)	(27,000,000)
Transfer from projects under progress to intangible assets	12	16,432,487	20,482,971
Transfer from projects under progress to property and equipment	11	2,164,556	7,559,962

The accompanying notes from (1) through (30) form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Shareholder's Equity

For the year ended 31 December 2017

(Saudi Riyals)

	Share capital	Statutory reserve	General reserve	Unrealized gain / (loss) on available-for-sale investments	Retained earnings	Total
31 December 2016						
Balance as at 1 January 2016	1,200,000,000	283,786,867	1,114,180,214	8,276,841	697,176,191	3,303,420,113
Net loss for the year	--	--	--	--	(29,297,981)	(29,297,981)
Net change in fair value of available-for-sale investments	--	--	--	(17,110,708)	--	(17,110,708)
Transfer to consolidated statement of income on disposal of available-for-sale investments	--	--	--	5,677,159	--	5,677,159
Dividend (Note 28)	--	--	--	--	(90,000,000)	(90,000,000)
Balance as at 31 December 2016	1,200,000,000	283,786,867	1,114,180,214	(3,156,708)	577,878,210	3,172,688,583
31 December 2017						
Balance as at 1 January 2017	1,200,000,000	283,786,867	1,114,180,214	(3,156,708)	577,878,210	3,172,688,583
Net income for the year	--	--	--	--	129,768,328	129,768,328
Net change in fair value of available-for-sale investments	--	--	--	12,517,116	--	12,517,116
Transfer to statutory reserve	--	12,976,833	--	--	(12,976,833)	--
Dividend (Note 28)	--	--	--	--	(90,000,000)	(90,000,000)
Balance as at 31 December 2017	1,200,000,000	296,763,700	1,114,180,214	9,360,408	604,669,705	3,224,974,027

The accompanying notes from (1) through (30) form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017
(Saudi Riyals)

1. GENERAL

The Royal Decree No. M/15 dated 01/03/1428 H (corresponding to 20 March 2007) was issued approving the license to establish the Saudi Stock Exchange Company (Tadawul) ("the Company") as a Saudi joint stock company with a share capital of SAR 1,200 million divided into 120 million shares of SAR 10 each fully subscribed by the Public Investment Fund ("PIF").

The Ministry of Commerce and Industry resolution no. 320/k dated 1/12/1428 H (corresponding to 11 December 2007) was issued approving the license to establish the Company as a Saudi joint stock company. The Company was registered as a closed joint stock company in Riyadh under Commercial Registration number 1010241733 dated 2/12/1428 H (corresponding to 12 December 2007). All rights, assets, liabilities, obligations and records were transferred from the Saudi Share Registration Company (a company which existed before the establishment of Tadawul) to the Company as at 30/11/1428 H (corresponding to 10 December 2007).

The Company's main activity is to provide, create and manage the mechanisms of trading of securities, providing settlement and clearing services of securities, depository and registration of securities ownership, dissemination of securities information and engage in any other related activity to achieve the objectives as defined in the Capital Market Law.

These consolidated financial statements comprise the financial statements of Tadawul and its subsidiary (collectively referred to as "the Group").

Subsidiaries

Capital Market Authority ("CMA") Board approved the formation of Securities Depository Centre Company (Edaa) as a new Saudi joint stock company in the Kingdom of Saudi Arabia in accordance with the Capital Market Law issued by the Royal Decree no. M/30 dated 06/02/1424 H (corresponding to 22 March 2003). "Edaa" was registered as a Saudi joint stock company in Riyadh under Commercial Registration no. 1010463866 dated 27/11/1437 H (corresponding to 30 August 2016) with an authorized share capital of SAR 400 million divided into 40 million shares of SAR 10 each.

As at 31 December 2017, the Company owns 100 percent of the issued share capital of the "Edaa". The main objective of "Edaa" is to provide depository and registration of securities ownership, and clearing services of securities.

During the year ended 31 December 2017, the Company's Board of Directors in their meeting dated 30 October 2017 under a decision number

03-04-2017/04-04-2017 approved the formation of a new company, Central Counter-Party Clearing House Company ("CCP"). As at 31 December 2017, CCP was under formation, however, subsequent to 31 December 2017, CCP was registered as a closed joint stock company in Riyadh under Commercial Registration number 1010935131 dated 02/06/1439 (corresponding to 18 February 2018) with an authorized share capital of SAR 600 million divided into 60 million shares of SR 10 each.

As at 31 December 2017, an amount of SR 150 million was deposited by the Company with a local bank under the name of CCP (a company under formation) on account of share capital.

The main objective of CCP is clearing of financial securities.

2. BASIS OF PREPARATION

Statement of compliance

The accompanying consolidated financial statements have been prepared in conformity with the Accounting Standards Generally Accepted in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The new Regulation for Companies issued through Royal Decree M/3 on 11 November 2015 (hereinafter referred as "The Law") came into force on 25/07/1437H (corresponding to 2 May 2016). The Company has to amend its By-laws for any changes to align those with provisions of the Law. Consequently, the Company shall present its amended By-laws to stockholders in their Extraordinary General Assembly meeting for their ratification. The legal proceedings to amend the Company's By-laws are still under process.

Basis of measurement

The consolidated financial statements have been prepared on historical cost basis, except for available-for-sale and held-for-trading investments which are stated at fair value, using the accrual basis of accounting and the going concern concept.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Tadawul and its wholly owned subsidiary, "Edaa", and collectively referred to as "the Group".

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are

fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets, are eliminated in full. Also, any unrealized gains and losses arising from intra-group transactions are eliminated on consolidation.

Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyals (SAR) which is the functional and reporting currency of the Group. All amounts have been rounded to the nearest Riyal, unless otherwise stated.

Use of estimates and judgments

The preparation of consolidated financial statements in conformity with generally accepted accounting standards requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results might differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below) except the change in the useful lives of intangible assets from 4 to 6 years) over all periods presented in these consolidated financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at bank and short-term liquid investments with original maturities of three months or less and which is available to the Group with no restrictions to use.

Held for trading investments

Investment in trade securities which are purchased for trading purposes are initially recorded at cost and then re-measured and stated in the balance sheet at market value and included under current assets. Realized gain or loss on sale of trading securities and changes in market value at balance sheet date are credited or charged to consolidated statement of income.

Available-for-sale investments

Available-for-sale investments consist of quoted and unquoted equity investments including mutual funds investments, which are not held for trading purposes and where the Group does not have any significant influence or control. These are initially recognized and subsequently re-measured at fair value. Any changes in fair value are recognized in equity as fair value reserve until the investment is disposed. On de-recognition, any cumulative gain or loss previously recognized in equity is included in the consolidated statement of income. Any significant and prolonged decline in fair value of the available-for-sale, if any, is charged to the statement of income. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, including investments in unquoted private equity, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same, otherwise the cost is considered to be the fair value for these investments.

Held to maturity investments

Investments having fixed or determinable payments and fixed maturity for which the management has a positive intention and ability to hold to maturity are classified as held to maturity. Held to maturity investments are initially recognized at fair value including direct and incremental transaction costs and subsequently measured at amortized cost, less provision for impairment in their value. Amortized cost is calculated by taking into account any discount or premium on acquisition using the effective yield method. Any gain or loss on such investments is recognized in the consolidated statement of income when the investment is derecognized or impaired. These investments are classified in current assets if their maturity falls within twelve months from the balance sheet date and in non-current assets if their maturity after twelve months from the balance sheet date.

Investments in equity accounted investees

Equity-accounted investees ("the Associates") are those entities in which the Group has significant influence, but not control, over the financial and operating policies, generally accompanying a shareholding between 20% and 50% of the voting rights. The associates are accounted for using the equity method which are initially recognized at cost including goodwill identified on acquisition. The Group's share in its investees' post-acquisition income and losses is recognized in the consolidated statement of income and its share in post-acquisition movements in reserves is recognized in the Group's equity.

Accounts receivables

Account receivables are stated at original invoice amount less provisions made for doubtful debts. A provision against doubtful debts is established when there is an objective evidence that the Group will not be able to collect the amounts due according to the original terms of receivables. Bad debts are written off when identified, against its related provisions. The provisions are charged to consolidated statement of income and any subsequent recovery of receivable amounts previously written off are credited to income.

Impairment of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the consolidated statement of income. Impairment is determined as follows:

- a) For asset carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the consolidated statement of income.
- b) For asset carried at cost, impairment is the difference between carrying amount and the present value cash flows discounted at the current market rate of return for a similar financial asset.
- c) For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.

For equity investments held as available-for-sale, a significant and prolonged decline in fair value below its cost represents objective evidence of impairment. The impairment loss can not be reversed through consolidated statement of income as long as the asset continues to be recognized i.e. any increase in fair value after impairment can only be recognized in equity. On de-recognition, any cumulative gain or loss previously recognized in equity is included in the consolidated statement of income for the period.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is charged to consolidated statement of income, while expenditure for betterment is capitalized. Depreciation is charged over the estimated useful lives of the applicable assets using the straight line method. The estimated lives of the principal classes of assets are as follows:

	Years
Computer hardware	4
Decorations, improvements, furniture and fixtures	10
Electrical supplies, equipment and office tools	6
Vehicles	4
Buildings	30

Intangible assets

All costs paid to acquire the intangible assets are capitalized. Intangible assets are stated at cost less accumulated amortization. The intangible assets of the Company are amortized over an estimated useful life 6 years using the straight-line method.

Impairment of non-financial of assets

The Group reviews on a regular basis the carrying amount of its non-financial assets to determine whether there is any indication that those assets have suffered impairment in value. In case such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

In circumstances where the recoverable amounts for the assets or the cash generating unit is estimated below its net book value, then the net book value for that asset or cash generating unit will be impaired to the recoverable amounts. Impairment losses are recognized immediately as expenses in the consolidated statement of income.

Provisions

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provision for end-of-service benefits

Employees' end-of-service benefits is calculated based on Group's internal policy of a month's salary for the first five years of employment, and one and a half month salary starting from the sixth year of the employees' service at the Group.

Revenue recognition

The trading commission revenue is recognized upon the completion of the trade transaction whereas revenue on other services is recognized upon delivery of the services. Part of total commissions and services provided by the Group are deducted in favor of CMA.

The annual services fees collected at the beginning of the contract are recorded as unearned revenues (Deferred) and is recognized in the consolidated statement of income over the term of the contract.

Expenses

Operating costs are those arising from the Company's efforts underlying the core activities. All other expenses, excluding operating costs are classified as general and administrative expenses. Allocations between general and administrative expenses and operating costs, when required, are made on a constant basis.

Zakat

Based on the GAZT letter number 2999/12 dated 5/6/1429 H, the Group will be subject to Zakat after the initial public offering and the participation of private sector in its share capital in accordance with the approval of the Minister of Finance on GAZT's study regarding this matter dated 24/5/1429 H. In addition, based on the GAZT letter number 16/33008 dated 28/12/1438H, the Group is not subject to Zakat as it is fully owned by the Public Investment Fund (a governmental agency) and hence no provision is calculated in these consolidated financial statements.

Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the consolidated statement of income.

Contingent liabilities

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with the control of the Group; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; all are assessed at each consolidated balance sheet date and disclosed in the Group's consolidated financial statements under contingent liabilities.

4. CASH AND CASH EQUIVALENTS

	2017	2016
Cash at bank (4.1)	169,057,827	9,398,138
Short-term Murabaha placements (4.2)	444,000,000	100,000,000
	613,057,827	109,398,138

- 4.1** This includes SR 150 million held with a local bank on account of share capital paid by the Company in relation to CCP (a company under formation) – (note 1).
- 4.2** Short-term Murabaha placements are with counterparties having good credit ratings. These placements have an original maturity period of three months or less. These placements carry an annual average special commission rate of 2.1% per annum (31 December 2016: 2.7% per annum).

5. INVESTMENTS

Investment securities portfolio is summarized as follows:

	2017	2016
Held-for-trading investments (5.1)	1,227,595,478	459,476,968
Held to maturity investments – current (5.2)	250,000,000	1,122,595,832
Available-for-sale investments (5.3)	88,635,408	76,118,292
Held to maturity investments – non-current (5.4)	1,020,000,000	1,370,000,000
	2,586,230,886	3,028,191,092

5.1 Held-for-trading investments

The cost and fair value of held-for-trading investments are as follows:

Description	2017		2016	
	Cost	Fair value	Cost	Fair value
Open-ended mutual funds	1,210,893,434	1,227,595,478	457,757,425	459,476,968
Total	1,210,893,434	1,227,595,478	457,757,425	459,476,968
Unrealized gain		16,702,044		1,719,543

5.2 Held to maturity investments – current

The details of held to maturity investments are as follows:

Description	Maturity date	2017	2016
Arabic National Bank Murabaha	18 January 2017	--	60,000,000
Saudi British Bank Murabaha	15 February 2017	--	100,595,832
Al Bilad Bank Murabaha	20 February 2017	--	150,000,000
Al Awwal Bank Murabaha	22 February 2017	--	150,000,000
Al Awwal Bank Murabaha	22 February 2017	--	70,000,000
Saudi British Bank I Sukuk	28 March 2017	--	27,000,000
Samba Finacial Group Murabaha	4 April 2017	--	150,000,000
Samba Finacial Group Murabaha	16 April 2017	--	150,000,000
Saudi Investment Bank Murabaha	23 April 2017	--	100,000,000
Al Jazira Bank Murabaha	10 May 2017	--	65,000,000
Gulf international Bank Murabaha	21 May 2017	--	100,000,000
Al Marai II Sukuk (Note 5.4)	31 March 2018	25,000,000	--
Power & Water utility Company Sukuk (Note 5.4)	28 May 2018	25,000,000	--
Al Awwal Bank Murabaha	12 June 2018	100,000,000	--
AlMarai III Sukuk (Note 5.4)	30 September 2018	100,000,000	--
		250,000,000	1,122,595,832

Murabaha placements and Sukuk are with counterparties having good credit ratings.

Sukuk carry an annual average special commission rate of 3.68% per annum (31 December 2016: 3.2% per annum).

Murabaha placements earn an average special commission rate of 2.3% per annum (31 December

2016: 3.14% per annum). These placements have an original maturity period of more than three months and less than twelve months.

5.3 Available-for-sale investments

The cost and fair value of available-for-sale investments are as follows:

Description	2017		2016	
	Cost	Fair value	Cost	Fair value
Real estate funds	79,275,000	88,635,408	79,275,000	76,118,292
Total	79,275,000	88,635,408	79,275,000	76,118,292
Unrealized gain/(loss)		9,360,408		(3,156,708)

5.4 Held to maturity investments – non-current

These represents investments in Sukuk issued by counterparties having sound credit ratings. The details of these investments are as follows:

Description	Maturity date	2017	2016
Al Awwal Bank III Sukuk	26 November 2017	--	100,000,000
Banque Saudi Fransi I Sukuk	18 December 2017	--	100,000,000
Al Marai II Sukuk (Note 5.2)	31 March 2018	--	25,000,000
Power & Water Utility Company Sukuk (Note 5.2)	28 May 2018	--	25,000,000
Al Marai III Sukuk (Note 5.2)	30 September 2018	--	100,000,000
Al Marai I Sukuk	7 March 2019	75,000,000	75,000,000
National Industrialization Company Sukuk	21 May 2019	100,000,000	100,000,000
Saudi Investment Bank Sukuk	5 June 2019	100,000,000	100,000,000
Banque Saudi Fransi II Sukuk	18 June 2019	100,000,000	100,000,000
National Petrochemical Company Sukuk	23 June 2019	50,000,000	50,000,000
Fawaz Abdulaziz Al Hokair & Company Sukuk	24 June 2019	40,000,000	40,000,000
Savola Group Company Sukuk	22 January 2020	75,000,000	75,000,000
Saudi British Bank II Sukuk	17 December 2020	100,000,000	100,000,000
General Authority of Civil Aviation Sukuk	18 January 2022	100,000,000	100,000,000
Al Awwal Bank IIII Sukuk	12 December 2023	150,000,000	150,000,000
Tadawul Real Estate Company Sukuk (Note 9.4)	3 December 2026	130,000,000	130,000,000
		1,020,000,000	1,370,000,000

Maturity periods of Sukuk vary between 1 to 10 years and these Sukuk carry an annual average special commission rate of 3.3% (31 December 2016: 3.2%).

6. ACCOUNTS RECEIVABLES

	2017	2016
Accounts receivables	25,363,180	8,947,705
Related parties (Note 9.1)	4,416,769	2,273,187
Less: Provision for doubtful debts (6.1)	(2,863,739)	(1,500,178)
	26,916,210	9,720,714

6.1 The movement of the provision for doubtful debts for the years ended 31 December is as follows:

	2017	2016
Balance at the beginning of year	1,500,178	1,237,134
Charge for the year	1,363,561	263,044
Balance at the end of year	2,863,739	1,500,178

7. PREPAID EXPENSES AND OTHER ASSETS

	2017	2016
Accrued special commissions income	6,626,376	15,441,714
Prepaid insurance expenses	6,839,732	6,886,582
Prepaid rent expenses	4,864,830	5,278,981
Accrued operational revenues	4,445,427	4,029,076
Advance to employees	4,514,536	2,664,701
Prepaid maintenance expenses	1,693,280	1,604,212
Others	2,581,582	5,750,502
Total	31,565,763	41,655,768

8. INVESTMENT IN AN EQUITY-ACCOUNTED INVESTEE

The Company owns 20% of share capital in Tadawul Real Estate Company ("the Associate"). The main activity of the Associate is to develop Tadawul's

head quarter in the King Abdullah Financial District, Riyadh.

The movement of investment in the Associate for the years ended 31 December is as follows:

	2017	2016
Balance at beginning of the year	81,846,474	82,532,816
Share in net loss	(2,409,809)	(686,342)
Balance at end of the year	79,436,665	81,846,474

9. TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of its activities, the Group transacts business with its related parties. Related parties include PIF ("the shareholder"), Tadawul Real Estate Company ("the Associate"), the Group's Board

of Directors, and key executives, and other entities, which are under common ownership through PIF ("Affiliates"), or have common directors on their Board ("Board of Directors"). Transactions are carried out on mutually agreed terms approved by the management of the Group.

9.1 The significant transactions with related parties in relation to the Group's core activities for years ended 31 December are as follows:

Nature of relationship	Nature of transactions		Total amount of transactions	
	Sales & marketing	Securities depository services	2017	2016
Affiliates	87,028,677	12,587,812	99,616,489	122,675,509
Board of Directors	5,741,559	19,820	5,761,379	9,428,854
Board of Directors/Affiliates	162,767,787	4,291,654	167,059,441	106,890,994
The associate	--	200,000	200,000	372,948

The receivables balance arising from the above transactions are as follows:

Nature of relationship	For the year ended 31 December 2017			
	Opening balance	Invoiced	Collections	Ending balance
Affiliates	1,119,214	99,616,489	(98,628,327)	2,107,376
Board of Directors	125,674	5,761,379	(5,878,230)	8,823
Board of Directors / Affiliates	661,002	167,059,441	(165,519,873)	2,200,570
The associate	367,297	200,000	(467,297)	100,000
Total	2,273,187	272,637,309	(270,493,727)	4,416,769

Nature of relationship	For the year ended 31 December 2016			
	Opening balance	Invoiced	Collections	Ending balance
Affiliates	159,734	122,675,509	(121,716,029)	1,119,214
Board of Directors	204,503	9,428,854	(9,507,683)	125,674
Board of Directors/Affiliates	523,738	106,890,994	(106,753,730)	661,002
The associate	893,385	372,948	(899,036)	367,297
Total	1,781,360	239,368,305	(238,876,478)	2,273,187

9.2 Other balances with related parties included in held for trading investments are as follows:

Nature of relationship	For the year ended 31 December 2017			
	Opening balance	Purchases	Unrealized gain	Ending balance
Board of Directors	125,108,631	550,227,893	9,365,242	684,701,766

Nature of relationship	For the year ended 31 December 2016			
	Opening balance	Purchases	Unrealized gains	Ending balance
Board of Directors	--	125,000,000	108,631	125,108,631

9.3 Other balances with related parties included within accounts payables are as follows:

Nature of relationship	For the year ended 31 December 2017			
	Opening balance	Services received	Payments made	Ending balance
Affiliate	6,860,051	5,546,936	(8,113,769)	4,293,218
Board of Directors	856,978	6,429,876	(5,610,236)	1,676,618
Total	7,717,029	11,976,812	(13,724,005)	5,969,836

Nature of relationship	For the year ended 31 December 2016			
	Opening balance	Services received	Payments made	Ending balance
Affiliate	7,574,729	11,880,162	(12,594,840)	6,860,051
Board of Directors	959,000	4,041,198	(4,143,220)	856,978
Total	8,533,729	15,921,360	(16,738,060)	7,717,029

9.4 Other balances with related parties included in held to maturity investments are as follows:

Nature of relationship	For the year ended 31 December 2017			
	Opening balance	Special commission earned	Collections	Ending balance
The associate	130,000,000	4,017,433	(4,017,433)	130,000,000

Nature of relationship	For the year ended 31 December 2016			
	Opening balance	Special commission earned	Collections	Ending balance
Associate	130,000,000	4,028,440	(4,028,440)	130,000,000

9.5 As of 31 December 2017, there were no discretionary portfolio held by the Company. However, comparative balance for discretionary portfolio classified as available-for-sale are:

Nature of relationship	For the year ended 31 December 2016				
	Opening balance	Purchases	Disposals	Realized loss	Ending balance
Board of Directors	213,014,491	4,845,511	(190,486,779)	(27,373,223)	--

10 PROJECTS UNDER PROGRESS

	For the year ended 31 December	
	2017	2016
Balance at the beginning of the year	29,144,844	41,388,404
Additions	7,546,297	15,799,373
Transfer to: property and equipment/intangible assets	(18,597,043)	(28,042,933)
Balance at the end of the year	18,094,098	29,144,844

As at 31 December 2017, projects under progress includes cost incurred in relation to projects for the development of Tadawul's IT infrastructure

amounting to SAR 14,846,100 (31 December 2016: SAR 23,004,432).

11. PROPERTY AND EQUIPMENT, NET

	Buildings	Lands	Computers equipment
Cost:			
Balance as at 1 January 2017	618,248	2,310,985	147,207,861
Additions	--	--	2,008,726
Transfers from projects under progress (Note 10)	--	--	1,768,592
Disposals	--	--	(787,947)
Balance as at 31 December 2017	618,248	2,310,985	150,197,232
Accumulated depreciation:			
Balance as at 1 January 2017	27,478	--	127,183,080
Charge for the year	20,608	--	9,930,423
Disposals	--	--	(787,947)
Balance as at 31 December 2017	48,086	--	136,325,556
Net book value:			
As at 31 December 2017	570,162	2,310,985	13,871,676
As at 31 December 2016	590,770	2,310,985	20,024,781

11.1 The allocation of depreciation expense between operating cost and general and administrative expense is as follows:

Description	2017	2016
Operating costs	2,088,621	9,489,603
General and administrative expenses	9,996,402	3,051,228
	12,085,023	12,540,831

Decoration and fixtures	Furniture and fixtures	Electrical machines and equipment	Tools	Vehicles	Total
11,160,192	9,533,405	11,653,139	6,554,407	1,656,350	190,694,587
164,304	67,754	88,390	38,396	--	2,367,570
--	276,384	105,000	14,580	--	2,164,556
--	(382,390)	(46,920)	(381,260)	--	(1,598,517)
11,324,496	9,495,153	11,799,609	6,226,123	1,656,350	193,628,196
9,264,104	7,154,779	10,047,059	5,667,821	907,462	160,251,783
583,493	452,007	560,949	254,776	282,767	12,085,023
--	(381,546)	(46,920)	(381,260)	--	(1,597,673)
9,847,597	7,225,240	10,561,088	5,541,337	1,190,229	170,739,133
1,476,899	2,269,913	1,238,521	684,786	466,121	22,889,063
1,896,088	2,378,626	1,606,080	886,586	748,888	30,442,804

12. INTANGIBLE ASSETS, NET

	2017	2016
Cost:		
Balance at beginning of the year	208,181,418	185,047,428
Additions	11,796,792	2,651,019
Transfers from projects under progress (Note 10)	16,432,487	20,482,971
Balance at end of the year	236,410,697	208,181,418
Accumulated amortization:		
Balance at beginning of the year	151,611,981	131,759,980
Charge for the year	18,460,527	19,852,001
Balance at end of the year	170,072,508	151,611,981
Net book value	66,338,189	56,569,437

13. ACCOUNTS PAYABLES

	2017	2016
Trade payables	45,147,105	53,013,611
Related parties (Note 9.3)	5,969,836	7,717,029
Total	51,116,941	60,730,640

14. ACCRUED EXPENSES AND OTHER LIABILITIES

	2017	2016
Accrued employees benefits	30,109,595	25,621,764
Accrued employees vacation allowance	14,443,096	14,254,402
Accrued social insurance	1,559,305	1,547,762
Others	2,399,341	1,120,998
Total	48,511,337	42,544,926

15. DEFERRED REVENUE

	2017	2016
Securities depository services	4,859,731	2,325,902
Market information services	369,182	159,412
Other services	600,884	164,256
Total	5,829,797	2,649,570

16. PROVISION FOR END-OF-SERVICE BENEFITS

The movement in provision for end-of-service benefits for the year end 31 December is as follows:

	2017	2016
Balance at beginning of the year	74,665,719	60,678,368
Charge for the year	16,326,613	18,712,844
Payments made during year	(6,208,090)	(4,725,493)
Balance at end of the year	84,784,242	74,665,719

17. PROVISION FOR SPECIFIC OBLIGATIONS

At the establishment of the Company, all rights, assets, liabilities, obligations, commitments and records were transferred from the Saudi Share Registration Company (a company which existed before the establishment of Tadawul) to the Company as at 30/11/1428 H (corresponding to 10 December 2007) under CMA Board Resolution number 1-202-2006 dated 08/02/1427 H and the decision of the Council of Ministers number 91 dated 16/04/1424 H. Accordingly, the Company is responsible for all obligations of the Saudi Share Registration Company.

The Company made a provision against the net assets transferred from the Saudi Share Registration Company. The provision was made in respect of any commitments or obligations arising from the operations of Saudi Share Registration Company. During the year ended 31 December 2016, the Company paid an amount of SAR 206,634 in respect of final zakat settlement of the Saudi Share Registration Company for the years from 2004 to 2006.

18. STATUTORY RESERVE

In accordance with the Company's By-laws and the previous Saudi Arabian Regulations for Companies, the Group sets aside 10% of its net income each year as statutory reserve until such reserve equals to 50% of the share capital. The new Saudi Arabian Regulations for Companies that came into effect on 25 Rajab 1437H (corresponding to May 2, 2016) requires companies to set aside 10% of its net income each year as statutory reserve until such reserve reaches 30% of the share capital. The Group is currently in the process of amending its By-laws as described in note 2. This reserve is currently not available for distribution to the shareholders of the Group.

19. GENERAL RESERVE

In accordance with the approval of the Chairman of CMA vide letter number 524/2007 dated 13 February 2007, a balance of the retained earnings was transferred to a contractual reserve, starting from 2006 for the purpose of financing the construction of Tadawul's headquarter in the King Abdullah Financial District and any other future purposes to be decided by the Company's Board of Directors. During the year 2008, the Board of Directors of the Company resolved according to a decision number 6/8/2008 to transfer such balance of the contractual reserve to general reserve.

20. OPERATING REVENUES

	For the year ended	
	2017	2016
Trading commission	304,287,195	209,375,731
Securities depository services	132,931,412	70,104,757
Market information services	63,027,657	32,899,592
Listing fee service	44,959,233	--
Other services	244,053	199,623
Total	545,449,550	312,579,703

Based on the instruction issued by the Saudi Arabian Monetary Authority ("SAMA") dated Rabi Al Thani 14, 1424 (corresponding to 15 June 2003), CMA's President approval dated Jumada Al Awwal 25, 1427 (corresponding to 22 June 2006) and the resolution issued by the Council of CMA No. 292/2010/ H dated Dul Hijjah 3, 1431 (corresponding to 9 November 2010), CMA was entitled to receive a financial return equivalent to 50% of the Group's total operating revenues. However, during the year ended 31 December 2016, in accordance with the Council of CMA resolution no. (1-179-2006), CMA's entitlement to receive a financial return on the Company's trading commission changed from 50% to 82% with effect from 17 July 2016.

During the year ended 31 December 2017, in accordance with the Council of CMA resolution no. (17/270/6) dated 18 January 2017, operating revenues arrangement between the Company and CMA changed to the following with effect from 1 January 2017:

- CMA's is entitled to receive a financial return on the Group's trading commission equivalent to 64 % of total trading commission. The Group shall collect this return and deposit into CMA's account based on its instruction; and
- The Group is entitled to keep 100% of operating revenues (other than trading commission, which is subject to above-mentioned return sharing arrangement).

Further, the Group shall pay an annual fixed return of SAR 130 million to CMA, in accordance with the Council of CMA resolution no. (17/268/6) dated 18 January 2017.

The Group charges a listing fee service, which represents initial subscription fees of the listed companies in addition to the annual renewal fees. The group commenced charging this fee during the second quarter of the current year, based on CMA approval dated 18 December 2017.

21. OPERATING COSTS

	For the year ended	
	2017	2016
CMA annual fees (Note 20)	130,000,000	--
Salaries and related benefits	95,379,257	102,947,136
Maintenance	26,568,525	35,712,070
Depreciation and amortization (Note 11,12)	17,422,656	27,556,916
Data network lines	7,513,733	10,687,670
Rent	3,376,435	5,588,737
Training	3,265,455	5,383,552
Consultancy	2,454,167	3,105,780
Security guards	1,290,709	1,674,930
Cleaning and hospitality	1,234,278	1,999,592
Utilities	1,001,668	1,393,720
Business trip	1,093,638	627,610
SAREE system usage fee	839,000	650,000
Communication	562,137	688,933
Others	2,146,683	2,841,844
Total	294,148,341	200,858,490

22. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended	
	2017	2016
Salaries and related benefits	110,771,136	96,571,482
Consultancy	23,049,853	28,523,410
Maintenance	14,334,731	4,260,576
Depreciation and amortization (Note 11,12)	13,122,894	4,835,916
Rent	10,430,129	7,404,798
Board of Directors' remuneration and allowances	6,429,875	4,216,700
Training	6,151,616	6,785,611
Outsourcing contracts	3,629,368	1,894,044
Marketing and advertisements	3,826,904	11,719,535
Hospitality and cleaning	2,121,525	1,923,123
Business trip	1,759,634	842,947
Security guards	1,928,209	1,422,735
License	1,275,954	615,443
Utilities	1,305,973	1,211,711
Employment fee	971,230	493,669
Membership	904,549	692,579
Trading activities insurance contracts	755,269	717,960
Communication	765,785	752,095
Stationery and office supplies	575,340	1,354,422
Others	5,271,348	4,230,593
Total	209,381,322	180,469,349

23. EARNINGS / (LOSS) PER SHARE

Earnings (loss) per share from main operations is calculated by dividing the income / (loss) from main operations by the weighted average number of shares for the year.

Earnings (loss) per share from non-operating income is calculated by dividing the income from non-operating income by the weighted average number of shares for the year.

Whereas, earnings per share from net income is calculated by dividing the net income by the weighted average number of shares for the year.

The weighted average number of shares of the Group was 120 million as at 31 December 2017 and 2016.

24. SEGMENT INFORMATION

The Group operates solely in the Kingdom of Saudi Arabia. For management purposes, the Group is organized into business units based on services provided. During the first quarter of 2017, the Group changed its reportable segments and organization

chart and all the revenue generating operations have been aggregated under a single segment 'General Department of Sales and Marketing' to increase the efficiency of operations. The revised segments of the Company are as under:

Sales and Marketing

This business unit's main objective is to grow business by improving products/services, attracting domestic listings, (in the longer term) foreign listings, and developing new asset classes. The responsibilities include maintaining the integrity, stability, and fairness of stock market operations. Its objective is to achieve outstanding results through operational excellence, collaboration with CMA, cost effectiveness, total customer experience management, and developing a capable work force. The Sales and Marketing Department is a new department resulted from the integration of departments of market information and money market that have been included in the previous organizational structure.

Securities depository services

Upon the request of the Company's Board of Directors, CMA approved the transfer of the Securities Depository Center (Edaa) into a joint stock company wholly owned by Tadawul under the name of the Securities Depository Center (Edaa).

The activities of "Edaa" include registration of investment portfolios in the filing and settlement system, register and file its ownership, transfer, settlement and clearing its ownership, registering any restriction of ownership on the file securities, and associate with members of the market and settlement agents to filing and settlement system. Further, "Edaa" links and manages records of securities

issuers, organizes general assemblies for issuers including remote voting service for such assemblies, provide reports, notifications and information in addition to providing any other service relating to its activities according to financial market regulations.

Headquarter

Headquarter manages future corporate development and controls all treasury related functions. All investments are incubated within this business segment, which also comprise managing strategy for business development, legal, finance, operations, human resources and customers' relation management.

2017	Sales and Marketing	Securities depository services	Headquarter	Total
Operating revenues	260,603,788	284,845,762	--	545,449,550
Operating costs	(171,053,196)	(123,095,145)	--	(294,148,341)
General and administrative expenses	--	--	(209,381,322)	(209,381,322)
Operations income / (loss)	89,550,592	161,750,617	(209,381,322)	41,919,887
Total assets	23,209,335	563,548,255	2,857,771,111	3,444,528,701
Total liabilities	47,005,123	78,430,237	94,119,314	219,554,674
2016				
Operating revenues	242,474,946	70,104,757	--	312,579,703
Operating costs	(146,032,859)	(54,825,631)	--	(200,858,490)
General and administrative expenses	--	--	(180,469,349)	(180,469,349)
Operations income / (loss)	96,442,087	15,279,126	(180,469,349)	(68,748,136)
Total assets	12,305,306	108,231,587	3,266,432,378	3,386,969,271
Total liabilities	5,836,135	3,738,876	204,705,677	214,280,688

25. FUTURE COMMITMENTS

Future commitments represent the value of the part not yet executed from supply contracts of assets and services to the Group, as follows:

	2017	2016
Purchase of assets	5,341,315	6,638,330
Committed expenditures	7,194,923	12,931,731
Letter of guarantee	1,147,940	1,147,940
	13,684,178	20,718,001

26. ZAKAT

Based on the GAZT letter number 2999/12 dated 5/6/1429 H, the Group will be subject to Zakat after the initial public offering and the participation of private sector in its share capital in accordance with the approval of the Minister of Finance on GAZT's study regarding this matter dated 24/5/1429 H. In addition, based on the GAZT letter number 16/33008 dated 28/12/1438H, the Group is not subject to Zakat as it is fully owned by the Public Investment Fund (a governmental agency) and hence no provision is calculated in the financial statements.

Based on GAZT request, the Group has submitted its Zakat returns for the years from 2007 to 2016.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

Commission rate risk is represented by the exposure to multiple risks related to the impact

of changes in commission rates in the market on the Group's financial position and cash flows. The Company monitors the fluctuations in commission rates and believes that the impact of commission rates risk is not significant.

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 therefore the management believes that it is not significantly exposed to currency risk.

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The financial assets exposed to credit risk comprise of cash and cash equivalents, accounts receivables, held to maturity investment and other receivables. Cash and cash equivalents and held to maturity investments are placed with local banks and other government, semi-government and private institutions with sound credit ratings. Accounts receivables are distributed over a number of accounts with good financial positions. As a result, there is no critical exposure to credit risk.

The below schedule shows the maximum limit for exposure to credit risk of the consolidated balance sheet elements:

	2017	2016
Cash and cash equivalents	613,057,827	109,398,138
Held to maturity investments	1,270,000,000	2,492,595,832
Accounts receivables	29,779,949	11,220,892
Accrued operational revenue	4,445,427	4,029,076
Accrued commission revenue	6,626,376	15,441,714
Advance to employee	4,514,536	2,664,701
	1,928,424,115	2,635,350,353

Liquidity risk is the risk that the Group will encounter difficulty in selling assets upon necessary and in a quickly manner to avoid any loss. Liquidity risk is managed by monitoring on a regular basis

that sufficient funds are available to meet any future commitments. The Group believes that it is not exposed to any significant risks of liquidity.

The below schedule shows an analysis of financial assets and liabilities based on the expected date of collection or settlement:

	2017			2016		
	Less than 12 months	More than 12 months	Total	Less than 12 months	More than 12 months	Total
Cash and cash equivalents	613,057,827	--	613,057,827	109,398,138	--	109,398,138
Held-for-trading investments	1,227,595,478	--	1,227,595,478	459,476,968	--	459,476,968
Held to maturity investments	250,000,000	1,020,000,000	1,270,000,000	1,122,595,832	1,370,000,000	2,492,595,832
Account receivables, net	26,916,210	--	26,916,210	9,720,714	--	9,720,714
Available-for-sale Investments	--	88,635,408	88,635,408	--	76,118,292	76,118,292
Total financial assets	2,117,569,515	1,108,635,408	3,226,204,923	1,701,191,652	1,446,118,292	3,147,309,944
Accounts payables	51,116,941	--	51,116,941	60,730,640	--	60,730,640
Balance due to CMA	11,881,482	--	11,881,482	16,258,958	--	16,258,958
Accrued expenses and other liabilities	48,511,337	--	48,511,337	42,544,926	--	42,544,926
End-of-service benefits	--	84,784,242	84,784,242	--	74,665,719	74,665,719
Provision for specific obligations	--	17,430,875	17,430,875	--	17,430,875	17,430,875
Total financial liabilities	111,509,760	102,215,117	213,724,877	119,534,524	92,096,594	211,631,118
Net financial assets	2,006,059,755	1,006,420,291	3,012,480,046	1,581,657,128	1,354,021,698	2,935,678,826

28. DIVIDENDS

The Ordinary General Assembly meeting held on 16 Rajab 1438 H (corresponding to 13 April 2017) approved the payment of dividends to shareholders for the year ended 31 December 2016 amounting to SAR 90,000,000.

29. COMPARATIVE FIGURES

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

30. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors on 29 Sha'ban 1439H, corresponding to 15 May 2018.

